MCX commences futures trading in Crude Mini

Mumbai, January 06, 2015: Multi Commodity Exchange of India Ltd (MCX), today, commenced futures trading in crude oil mini. The commodity markets regulator, Forward Markets Commission (FMC), has given the Exchange approval to offer trading in crude oil mini January 2015, February 2015, March 2015, April 2015, May 2015 and June 2015 contracts.

The contract specification of crude oil mini is similar to the existing crude oil contract on MCX. The lot size of Crude oil mini is 10 barrels.

With crude oil consumption as well as its price volatility rising, lack of effective risk management such as crude oil futures can hurt the earnings of entities linked directly or indirectly with the commodity. Moreover, MCX crude oil futures are traded in Indian Rupee; thus, mitigating the currency risk of the trade circuit. Therefore, by hedging on the MCX platform, the crude oil value chain participants can avoid risks encountered while hedging on international exchanges platforms.

There is a growing demand from the industry, especially the SME segment for crude mini contracts, which would help them hedge their energy price exposures. The crude oil mini contracts will facilitate price discovery and price risk management for the SMEs, small traders, manufacturers and physical market participants especially those from industries such as petro chemical, glass manufacturing, textile, heat treatment, plastic processing, etc., which have a fairly large consumption of crude oil by-products.

On the launch of crude oil mini futures**, Mr. P. K. Singhal, Jt. Managing Director, MCX** said, "MCX's mini contract in crude oil has been launched to cater to the felt needs of the physical market participants, especially the SMEs. With the launch of this contract, they will be able to size their positions better and control their price risks efficiently. Moreover, given the very large number of crude oil derivatives such as Bitumen, Furnace Oil, Asphalt, Naphtha etc., which are completely de-regulated, have their prices in sync with the crude oil prices. These industries can also use this contract to hedge their risks effectively."

Increasing volatility in the crude oil prices has made it imperative for the SMEs to look at price risk management options. They prefer small contract of 10 barrel viś-a-viś the existing 100 barrel contract as its sheer size necessitates higher leverage (1 barrel approximately equals 159 litres).

On this development, **Mr. Suresh Kumar Jain, General Secretary, Mysore Industries Association** said, "We welcome the launch of crude mini futures contract by MCX. The SMEs and the physical market participants will highly benefit from this contract, as it will be both beneficial and fruitful for them to hedge as per their requirements."

Mr. Jayant Manglik, President, Religare Securities, said, "Mini contract in crude oil will suit the hedging needs of small market players, who find it difficult to meet the high margin requirements of contracts with larger lot sizes."

MCX's existing mini contracts in Gold, Silver, Aluminium, Copper, Nickel, Lead and Zinc are very popular with the hedgers, especially the SMEs.

About MCX:

Having commenced operations on November 10, 2003, Multi Commodity Exchange of India Limited (MCX) is India's first listed, national-level, electronic, commodity futures exchange with permanent recognition from the Government of India. MCX offers the benefits of fair price discovery and price risk management to the Indian commodity market ecosystem. Various commodities across segments are traded on MCX. These include bullion, energy, metals and agri commodities. The exchange has forged strategic alliances with various Indian and International commodity exchanges and business associations.

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