

# India Close to Introducing Diamond Futures

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**RAPAPORT...** The Indian Commodity Exchange (ICEX) is set to launch trading of diamond futures with a view to helping the industry hedge against wild fluctuations in polished prices.

Investors will buy diamond futures on ICEX in a format similar to commodities exchanges such as Comex, Nymex and the London Metal Exchange. They will be able to choose from three different monthly contracts for diamonds weighing 0.30-0.49 carats, 0.50-0.69 carats and 1-1.09 carats.



The Indian government approved trading diamond futures in September, with a final sign-off expected from the Securities and Exchange Board of India in the coming weeks, said Sanjit Prasad, the managing director and chief executive officer of ICEX.

The move is expected to introduce a new pool of buyers and help minimize diamond companies' losses when prices fall, a major risk in the current environment, ICEX said. In futures trading, a seller and buyer agree on a price at the beginning of a contract, and a subsequent drop in price during the term of the contract is a loss for the buyer, and not the seller.

"The diamond industry has had a problem of volatile prices resulting in losses and closure of several business units," the company said. Diamond futures work as a "price insurance" because a "huge inventory of three to six months" can hit sellers if the price moves against them.

Under the proposed plan, traders will have access to the size and quality specifications of diamonds that are subject to a futures contract. ICEX has tied up with the International Institute of Diamond Grading and Research, a subsidiary of De Beers, which will pack the diamonds and ensure the specifications match the information buyers were given at the time of entering into the contract.