Norms Issued for Derivatives Trading on Commexes

Market regulator Sebi has issued eligibility criteria for allowing, retaining and reintroduction of commodities for trading in the futures market.

For any commodity to continue to be eligible for futures trading on a commodity exchange, it should have an annual turnover of over 500 crore across all national commodity derivatives exchanges in at least one of the last three financial years. For validating this criteria, a gestation period of three years is provided for commodities from the launch date relaunch date, as applicable.

Once a commodity becomes ineligible for derivatives trading due to not satisfying the retention criteria, the exchanges shall not reconsider such commodity for relaunching contract for a minimum period of one year.

Further, a commodity which is discontinued suspended by an exchange on its platform, it shall not be reconsidered by the concerned exchange for relaunching of derivatives contract at least for a minimum period of one year. Issues such as size of market, standardisation of commodity, durability or storability, geographical coverage, ease of doing business in correlation with international markets, etc, should be examined according to Sebi criteria.

For instance, stock limits, price controls make a commodity less conducive to futures trading, while those that are highly volatile are more conducive as futures contracts on them can be used for hedging.

Exchanges like NCDEX, MCX and NMCE have been asked to use the aforesaid parameters for existing contracts and directed to submit results of this template to Sebi within 3 months.

(Economic Times)