
A Study of Commodity Derivative Market in India: Regulation, Development and Current Scenario

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Introduction

Commodity derivatives though present in India from late part of eighteenth century has emerged as an actively traded item only after the encouragement of commodity derivative exchanges during last decade. But it has grown to a significant level during last few years. Ever since its inception the market has witnessed suspensions and regulatory issues related to various commodities.

Derivatives are financial contracts whose value is derived from the price of the underlying asset. The underlying assets can be shares, bonds, commodities, bullion, gold or any such assets. At the global level derivatives trading started with agricultural products to protect the farmers from price of their crop going below the cost price. The first organized exchange, the Chicago Board of Trade was established in 1848. In 1874, Chicago Mercantile Exchange was formed. These two exchanges are the two largest commodity derivatives exchanges in the world.

Derivatives are used to decrease price risk arising from unexpected price changes. Future and option trading therefore help in hedging the price risk and also offers investment opportunity to speculator who is willing to assume price risks for a return. Non-hedging of the Price risk would increase the volatility of quarterly earnings of the farmers. Thus, future and option market perform important function that cannot be ignored in modern business environment. At the same time, excessive speculative activities in essential commodities would weaken the market and therefore, these markets are regulated as per the law of the country.

Objectives of the Study

1. To study the structure and regulatory framework of commodity derivatives market in India.
2. To study the development of commodity futures market in India.
3. To analyse the current position of commodity futures market in India.

Research Methodology

The present study has been conducted with empirical analysis of status of commodity derivatives market in India with the use of secondary data. Data and information for the research study has been collected from commodity market and their various publications, text books, research journals and various internet sources like www.sebi.gov.in, www.ndex.com, www.mxc.com, www.nmce.com.

Evolution of Indian Commodity Market

The first commodity futures exchange was established in 1875, in Mumbai, by Bombay Cotton Traders Association. Later many exchanges came up for futures trade in various commodities in different parts of the country. The futures trading in oilseeds began in 1900 with the establishment of Gujrati Vyapari Mandali, with futures trading in groundnut, castor seed and cotton. Futures trading in wheat was existent at several places in Punjab and Uttar Pradesh. But the most notable futures exchange for wheat was Chamber of Commerce at Hapur set up in 1913. Futures trading in Bullion Commenced in Mumbai in 1920. Calcutta Hessian Exchange Ltd. Was set up in 1919 for futures trading in raw jute and jute goods. But organised futures trading in raw jute started only in 1927 with the launch of east Indian Jute Association Ltd. These two associations amalgamated in 1945 to form the east India Jute and Hessian Ltd. to run organised trading in both Raw Jute and Jute goods. During the post-independence period saw various regulatory decisions.

The Forward Contract (Regulation) Act was enacted in 1952 and the FMC or the Forward Market Commission was established in 1953 under the Ministry of Consumer Affairs. The mid 1960's witnessed an unprecedented rise in prices of major oil and oilseeds as a result of a sharp fall in output. Futures trade was banned in most commodities to contain speculation, which the government attributed to rising inflation. After the ban of futures trade, all the exchanges went out of business and many traders started resorting to unofficial and informal trade in futures. On the recommendation of the Khusro committee in 1980, government reintroduces futures on some selected commodities including cotton, jute, potatoes, etc.

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Structure of Commodity Market in India Prior to FMC-SEBI Merger

The Forward Contracts (Regulation) Act, 1952 was passed after independence which had the forward contracts being regulated in commodities all over India. The Act was applicable to goods, which were defined as any a movable property apart from currency, security, and actionable claims. Options trading in commodities were prohibited by the Act. Under the Act, exchanges which were recognized by the Government and were allowed to permit forward trading in the regulated commodities.

The Act provided for three-tier regulation:

- i. The Forward Markets Commission (FMC) would provide the regulatory supervision under the powers given to it by the Government.
- ii. The Exchange which allowed forward trading in commodities could also regulate trading daily.
- iii. The Department of consumer Affairs, under the Ministry of Consumer Affairs, Food & Public Distribution, is the final regulatory agency.

Merger of the Forward Market Commission (FMC) with Securities and Exchange Board of India (SEBI)

In the Union Budget for financial year 2015-16, the Central Government proposed merger of Forward Markets Commission (FMC) with the Securities and Exchange Board of India (SEBI) from September 28, 2015. The merger would facilitate convergence of rules, taking advantage of economies scale for the exchanges and other stakeholders. SEBI has expertise in efficiently regulating the securities market over 25 years and the extensive powers to regulate the markets. With the commodity derivatives market being brought under SEBI it is expected that the commodity derivatives market will be on par with the securities market in terms of new products and participants, technology, risk management, regulations, surveillance, enforcement framework, regulation/code of conduct for intermediaries, investor protection and supervision. A Separate department named 'Commodity Derivatives Market Regulation Department' (CDMRD) was created to facilitate integration of work culture of FMC with SEBI.

Reforms in Commodity Derivatives Market after SEBI-FMC Merger

The government announced the merger of the Securities and Exchange Board of India with the Forward Markets Commission to have a unified regulator for equity and commodity markets. SEBI has announced a slew of reforms in the commodity derivative markets.

29 September 2015: SEBI introduces new eligibility and net worth norms for registration of members of commodity derivatives exchanges. The norms were made similar to those required for dealing in equities and all members were required to meet the eligibility criteria by 28 September 2016.

01 October 2015: SEBI introduces tighter risk management framework in terms of assets to set up an exchange, net worth criteria, margin requirements, settlement guarantee fund, base minimum capital. The norms were made similar to those required by equity exchanges and were supposed to be implemented by 01 January 2016.

21 October 2015: SEBI introduces separate risk management norms for regional commodity derivatives exchanges.

26 November 2015: SEBI issues timelines for all commodity exchanges to comply with various requirements of Securities Contract (Regulations) Act, including norms on corporatization and demutualization, clearing and settlement, regulatory fee, net worth, ownership, governance, formation of various exchange-level committees, delisting, dematerialization of securities and so on.

9 December 2015: SEBI directs commodity bourses to submit monthly development reports, starting from April 2015.

11 January 2016: SEBI introduces exit norms for commodity bourses.

29 January 2016: SEBI reduces both overall position limit and near month open position limit both at client and member level for agricultural commodities.

17 March 2016: SEBI allows trading in commodity derivatives at International Financial Services Centres (IFSC). Stock exchanges operating in IFSC permitted to deal in commodity derivatives.

29 March 2016: SEBI introduces tighter cyber security and cyber resilience framework for commodity bourses to improve governance, protection and monitoring standards among others. The new norms will be effective from 01 January 2017

25 April 2016: SEBI orders regular compulsory disclosure of proprietary trading by commodity brokers to their clients to enhance transparency in the dealings between stock brokers and clients in commodity derivatives market.

11 August 2016: SEBI mandates annual system audit of stock brokers and trading members of national commodity derivatives exchanges, somewhat similar to that in the equity space.

19 August 2016: To facilitate larger participation in the commodities market, SEBI allows exchanges to offer incentives to hedgers and grant hedge limits to their members and clients in addition to the normal position limit allowed to them.

30 August 2016: SEBI directs commodity bourses to disseminate derivatives prices through SMS or any other electronic medium (instant messengers, email, etc.) for all commodities to the subscribers on a daily basis free of cost.

02 September 2016: SEBI directs exchanges to adopt stronger spot price polling mechanism for commodities and enhance disclosures related to such mechanism.

7 September 2016: SEBI stipulates first trading day limit and daily price limits for trading in non-agricultural commodity derivatives.

20 September 2016: SEBI prescribes tighter norms for commodity futures to be eligible to be traded on exchanges on a continuous basis. Stricter norms with regards to modification of contracts introduced to prevent abrupt changes in contract terms or sudden discontinuation of futures contracts. SEBI orders exchanges not to modify anything in a continuously trading contract without prior information and a SEBI approval.

26 September 2016: SEBI strengthens investor protection fund norms for commodity bourses.

20 January 2017: SEBI floated a discussion paper asking suggestions on ways to price and settle commodity options contracts.

Indian Commodity Derivatives Market- Key Indicators

In 2017-18, the Indian commodity derivative markets were affected by demand and supply imbalances, changes in domestic policies relating to tax, trade and tariffs, geopolitical tensions and commodity specific factors, including weather conditions.

Table 1 provides a snapshot of the key indicators of the domestic commodities futures segment for year 2016-17 and 2017-18.

Table 1: Major Indicators of the commodity Derivatives Market

Items	2016-17	2017-18
Indices		
<i>NCDEX Dhaanya</i>		
Year-end	3,081	3,037
Average	3,134	3,007
<i>MCDEX Comdex</i>		
Year-end	3,243	3,663
Average	3,154	3,344
Annualised Volatility (in %)		
NCDEX Dhaanya	10.6	10.9
MCX Comdex	11.8	9.8
Total Turnover (Rs. Crore)		
All-India	64,99,637	60,22,530
NCDEX	5,96,852	5,89,497
MCX	58,65,661	53,93,350
NMCE	28,442	34,591
ICEX	Na	2,158
Hapur Commodity Exchange	7,923	2,934
Rajkot Commodity Exchange Ltd	759	NA
No. of permitted commodities		
NCDEX	25	26
MCX	16	19
NMCE	13	11
ICEX	0	3
Hapur Commodity Exchange	1	1
[Note: There was no trading at Rajkot Commodity Exchange during 2017-18,		

Trading at ICEX commenced from August 28, 2017.]

Source: MCX, NCDEX, NMCE, ICEX, Hapur Commodity Exchange and Rajkot Commodity Exchange Ltd.

Trading activity at commodity derivatives exchanges eased down in 2017-18 as compared to previous year 2016-17. The aggregate turnover at the commodity exchanges witnessed a fall due to lower trading volumes in Bullion, Energy and Agriculture segment during the year. On the other hand, the trading in metal segment exhibited significant increase in 2017-18. Among commodities traded at exchange platform, Crude oil was the highest traded commodity in terms of both volume and value. In 2017-18, crude oil futures accounted for 24 per cent of the total turnover of all commodity exchanges, while it constituted around per cent of the total trading volumes during the year. Improving global growth outlook and extension of agreement to curb oil production by OPEC as well as non-OPEC oil producing states supported the crude oil prices in 2017-18.

As regards trading in agriculture segment, aggregate trading volumes of all exchanges marginally increased during the year, however, turnover declined due to lower commodity prices in 2017-18 as compared to previous year. According to second advance estimates of National Income released by CSO, the growth for agriculture and allied sectors is estimated at 3.0 per cent in 2017-18 as against 6.3 per cent in 2016-17. In spite of better agriculture output, the growth rate moderated in 2017-18 due to high output in base year i.e. 2016-17, after a drought hit low production year 2015-16.

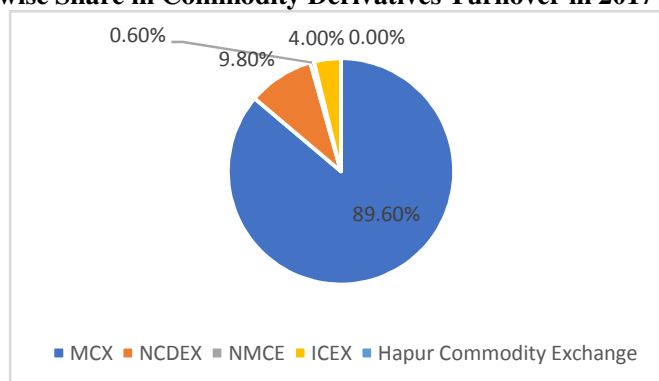
MCX Comdex and NCDEX Dhaanya, are the two benchmark indices in Indian commodities derivatives market, which reflect the broad movement in the commodity prices. While MCX Comdex is a composite index of three sub- indices viz., MCX Metal, MCX Energy, and MCX Agriculture, NCDEX Dhaanya is represented by 10 Agricultural commodities. During 2017-18, MCX Comdex increased by 12.9 per cent to close at 3,663 on March 31, 2018. An increase in MCX Comdex was driven by significant surge in prices of Crude Oil, Nickel, Zinc, Mentha Oil and Crude Palm Oil during the year, which was partially offset by de-cline in prices of Natural Gas, Cardamom and Cotton. On the other hand, NCDEX Dhaanya declined by 1.4 per cent and closed at 3,037 on March 31, 2018, due to fall in prices of Chana, Castor seed, Jeera, Cotton seed oil cake and Coriander, which outweighed the gains by Soybean, Guar seed and other constituent commodities during the year.

Permitted commodities

During 2017-18, the total number of commodities permitted for trading at MCX increased to 19 due to inclusion of two new commodities in Agriculture and one commodity in Metal segment. In 2016-17, 16 commodities were permitted for trading at MCX. At NCDEX, the total number of permitted commodities increased to 26 in 2017-18 from 25 in previous year. NCDEX reported addition of two commodities in agriculture segment, along with reduction of one in Bullion segment. In 2017-18, the number of commodities permitted for trading at NMCE decreased to 11 from 13 in previous year.

Turnover/Volume Traded/Open Interest

The aggregate turnover at all the exchanges in commodity derivative segment decreased by 7.3 per cent to Rs. 60,22,530 crores in 2017-18 from Rs. 64,99,637 crores in 2016-17. The lions' share in the all-India turnover was recorded at MCX (89.6 per cent), followed by NCDEX (9.8 per cent) and NMCE (0.6 per cent). In terms of the total volume traded in Commodity futures also, MCX held the dominant position with 82.8 per cent share followed by NCDEX (16.2 per cent) and NMCE (0.9 per cent).

Figure 1: Exchange-wise Share in Commodity Derivatives Turnover in 2017-18

In 2017-18, the total turnover at MCX decreased by 8.1 per cent (to Rs. 53,93,350 crore), as compared to a decline of 1.2 per cent (to Rs. 5,89,497 crore) at NCDEX and a substantial increase of 21.6 per cent (to Rs. 34,591 crore) at NMCE. Relatively higher decline at MCX lead to shift in percentage share in total turn-over from MCX (-0.7 percentage points) to NCDEX (+0.6 percentage points) and NMCE (+0.1 percentage points).

During the year, turnover in Bullion segment recorded the highest decline of 32.7 per cent over 2016-17, followed by 7.2 per cent fall in energy segment and 4.1 per cent drop in Agri segment of all exchanges. On the contrary, Metal segment posted an increase of 20.4 per cent in turnover in 2017-18 as compared to previous year. Open Interest at all the exchanges, increased by 18.9 per cent to Rs.16,353 crores at the end of 2017-18 from 13,749 crore at the end of 2016-17. (Table 2 and 3).

ICEX launched the world's first diamond derivatives contracts on August 28, 2018 and recorded a turnover of Rs. 2,158 crores during 2017-18. While, at Hapur commodity exchange, the commodity specific exchange for Rape/Mustard seed, the total turnover in 2017-18 was Rs. 2,934 crores, lower by 63.0 per cent from Rs. 7,923 crores in previous year.

Table 2: Trends in Commodity Futures at National Commodity Exchanges for the year 2016-17

Exchange		MCX	NCDEX	NMCE	ICEX
No. of Trading Days		260	260	247	NA
Commodities					
Agriculture	Volume	30,87,740	17750779	1230289	NA
	Turnover	1,39,312	596530	28442	NA
Metals	Volume	6,44,21,776	0	0	NA
	Turnover	17,53,887	0	0	NA
Bullion and Precious Stone	Volume	37151550	1182	0	NA
	Turnover	20,40,270	322	0	NA
Energy	Volume	11,78,49,477	0	0	NA
	Turnover	1932191	0	0	NA
Total	Volume	22,25,10,543	17751961	1230289	NA
	Turnover	58,65,661	596852	28442	NA

Source: MCX, NCDEX, NMCE and ICEX

Table 3: Trends in Commodity Futures at National Commodity Exchanges for the year 2017-18

Exchange		MCX	NCDEX	NMCE	ICEX
No. of Trading Days		254	248	246	151
Commodities					
Agriculture	Volume	23,17,338	1,51,87,625	16,53,247	0
	Turnover	1,14,082	5,89,497	34,591	0
Metals	Volume	68133042	0	0	0
	Turnover	2112532	0	0	0

Bullion and Precious Stone	Volume	27840060	0	0	46
	Turnover	13,63,703	0	0	2158
Energy	Volume	10,76,34572	0	0	0
	Turnover	17,92678	0	0	0
Total	Volume	22,2510543	15187625	1653247	46
	Turnover	5865661	589497	34591	2158
Source: MCX, NCDEX, NMCE and ICEX					

Trading in Commodity Options

In a major development in commodities derivatives market, SEBI permitted trading in options in 2017-18. MCX, launched India's first commodity options in Gold on October 17, 2017. The Gold option contract at MCX are European styled options with Gold futures as the underlying asset. In 2017-18, the notional turnover in Gold Options traded at MCX stood at Rs. 10,354 crores. Further, on Jan 14, 2018 NCDEX launched the options trading in Guar seed, which is the first agricultural commodity options in India. In 2017-18, the notional turnover in Guar Seed Options traded at NCDEX stood at Rs 298 crores. (Table 4).

Table 4: Trading in Commodity Options in 2017-18

Sr. No	Name of the Commodity	Exchange	Annual Traded Volume (tonnes)	No. of Contracts traded	Annual Turnover
1	Gold	MCX	35	34,752	10,354
2	Guar Seed	NCDEX	66,090	6,609	298
Source: MCX, NCDEX					

Product Segment-wise Turnover/Volume traded

Of the aggregate all India turnover in commodity derivatives, 87.7 per cent was contributed by non-agricultural commodities and remaining 12.3 per cent by agricultural commodities in 2017-18. As compared to previous year, share of agricultural commodities increased to 12.3 per cent in 2017-18 from 11.9 per cent in 2016-17. In 2017-18, Metals accounted for the highest share in total turnover (35.1 per cent) as compared to Bullion in previous year, followed by energy (29.8 per cent) and Bullion & Precious stone (22.9 per cent). (Figure 2). In 2017-18, at MCX, the share of Metal segment turnover increased significantly to 39.2 per cent from 29.9 per cent in previous year. Energy contributed 33.2 per cent share in turnover followed by Bullion at 25.5 per cent and agriculture at 2.1 per cent. At NCDEX and NMCE, the entire turnover was contributed by agriculture segment.

Figure 2: Product Segment-wise Share in All-India Commodity Futures' Turnover 2016-2017

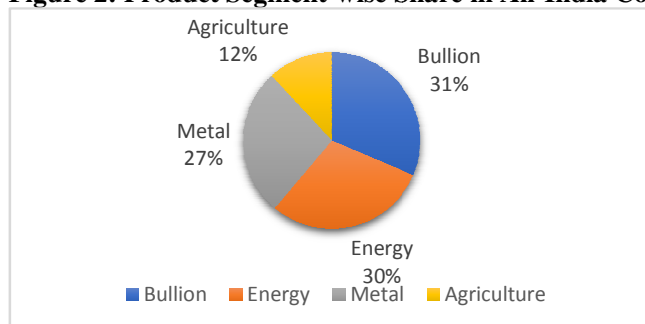
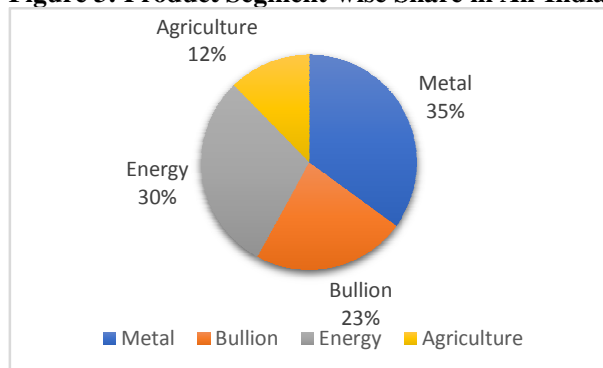


Figure 3: Product Segment-wise Share in All-India Commodity Futures' Turnover 2017-2018**Exchange-wise and segment-wise participation of market participants**

At MCX, client trades contributed for 64.6 per cent of the turnover in agricultural segment in 2017-18, while it was 79.4 per cent for non-agricultural segment. At the end of 2017-18, clients held 85.1 per cent of the total open interest in agricultural commodities and 79.0 per cent of the total open interest in non-agricultural commodities traded at MCX. At NCDEX, 59.0 per cent of the turnover in 2017-18 was from client trades, while remaining 41.0 per cent was from proprietary trades. Client trade accounted for 79.1 per cent of the total open interest at the end of 2017-18. At NMCE, 98.0 per cent of the turnover during the year was from the client trades. In open interest terms, at the end of 2017-18, 99.2 per cent of the open interest was held by client trades and remaining by the proprietary trades (Table 5).

Table 5: Participant-wise Percentage Share in Turnover & Open Interest at MCX, NCDEX and NMCE

Exchanges	Turnover (Percentage Share)				Open Interest at the end of period (Percentage Share)			
	Agricultural Commodities		Non-Agricultural Commodities		Agricultural Commodities		Non-Agricultural Commodities	
MCX 2016- 2017	35.3	64.7	19.6	80.4	10.7	89.3	18.2	81.8
2017-2018	35.4	64.6	20.6	79.4	14.9	85.1	21.0	79.0
NCDEX 2016- 2017	41.6	58.4	73.6	26.4	20.7	79.3	NA	NA
2017-2018	41.0	59.0	NA	NA	20.7	79.1	NA	NA
NMCE 2016- 2017	4.8	95.2	NA	NA	1.0	99.0	NA	NA
2017-2018	2.0	98.0	NA	NA	0.8	99.2	NA	NA

Source: MCX, NCDEX, NMCE

Agricultural Commodities

Overall agriculture segment accounted for 12.3 per cent share in total turnover of all exchanges in 2017-18, while at MCX, the share of agricultural commodities in the total turnover at the exchange was 2.1 per cent. Crude Palm Oil (CPO) was the most traded Agricultural commodity with a percentage share of 0.8 per cent in the total turnover at the exchange. In terms of traded value, other than CPO, Cotton and Mentha Oil were the major Agricultural commodities traded at MCX, during 2017-18.

Table 6: Trends in Agricultural Commodities Traded at MCX in 2017-18

Sr. No.	Name of the Commodity	Annual Traded Volume ('000 tonnes)	No. of Contracts Traded	Annual Turnover (Rs. Crore)	Percentage Share in total turnover of the exchange
1	CPO	7,879	7,87,928	42,295	0.8
2	Cotton	3,494	8,22,123	41,255	0.8

3	Mentha Oil	233	6,48,472	29,628	0.6
4	Cardamom	5	52,336	576	0.0
5	RBD Palmolein	33	3,326	179	0.0
6	Pepper	3	3146	149	0.0
7	Castor Seed	0	5	0	0.0
8	Kapas	0	2	0	0.0
	Total	11,648	23,17,338	1,14,082	2.1

Source: MCX

At NCDEX, Guar Seed was the most traded agricultural commodity with a percentage share of 22.2 per cent in the total turnover at the exchange. Soybean with a share of 13.0 per cent, followed by Soy Oil (12.6 per cent), Guargum (11.0 per cent) and Chana (9.6 per cent) were the other most traded commodities at NCDEX during the year. The top 5 agricultural commodities contributed 68.2 per cent of the turnover at NCDEX. (Table 7)

Table 7: Trends in Agricultural Commodities Traded at NCDEX in 2017-18

Sr. No.	Name of the Commodity	Annual Traded Volume ('000 tonnes)	No. of Contracts Traded	Annual Turnover (Rs. Crore)	Percentage Share in total turnover of the exchange
1	Gaur seed	33,122	33,12,231	1,30,686	22.2
2	Soybean	23,669	23,66,879	76,485	13.0
3	Soy Oil	10,847	10,84,724	74,070	12.6
4	Guargum	7,577	15,15,374	64,616	11.0
5	Chana	11,902	11,90,239	56,382	9.6
6	R M Seed	10,860	10,86,020	41,993	7.1
7	Castor seed	9,189	9,18,902	41,212	7.0
8	Jeera	1,710	5,69,869	32,285	5.5
9	Cotton Seed Oil	14,776	14,77,560	25,100	4.3
10	Kapas	3,775	9,43,747	17,719	3.0
	Total	127,427	144,65,545	560,547	95.1

Source: NCDEX

At NMCE, Rape/Mustard Seed was the most traded Agricultural commodity with a percentage share of 25.6 per cent in the total turnover of the exchange, followed by Raw Jute at 24.2 per cent and Isabgul seed (20.7 per cent). The top 3 commodities accounted for 70.6 per cent share of total turnover at NMCE. (Table 8)

Table 8: Trends in Agricultural Commodities Traded at NMCE in 2017-18

Sr. No.	Name of the Commodity	Annual Traded Volume ('000 tonnes)	No. of Contracts Traded	Annual Turnover (Rs. Crore)	Percentage Share in total turnover of the exchange
1	Rape/Mustard seed	2,698	12	8,866	25.6
2	Raw Jute	2,116	14	8,375	24.2
3	Isabgul seed	658	9	7,173	20.7
4	Castor Seed	1,043	14	4,659	13.5
5	Guar seed	822	12	3,186	9.2
6	Rubber	175	17	2,306	6.7
7	Pepper Mini	1	13	27	0.1
	Total	7,512	91	34,591	100

Source: NMCE

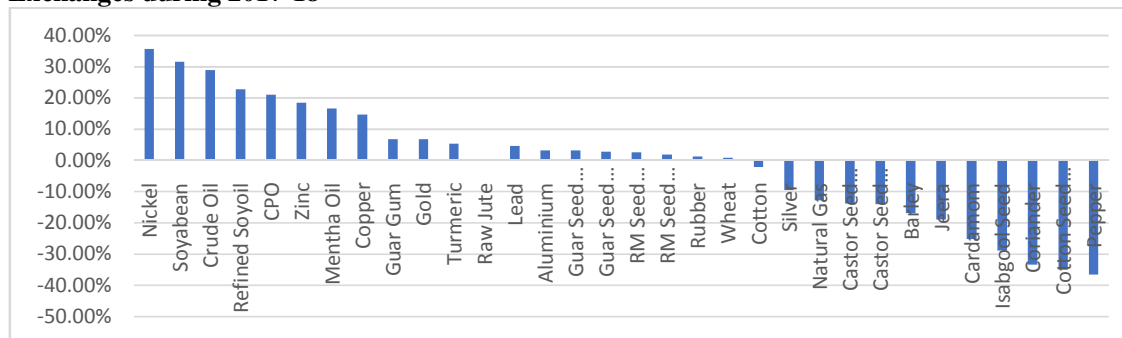
Commodity Price Trend

During 2017-18, futures prices of commodities traded at commodity derivatives exchanges witnessed divergent trends. Among Non-Agricultural commodities, Nickel futures traded at MCX reported the

highest gain of 35.7 per cent during the year, followed Crude Oil (28.9 per cent) and Zinc (18.5 per cent). While, Soybean, Refined Soy Oil and Crude Palm Oil were the top gainers in Agricultural segment, recording an in-crease in futures prices by 31.6 per cent, 22.7 per cent, 21.0 per cent, respectively during the year.

In 2017-18, Natural Gas, Silver, were the only non- Agricultural commodities, which recorded decline in futures prices by 12.8 per cent and 9.5 per cent, respectively. On the other hand, Pepper, Cotton seed oil cake and Coriander were the top losers in Agricultural segment observing a fall of 36.5 per cent, 35.0 per cent and 33.3 per cent in respective futures prices. (Figure 4).

Figure 4: Movement in Futures Prices (Year-On-Year) of the Commodities Traded At Commodity Exchanges during 2017-18



Volatility in the Commodity Derivatives Market

At MCX, Natural Gas was the most volatile commodity during 2017-18 with 2.2 per cent daily volatility in futures prices, followed by Mentha Oil (2.0 per cent) and Cardamom (1.8 per cent). The volatility in spot prices of Natural gas during the year was 2.3 per cent, while that Mentha Oil and Cardamom was 2.1 per cent and 1.1 per cent, respectively.

In 2017-18, Jeera was the most volatile commodity traded at NCDEX with daily volatility in futures prices at 2.0 per cent, followed by Chana at 1.9 per cent and Guargum at 1.7 per cent. The spot price daily volatility for Jeera was relatively lower at 0.7 per cent, while it was at the same level in case of Chana and Guargum.

At NMCE, Guar seed was the most volatile commodity during 2017-18, with a daily volatility of 1.7 per cent in futures prices, followed by Castor seed with futures price volatility of 1.6 per cent and Rubber at 1.4 per cent.

Conclusion

India is one of the top producers of a large number of commodities, and also has a long history of trading in commodities and related derivatives. The commodities derivatives market has seen ups and downs. The market has made huge progress in terms of technology, transparency and the trading activity. SEBI took over the Regulation of the Commodity Derivatives market on September 28, 2015 as a result of merger of FMC with SEBI. Taking over the Regulation of the new sector and bringing it at par with the Regulation of the securities market was a lengthy process which involved Gap Analyses, widespread consultation with stakeholders, amendment to various Regulations, integration of trade data with our integrated surveillance system, upgrading the risk management framework, improving governance system of Exchanges and laying down an elaborate mechanism for investor grievance redressal and arbitration, capacity building and necessary organizational restructuring. On the regulatory front, SEBI continued to further reform, support and deepen the commodity derivative markets through various initiatives in 2017-18, which included introduction of commodity options, expansion of futures into more commodities, permission to category III AIFs to participate in commodity derivative trading, principle based methodology to fix open position limits for agricultural commodities vis-à-vis 'deliverable supply' etc., to name a few. The permission granted by SEBI to trade diamond futures and brass futures has resulted in India becoming pioneer in these products in the global commodity derivative trading map. Trading activity at commodity derivatives ex-changes eased down in 2017-18 as compared to previous year. The aggregate turnover at the commodity exchanges witnessed a fall due to lower trading volumes in Bullion, Energy and Agriculture segment during the year. On the other hand, the trading in metal segment exhibited significant increase in 2017-18. The aggregate turnover at all the exchanges in commodity

derivative segment decreased by 7.3 per cent to Rs. 60,22,530 crores in 2017-18 from Rs. 64,99,637 crores in 2016-17. Among commodities traded at exchange platform, Crude oil was the highest traded commodity in terms of both volume and value. In 2017-18, crude oil futures accounted for 24 per cent of the total turnover of all commodity exchanges, while it constituted around per cent of the total trading volumes during the year. Improving global growth outlook and extension of agreement to curb oil production by OPEC as well as non-OPEC oil producing states supported the crude oil prices in 2017-18.

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