

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS**

**LOK SABHA  
UNSTARRED QUESTION NO. 862  
ANSWERED ON - 14.12.2018/ Agrahayana 23, 1940 (Saka)**

**COMMODITY DERIVATIVES MARKET**

**862. SHRI PONGULETI SRINIVASA REDDY**

**Will the Minister of FINANCE be pleased to state:**

- (a) whether Securities and Exchange Board of India (SEBI) has allowed the introduction of options contracts in the commodity derivatives market, if so, the details thereof;
- (b) whether options would also lead to increase participation from investors and speculators for better price discovery and good health of the markets, if so, the details thereof; and
- (c) whether the introduction of options deepened and transformed the Indian commodity derivatives markets both in terms of productions and participations and provided for inclusive development of the market and encouraged cost-effective hedging for participants like farmers and Small and Medium-sized Enterprises (SMEs), if so, the details thereof?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PON RADHAKRISHNAN)**

- (a) Yes. SEBI, vide circular dated September 28, 2016, notified that commodity derivatives exchanges would be permitted to introduce trading in 'options' subject to approval of SEBI. Detailed guidelines for product eligibility, design and risk management framework to be adopted for options in commodity derivatives markets, under which exchanges have to apply to SEBI for launching trading in such contracts were issued on June 13, 2017. At present, Multi Commodity Exchange of India Ltd. (MCX) is offering Options trading in Gold Futures, Crude

oil futures, Copper futures, Silver Futures and Zinc futures. The National Commodity & Derivatives Exchange Ltd. (NCDEX) is offering Options trading in Guar Seed futures, Guar Gum futures, Chana futures, Soybean futures and Refined Soy Oil futures.

- (b) Yes, Options are an effective tool for risk management for the commodity ecosystem. In other asset classes such as equities, options have gained considerable traction and added depth to the trading. Commodity Options are also expected to improve participation and liquidity in commodity futures markets on account of combined trading / hedging strategies involving futures and options leading to improvement in price discovery and good health of the overall market. With the presence of both futures and options, market participants can devise various hedging strategies to effectively hedge their risk exposure.
  
- (c) Presently options on five agricultural and five non-agricultural commodity futures are available for trading. In case of options on non-agricultural commodity futures, the overall participation from clients including value chain participants and Small and medium-sized enterprises (SMEs) across the various options contracts has been witnessing a gradual improvement. In case of options on agricultural commodity futures, as four out of the five products were introduced very recently in October 2018 only, trading and client participation is yet to gain traction and a few Farmers Producers Organizations (FPOs) have participated in the Options.

\*\*\*\*\*