MCX to launch crude oil options

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Multi Commodity Exchange, the country's largest commodity derivatives exchange, will launch options trading in Crude oil (100 barrels) futures from May 15. The exchange received SEBI approval for the launch last week.

Two crude oil options contracts expiring on June 15 and July 17 will be available for trading on the day of the launch. The lot size of the option contract is same as the underlying crude oil futures contract at 100 barrels.

MCX currently facilitates trade only in gold options and launched market making in options to boost liquidity. This is India's first crude oil options contract and on its expiry, the open position will devolve into the respective underlying futures position.

The contract has been designed to protect stakeholders from market uncertainties, said the exchange in a statement on Tuesday.

India is the world's third largest consumer of crude oil and is heavily dependent on imports. The crude options contracts would serve as hedging tool for SME sector and help them manage their energy price exposure.

Mrugank Paranjape, Managing Director, MCX said the option contract will provide the physical market participants an opportunity to hedge their risk at a fraction of cost.