



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

International Affairs, Communication & Coordination (IACC) Department

PRESS RELEASE

FOR IMMEDIATE RELEASE

SECP approves futures contract in cotton for commodities market

ISLAMABAD – MAY 6: The Securities and Exchange Commission of Pakistan (SECP), as part of its mandate to develop and strengthen the commodities market in Pakistan, has granted approval to the Pakistan Mercantile Exchange Limited (PMEX) for introduction of the futures contract in cotton.

The new futures contract adds to the existing agriculture futures contracts portfolio of the PMEX. The approval to the international cotton futures contract was granted subsequent to stakeholder consultation carried out by PMEX wherein the exchange had sought feedback and concurrence from various segments of the cotton industry.

In contrast to hedge trading, i.e., forward or spot trading, which involves physical delivery of the underlying commodity, this is a predetermined standardized cash settled futures contract which replicates to a greater degree an international cotton futures contract and hence trading therein is clearly distinct from spot or forward trading. The PMEX cotton futures contract utilizes trading price of the international contract for purposes of referencing and is settled in local currency. The said commodity futures contract being a derivative falls under regulatory ambit of the SECP similar to futures contracts in individual stocks currently traded at the stock exchanges.

This new futures contract will meet the needs of all the market participants, including farmers, ginner, traders, spinners, other textile manufacturers, retailers, wholesalers, corporate buyers and even consumers. It will benefit the cotton industry, the agricultural sector in particular and the capital market in general from various perspectives. The said contract is also expected to assist the policymakers by giving the demand, supply and price signals which will be helpful in formulating policy decisions for the cotton industry.

The international cotton futures contract will encompass a minimum contract size of 5,000 pounds of cotton, which would be settled through cash in Pakistani rupees on the last traded price of the corresponding month of the international contract.

With another commodity-based contract available for trading, the local commodity market is expected to contribute more positively to broadening the investor base and the overall economic growth of the country. The enrichment of commodities portfolio at the exchange will also assist in bringing PMEX in comparison with other commodities exchanges internationally.

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