

Mr. Ashok Mittal,
CEO, Emkay Global Financial Services



A MBM from Alagappa University and CAIIB from Indian Institute of Bankers, Mr. Mittal comes with 20 years of experience in the financial services industry. At Emkay he is responsible for the P&L of the retail business, with a focus on commodities and currency business, and for building a scalable cross-sell model.

On January 16, 2014, NCDEX launched 'GOLDHEDGE' – the first of its own kind of futures contract in Gold, which has international parity, as it excludes premium amount, local taxes and custom duty. After receiving a good response to GOLDHEDGE, the Exchange also introduced 'GOLDHEDGE100' – the contract of a smaller denomination keeping in mind the requirements of small and medium size jewelers and bullion traders.

In this context, we requested Mr. Mittal to share his views along the following points:



1. Do you think this innovative GOLDHEDGE contract would turn out as a more realistic instrument to hedge when the domestic market is decoupled from the international market?

The GOLDHEDGE contract will remove the uncertainty and fluctuations of local taxes thereby reducing the actual and artificial premium over the parity price of gold. However the prices in India will continue to be driven by the international market.

2. What advantages do you think the GOLDHEDGE contract offers to the retail participants?

The retail investor need not have to worry about the local taxes and spread in spot/ physical market. He just needs to track the international prices of gold and arrive at converted prices of gold in INR terms by taking into account the USD INR forex rate; hence it's an easy to trade contract for him. At the same time this contract is an intention matching, cash settled contract, so for a trader/investor there is no risk of getting delivery allocation if the contract is kept open at expiry.

3. Do you see GOLDHEDGE contract having a potential to promote financialization of the incremental demand for gold in India?

I am not sure about it.

4. In your opinion, how will our new contract be attractive for hedgers, jobbers and speculators?

The GOLDHEDGE contract is very attractive for hedgers, jobbers and speculators for the reasons mentioned before.

- It is an intention matching cash settled contract, so there is no worry of delivery marking.
- It does not include local taxes thereby eliminating uncertainty and sets the platform for price movement to be based on international prices and USD INR alone.
- It creates an arbitrage opportunity for gold contracts in two different exchanges as well as two different contracts in the same exchange.

5. Your views on the necessity to have an official policy on gold imports in India.

It is absolutely necessary to have an official policy on gold imports in India for ensuring stability in the market and removing uncertainty. Gold import policy has been changing rapidly in India. This has increased the risk for Indian gold buyers especially jewelers who normally buy gold in bulk and on regular basis. An official policy on gold imports in India would make the picture clear and easy for the gold traders to trade in gold.

6. Given that physical assets account for more than 50% of the household savings in India, do you think GOLDHEDGE contract would help divert these savings to more productive investments through futures trade?

No, I don't think so.

