



# MCX India: building awareness of the organized commodity market

*Lamon Rutten*  
*Joint Managing Director*

The WHY Factor - Education, Marketing, Public Outreach  
*AFM 11<sup>th</sup> Annual Conference*  
*20-22 Feb, 2008, Bangkok, Thailand*

# India's commodity exchanges



A century-old history...



... but the commodity exchange system was unshackled only in 2003.

**MCX**  
Trade with Trust

**Multi Commodity Exchange of India Ltd.**

Today: Mon, Jun 19, 2006 5:29:54 PM

**MCX Commodities**

- Bullion: Gold, Gold HMI, Gold M, Silver, Silver M...
- Oil and Oil Seeds: Soy Seeds...
- Spices: Cardamom, Jeera, Pepper, Red Chili...
- Metals: Aluminium, Copper, Nickel, Steel Flat, Tin...
- Fibers: Cotton Long Staple, Cotton Medium Staple, Kapas...
- Pulses: Chana, Masur, Tur, Urad, Yellow Peas...
- Cereals: Basmati Rice, Maize, Rice, Wheat...
- Energy: Brent Crude Oil, Crude Oil, Furnace Oil...
- Plantations: Cashew Kernel, Rubber...
- Petrochemical: Polypropylene (PP)...
- Others: Guar Seed, Gurchaku, Mentha Oil, Potato, Sugar M-30...

**Market Data**

- Real Time Feeds
- Market Watch
- Bhay Copy (Date wise)
- Bhay Copy (Commodity wise)

**DEMAT @ MCX**

- Delivery @ MCX
- Training & Certification
- Announcement

**Indices**

Index	Value
MCXCOMDEX	2112.63
MCXAGRI	1557.99
MCXENRGY	2605.39
MCXMETAL	2174.50

**Futures Market**

Contract	Expiry	Price (Rs.)
PPTQ	Jun06	70.00
PPTQ	Jul06	72.00

**Spot Market View**

Commodity	Unit	Market	Price (Rs.)
ALUMINIUM	1 KGS	MUMBAI	115.05
ARECANUT	100	MANGALORE	7844.00

INDIA'S NO.1 COMMODITY EXCHANGE

**MCX**  
Trade with Trust

# And how?

- Study about different commodities produced and available in various parts of India
  - Demand and supply of the commodity
  - Characteristics of the commodity
  - Quality to be used as a parameter
- Interaction with various groups including:
  - Government department
  - Warehouses in different states
  - Agri institutes and PSUs including ICAR, NAFED, NABARD
  - Quality certification agencies
- Creation of spot department
  - Prices from the current spot market was used to ensure that the concept of Due Date Rates works.

- Presentation and intensive discussion with FMC and Ministry of Consumer affairs, Food and Public Distribution.
  - On 1<sup>st</sup> April 2003 - Futures trading in commodities was permitted.
  - 10 months was the timeframe given to set up an online exchange which MCX achieved in a record time of 8 months as it launched its operations on 10<sup>th</sup> November 2003.

Forward trading in commodities existed in India from ancient times (it is mentioned in Kautilya's Arthashastra – 300 BC) and the first modern futures market was established in 1875 for cotton contracts by the Bombay Cotton Trade Association, just a decade after the Chicago Board of Trade (CBOT) traded its first future.

This goes to show that all the queries in the initial stages were pertaining to how to trade futures on an online platform and not relating to how to trade in futures.

# Need for training department

- Online futures trading in India commenced only 4 years before (2003), there was widespread lack of awareness among the physical market participants regarding derivatives trading in general and futures trading in particular through an online platform.
- Futures trading in Indian equity markets was launched as late as 1999.
- Thus to provide awareness of commodity markets and commodity derivatives assumed great importance.

# Initiatives to reach out to Indian market players

2 days training program  
for members in Mumbai  
- Over 100 members trained

Road shows in  
12 states

2004

Seminars with FMC  
and participated in various  
conferences.

“MCX ComNews”  
-quarterly newsletter

2005

Set up the training department to take  
these initiatives forward.

# 2005

- MCX came up with MCX Certified Commodity Professional (MCCP). This was similar to training provided by NSE certification program in financial markets.
- FT developed simulated trading software using MCX Traders Work Stations (TWS) for simulated training to traders, dealers, members and brokers.
- Rapid recruitment was initiated in training to cater to the growing demands of the markets.

**Members as on March 2004 - 199**

**Members as on March 2006 - 1309**

INDIA'S NO. 1 COMMODITY EXCHANGE

**MCX**  
Trade with Trust



# 2006

- **Content development** - published 5 training manuals.
  - MCCP Reference Material
  - Insights into Commodity Derivatives Markets (Volume 1 & 2)
  - Manual on Bullion
  - Manual on Base metals
- **Conducted simulation on international level for IIM serving as a foundation for 'National Simulation Lab'.**
- **Developed model to calculate VaR margins based in EWMA (RiskMetrics)**

# 2006

- Tie-ups with various academics institutes to train more students specially for commodity markets.

1. Indian Institute of Management (IIM), (Ahmedabad, Bangalore, Lucknow, Indore)
2. The Institute of Financial Markets, Washington D.C.
3. Jamnalal Bajaj Institute of Management Research, Mumbai
4. South Indian Educational Society (SIES), Mumbai
5. Indian Institute of Finance (IIF), New Delhi
6. Welingkar Institute of Management Development and Research, Mumbai
7. Vaikunth Mehta National Institute of Co-operative Management (VAMNICOM), Pune
8. National Centre for Co-op. Training (NCCT), New Delhi
9. The Energy and Resources Institute (TERI), New Delhi
10. Symbiosis Center for Management and Human Resources Development (SCMHRD), Pune
11. Symbiosis Institute of International Business (SIIB), Pune
12. Indore Professional Studies Academy, Indore
13. International College of Financial Planning (ICFP), New Delhi
14. Pillai's Institute of Management Studies and Research, Navi Mumbai
15. University of Petroleum and Energy Studies (UPES), Dehradun
16. G.B. Pant University for Agriculture and Technology, Pantnagar
17. National Institute of Agricultural Marketing (NIAM), Jaipur

INDIA'S NO.1 COMMODITY EXCHANGE

**MCX**  
Trade with Trust

# 2007

- **Consultancy initiatives:** identification of commodity-related risk and formulation of an appropriate Risk Management Policy to the setting up of an efficient hedging/trading desk.
- **Training conducted for :**
  - Ethiopian Commodity Spot Exchange - 3 sessions
  - Training for SP Jain Center of Management in Dubai & Singapore
- **Tie up with University of Mauritius**
- **Launched one year Post Graduate Diploma in Commodities Markets (PGDCM)**

# By the end of 2007....

## FT Knowledge Management Company Limited

*The purpose of learning is growth, and our minds, unlike our bodies, can continue growing as we continue to live.*

~Mortimer Adler

INDIA'S NO.1 COMMODITY EXCHANGE

**MCX**  
Trade with Trust

# FTKMC Consultancy & Training Initiatives

## BASIC TRAINING INITIATIVES

- Members Development & Training Programme (MDTP)
- Faculty Development Programme (FDP)
- Management Development Programme (MDP)
- Diploma In Commodities Market (DICM)

## CONSULTANCY

- Risk Management for Corporates
- Valuation of Derivative Products
- Price Risk Management: Hedging
- Establishing Commodity Operations Desk
- Supply Chain and Value Chain Analysis
- Feasibility Study & Market Analysis
- Financial Forecasting Models
- Business Environment Analysis

## CUSTOMISED TRAINING INITIATIVES

- Advanced Training on
  - ❖ Specific Commodities
  - ❖ Commodity Derivatives
- Simulated Trading
- Training Programmes for corporates
- International Training Programmes – SERIES3 – in association with IFM

## CERTIFICATION PROGRAMMES

MCX Certified Commodity Professional (MCCP) Online Test

INDIA'S NO.1 COMMODITY EXCHANGE

**MCX**  
Trade with Trust

- Rapid pace of reform has created a demand for qualified and knowledgeable professionals with domain expertise.
- There was a need to upgrade the knowledge base of the market.
- MCX has trained up to 10,000 professionals till date with a dedicated staff of 30 people.

*"To exist is to change, to change is to mature,  
to mature is to go on creating oneself endlessly."*

- Henri Bergson

Thank You

Lamon Rutten  
Joint Managing Director  
Lamon.Rutten@mcxindia.com

INDIA'S NO. 1 COMMODITY EXCHANGE

**MCX**  
Trade with Trust