



Indian Commodity Exchange Ltd

ICEX launches Iron Ore Futures Contract on Saturday, January 29

Mumbai, January 28, 2011: Mumbai based Indian Commodity Exchange (ICEX) has received permission from Forward Markets Commission (FMC), commodity futures market regulator, to commence futures trading in Iron Ore Futures (IOF) contracts on January 29, 2011.

This would be the world's first iron ore futures contract and would help exporters and traders hedge risk against fluctuating prices.

“We are sure the IOF contract, which is the first of its kind in the world, will benefit the industry at large by giving them a very strong alternative to other products they were using internationally (under many restrictions) till now. We feel proud that the thought leadership towards this indigenous product is being appreciated globally, and India shall be known for the same,” Sanjay Chandel, Chief Executive Officer (CEO), ICEX said.

Iron is the world's most commonly used metal of which iron ore is the key ingredient. 98% of the iron ore extracted is used to make steel. It is used primarily in structural engineering applications and in maritime purposes, automobiles, and general industrial applications.

“India as world's 3rd largest producer of iron ore will emerge as a significant player in the global iron ore market. ICEX's iron ore contract will set the benchmark for iron ore futures trades across global markets. This contract will also strive towards the convergence of prices of spot and futures markets.” Ashwani Sondhi, director, ICEX said.

The underlying commodity in ICEX's iron ore futures contract will be a quality of 62% fines and has a trading unit of 100 MT with a quotation value in Rs per DMT (Dry Metric Ton). The tick size will be 0.50 per 1 DMT. The price quote will be CFR-China Port (North China) inclusive of all duties, taxes and other levies as applicable in India. The monthly expiry contracts will start from 31st march 2011. The initial margin to trade is minimum 8%.



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The contract will have 'both options' as delivery logic. Delivery unit of the contract is 5000 DMT with a tolerance limit of +/-10%. The contract will expire on the expiry date at 3.00 pm. The dissemination of the same will be through TWS by 5.00 pm. The main delivery centre will be Ennore Port/Vizag/Haldia/Paradip. The maximum allowable open position for individual clients is 75,000 DMT. For members collectively for all clients, the maximum allowable open position would be 15% of the market wide open or 3,75,000 DMT for all iron ore contracts combined together.

ICE X's iron ore contract will provide the firsthand opportunity for market participants to hedge their prices against the volatility in the spot market. India is the 3rd largest producer with 257 million tonnes in 2010 and exported over 115 million tonnes.

Currently iron ore trade is enabled through swap deals, which is a cash-settled derivative, between a seller and a buyer at a fixed price for a set amount of time that provides price certainty for both the buyer and the seller. Over 90% of the total SWAP traded contracts in Iron Ore globally use the spot TSI (The Steel Index) prices, which the exchange proposes to use. (Incidentally, Iron Ore SWAP volumes at SGX (Singapore Exchange) & LCH London have grown dramatically in recent months).

Last year, the exchange has already tied up with Federation of Indian Mineral Industries (FIMI), a national industry body and also entered a pact with Singapore-based Iron Ore and Steel Derivatives Association (IOSDA) to promote and develop iron ore and steel derivatives.

The exchange, which has been jointly promoted by Reliance ExchangeNext Ltd, Indiabulls Financial Services Ltd (IBFSL) and state-run company - MMTC, India's largest iron ore trader, has become the third largest commodity exchange in the country with Daily Average Turnover of over Rs 1,500 crore.