Address by Shri Tuhin Kanta Pandey, Chairman, SEBI
MCX Global Commodity Conclave
Way Ahead for India's Commodity Derivatives Markets
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Dr. Harsh Kumar Bhanwala, Chairman, MCX, Shri K Rajaraman, Chairman, IFSCA, and Ms. Praveena Rai, MD & CEO, MCX, colleagues, industry leaders, members of industry associations, participants from the commodity markets, and friends from the media. Good morning!

It is a pleasure to be with you at the inaugural Global Commodity Conclave. I congratulate MCX for bringing policymakers, industry, market participants, researchers and other stakeholders together on one platform. This conclave comes at an important time.

Commodity markets are inherently exposed to some degree of uncertainty as large number of domestic and external factors affect commodity prices. At the end of 2025, the World Bank expected global commodity prices to decline by around 7% in 2026, largely on softer global growth and adequate supplies[1]. The events of 2026 have underlined how quickly commodity risks can change. Following the disruptions in West Asia, the World Bank has now projected commodity prices to rise by 16%, led by a 24% increase in energy prices[2].

That is commodity risk in a nutshell.

Geopolitics, weather, trade restrictions, currencies and shifts in demand and supply can move prices rapidly. For farmers, manufacturers, exporters, importers and producers, these movements affect costs, revenues and margins. This is where commodity derivatives become economically relevant - through price discovery and risk management.

India's commodity derivatives market has grown rapidly. A range of agricultural and non-agricultural commodities are available for trading across exchanges. Trading activity has risen sharply. In FY 2025-26, futures turnover increased by 133% to ₹166.4 trillion, while options premium turnover more than doubled to ₹16.8 trillion. In the first four months of FY 2026-27, turnover has already reached about 65% of the turnover recorded during FY 2025-26.

The growth is encouraging. But scale alone is not enough. India is a major producer and consumer of several commodities. Can that economic weight translate into greater influence over price discovery? Can we move from being price takers to becoming price makers?

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[1] World Bank Commodity Markets Outlook – October 2025
[2] World Bank Commodity Markets Outlook – April 2026

Economic Utility of Derivatives

We usually think of infrastructure as roads, ports, warehouses or power networks. But a credible price is also economic infrastructure. It helps a farmer decide what to plant, a manufacturer when to procure and an exporter what price to quote.

Commodity derivatives perform three important functions.

First, real-time price discovery. Commodity markets bring together information on supply, demand, inventories, weather, policy and expectations into a transparent price.

Second, risk management. A farmer may seek protection against falling prices, a manufacturer may want certainty over input costs and a DISCOM may want protection against rising electricity prices. For them, derivatives are not primarily about predicting the market. They are about reducing uncertainty, protecting margins and improving planning.

Third, derivatives connect financial markets with the real economy. Futures prices inform planting, procurement, inventory and financing decisions.

SEBI's Approach to Commodity Derivatives

Our approach to the commodity derivatives market has been guided by three objectives: reduce unnecessary friction, support market development and preserve market integrity. These objectives must move together.

On ease of doing business, we have rationalized requirements where the regulatory objective can be achieved more efficiently. We have reviewed the Settlement Guarantee Fund framework to improve capital efficiency, while retaining adequate safeguards. We have also extended the benefit of early pay-in to option contracts, helping release capital and lower the cost of participation.

At the same time, we have supported innovation where there is a clear need.

Electricity futures are a good example. Following their launch in July 2025, these contracts recorded turnover of around ₹160 billion in FY26[3] and have demonstrated reliable linkage with the spot market. State Electricity Regulatory Commissions are also beginning to recognize their utility. Uttar Pradesh has permitted its DISCOMs to participate on a pilot basis, while Haryana has asked its utilities to examine their use for hedging.

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[3] SEBI Annual Report FY 2025-26

Weather derivatives are another such step. They allow participants to manage financial risks arising from objectively measured weather conditions and have seen participation from Farmer Producer Organisations (FPOs), farmers and financial market participants.

We have provided flexibility between trading and delivery lot sizes in copper and iron contracts to lower entry barriers for hedgers, support liquidity and make physical delivery more practical.

Development, however, must be accompanied by resilience. We have strengthened capacity planning and real-time performance monitoring for MIIs in the commodity segment.

We have also sharpened our institutional focus. SEBI has created a dedicated vertical within the Market Regulation Department exclusively for commodity derivatives. This will bring greater specialization, closer market engagement and sharper regulatory focus to the segment.

Way Ahead

Where do we go from here? I see four priorities.

First, make participation easier and more efficient.

We are looking at streamlining position-limit and margin frameworks to lower avoidable costs while preserving risk controls. The consultation on position limits for agri-commodities has been completed and guidelines will be issued shortly.

We will continue our engagement with the GST Council on issues affecting participants who wish to give or receive commodities through the exchange mechanism.

As part of our review of the Master Circulars governing the MIIs, we have completed our consultation on several ease-of-doing-business measures: a single Investor Protection Fund at exchange level, incentivizing farmers and FPOs to participate in options on futures, simplifying Options in Goods by removing the Close-to-the-Money framework and extending Direct Market Access (DMA) facility for Exchange Traded Commodity Derivatives (ETCDs) to all investor categories.

Second, broaden the participant base. A deeper mix of commercial and institutional participants will strengthen liquidity, price discovery and the effectiveness of hedging.

We are examining wider FPI access to commodity indices and physically settled non-agri contracts through a calibrated framework.

Third, strengthen the connection with the physical market.

We have completed our consultation on a phased physical-settlement architecture for agri-commodities. The objective is to help liquidity develop alongside the delivery ecosystem. Warehousing, assaying, quality standards and credible delivery systems are essential for effective convergence between the derivatives and physical markets.

We are also examining expansion of the SEBI (Vault Managers) Regulations, 2021, beyond Electronic Gold Receipts to the wider bullion ecosystem.

Fourth, invest in knowledge.

Markets cannot deepen sustainably merely because more contracts are introduced. Participants must understand both their utility and their risks. Under Project Jagrook, we will strengthen commodity-market awareness among farmers, FPOs, MSMEs, hedgers and other market users. Education must promote informed participation.

Research is equally important because good regulation requires good evidence. I welcome the launch of the MCX Centre for Commodity Markets at NISM. This Centre can bring academia, industry and market data together to generate India-specific research and help corporates and MSMEs build capabilities for commodity risk management.

Before I conclude, I would like to encourage the commodity-market ecosystem to explore whether we can progressively move from global benchmarks towards Indian delivery standards. The objective should be to develop credible Indian benchmarks that reflect our own market realities.

Concluding Remarks

The next stage of India’s commodity derivatives market should be defined not by turnover alone, but by utility - how effectively these markets help the real economy discover prices and manage risk.

India has the scale, the market infrastructure and the financial ecosystem. At SEBI, we will continue working with the Government, fellow regulators, exchanges, industry, academia and market users to translate these strengths into deeper, fairer and more useful markets.

Ultimately, a successful commodity derivatives market is one in which the real economy is better able to manage risk.

Thank you. Jai Hind!