Universal exchanges - Part II

Click here for Part I

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Why in news?

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SEBI has finalised norms for universal exchanges.

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What are the advantages of Universal exchanges?

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- The value of trades in commodity derivatives is just 3 per cent of the traded value of equity derivatives.
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- If the traders in equity segment shift some trades to commodities, trading volumes will receive a boost and it will also have a check on trade malpractices.
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- It improves the credibility of the commodity derivative market as larger number of participants will have a better price discovery.
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How Universal exchanges can promote agri trade?

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- Currently, agri futures account for around 11 per cent of the traded volume on exchanges with the rest of the turnover coming from trading in metals, bullion and energy.
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- Many seasoned traders avoid trading in agri commodities due to low turnover, lack of a robust spot market, higher speculation and frequent regulatory intervention.

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- Non-agri commodities, on the other hand, are linked to international prices and are easier to track and transact in.
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- SEBI’s recent move on Universal exchanges will ensure that the national exchanges facilitate trading in both agri and non-agri commodities.
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- Boost in agri products trade will provide an avenue for farmers to sell their produce and hedge risk.
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- Enabling trading in agri commodities will also entail investments in establishing warehouses and setting up a network for spot polling to discover price.
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- The national exchanges would also be encouraged to invest in this infrastructure and improve the reach and awareness about commodity derivative products.
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Source: Business Line

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