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*Signs pact with IFMR for research centre*

Chennai, Feb. 15 Now that the Forward Contracts (Regulation) Amendment Ordinance, 2008 has been promulgated, banks and mutual funds will participate in the commodity markets in a big way, hopes Mr P.H. Ravikumar, Managing Director and Chief Executive, National Commodity & Derivatives Exchange of India (NCDEX).

The Ordinance basically gives more powers to the Forward Markets Commission, which regulates the commodity exchanges, and hence enhances regulatory oversight, reducing risks.

Of course, banks and mutual funds participating in the commodity exchanges will happen only after their respective regulators — the RBI and SEBI — allow them. However, both the regulators had taken a stand that they would allow the institutions to participate in the markets once the FCRA is passed. Therefore, it is only a matter of time before there are more institutional participants in the commodities markets, feels Mr Ravikumar.

Once there are more participants, the NCDEX would introduce options trading, he said.

The Ordinance was promulgated on January 25 and is expected to be ratified by the Parliament in the Budget session.

#### **Research centre**

Mr Ravikumar was here in connection with the NCDEX signing a MoU with the Chennai-based Institute for Financial Management and Research (IFMR).

IFMR and NCDEX will set up a dedicated Centre, NCDEX Centre for Research in Commodity Markets at IFMR for research and knowledge management in the area of commodity markets and derivatives.

The Centre would conduct certification courses for market participants and financial institutions and also organise seminars, workshops and conferences to generate awareness. The Centre will also act as commodity data bank for academic researchers.

Speaking to *Business Line*, Mr Ravikumar said that NCDEX wanted to introduce coal futures. He said that large players such as Indian Oil Corporation today could not lock in prices (by buying futures) because there were not so many sellers as necessary for the magnitude of IOC's needs.

This again could change when large institutional participants entered the markets.

He said that daily volumes at NCDEX amount to about Rs 3,500 crore.

This is less than what it was in 2006-07, but substantially higher than the low of around Rs 1,700 crore a few months ago.

Also, the value of commodities stored in warehouses accredited by NCDEX has risen to around Rs 800 crore from around Rs 550 crore a year ago.

Earlier, speaking at the MoU signing function, Mr Ravikumar said that NCDEX had a huge bank of data pertaining to prices of commodities in its possession — good raw material for research. He called upon educational institutions to use the data for research.

For example, the exchange has data for futures prices for the last four years, spot prices for the last about 12 years and rainfall data for the last half century.

He said that the task before the commodity exchanges was to get the small farmers to participate. At present, the minimum tradeable lot is one truck load — which is today at least 9 tonnes. NCDEX is talking to Tata Motors, asking it to introduce a 3-tonne truck for farmers' use.

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