

FICCI WELCOMES EVENING TRADING IN AGRI COMMODITIES

New Delhi, 1 April, 2014: The derivatives markets regulator, the Forward Markets Commission (FMC), has allowed evening trading in internationally-linked agricultural commodities effective from 1st April, 2014. Since commodities are traded globally, FICCI believes this is a step in the right direction to improve the linkages of the Indian commodity exchanges with global markets. Domestic participants have been unable to hedge their price risk associated with international price movements adequately in certain agri commodities during the evening hours. Any significant movement in the international markets during this period caused significant gap on the domestic exchanges the following day thereby making the hedge ineffective for the trade participants. The new directive irons out this inefficiency with evening trade being allowed for soya oil, soya meal, crude palm oil, RBD palmolein, cotton, kapas, cottonseed oilcake, cotton seed, sugar and maize. Evening trading on domestic exchanges will facilitate more efficient alignment of the domestic prices with the international prices, thereby greatly reducing the basis risk currently faced by the domestic industry. FICCI welcomes the move as this will help farmers, traders and processors. The move will also help in restricting the parallel (illegal) trade that reportedly took place once the domestic market closed for the day.

Supporting the move, **Mr. Jayant Manglik, Chair of FICCI's Working Group on Commodities** said, "The Commodity Markets in India are increasingly integrated with the global markets, therefore providing an environment for aligning domestic future prices better with international price movements is a step in the right direction. The introduction of evening trading will not only provide better price discovery and liquidity but also widen the horizon of the commodity markets significantly. Evening trading in agri commodities will ensure the development of the futures market as a transparent price discovery and risk management platform, allowing domestic participants to hedge their risks against international price movements. The introduction of evening trade will provide a legal alternative and will increase participation of industry. It will also help in bringing agri commodities at par with non-agri ones in terms of trading practices, which is extremely important for our agri centric economy."

FICCI MEDIA DIVISION