

# Sebi allows trading in options on commodities

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Mumbai: Markets regulator Sebi on Thursday allowed exchanges to start trading in options on goods, which could potentially bring down the risk of trading in commodities like gold, silver, rubber, chana and garments. This will also allow traders to take delivery of goods on which they buy options, market experts said.

Till now, futures on commodities were allowed and options trading was limited to contracts on those futures, while direct trading in options contracts on commodities were not allowed. For example, MCX had launched options on gold futures. The current regulation will allow exchanges to launch options contracts on gold.

In a detailed circular, Sebi on Thursday specified the contract sizes for these options, how the settlement will take place, when delivery could be made, at what prices these contracts could be exercised, etc.

According to market experts, Sebi's decision was a right step at further strengthening the commodity derivatives market. "The provisions shall pave the way for launching options contract in commodities based on underlying spot market price and settlement through compulsory delivery," said Sanjit Prasad, MD & CEO, ICEX. "These contracts will reduce the risk for the hedgers. Options in agriculture commodities can prove to be an important tool to replace minimum support price intervention scheme of the government," Prasad said.