

MCX – Integration with the Bullion & Jewellery Industry



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Introduction

Gold and silver have long served as universal anchors of financial stability and critical shields against global inflation. In today's complex macroeconomic landscape, this traditional mechanism of wealth preservation has been successfully digitized in a regulated landscape by the Multi Commodity Exchange of India (MCX). As India's physical gold demand scales massive volumes, MCX's liquid futures and options contracts act as the crucial financial link bridging physical trade with international benchmarks. Moving beyond simple price tracking, MCX derivatives are uniquely engineered to absorb multi-layered volatility—simultaneously blending global spot movements, USD-INR currency fluctuations, and domestic tariff changes. For corporate treasuries, bullion merchants, and retail jewellers alike, this robust derivatives market provides an institutional-grade architecture for transparent national price discovery.

While India's physical gold consumption climbed to an impactful 721 tonnes in 2025, MCX's liquid futures and options contracts bridge the gap between this massive physical trade and international financial benchmarks. By providing a highly regulated electronic platform for standardized hedging, MCX enables jewellers, bullion merchants, and institutional investors to mitigate severe price volatility driven by macroeconomic and currency fluctuations.

The Indian precious metals market is undergoing a structural realignment precipitated by urgent sovereign fiscal tightening, stringent administrative import controls, and an escalating global "war-like" geopolitical landscape. Further, there has been an increase in customs duty on bullion from 6% to a restrictive 15%.

Global Dominance

India's bullion market holds a clear structural advantage over major global economies like China, the USA, Russia, and Japan. In FY2025, India officially surpassed China to become the world's leading gold jewellery consumer, capturing nearly 30% of global demand compared to China's 25%.

When surging prices caused global consumer demand to contract by 5% in H1 FY2026, a sharp divergence emerged. China's gold jewellery consumption collapsed by 26% year-on-year. Meanwhile, mature markets like the USA accounted for just 7% of global share, with Russia and Japan remaining marginal physical consumers. In contrast, India demonstrated unique resilience as domestic demand for bars and coins grew.

By anchoring the world's most robust physical demand center, MCX derivatives directly reflect massive, real-world retail and commercial liquidity. This gives the Indian commodity market a far more stable, practical risk-management edge over purely speculative global venues.

MCX has achieved a massive competitive advantage by capturing dominant retail and institutional liquidity. Backed by an extraordinary 496% year-on-year growth in average daily turnover (ADT) across its bullion derivatives complex, MCX has successfully revamped its gold and silver options contracts by introducing monthly expiries and smaller-sized contracts.

The Impact of Price Volatility on Bullion and Jewellery Sectors

The Indian bullion and jewellery sectors operate on tight spreads, making unhedged price volatility a critical risk to business viability.

a) Bullion Distribution Margins

Bullion intermediaries operate on razor-thin margins of approximately ₹2,000 per kilogram. Exposed to an annualized gold price volatility of roughly 16% (FY2026), an unhedged trading model becomes fundamentally unsustainable, as even minor market swings can entirely wipe out operating margins.

b) Jewellery Manufacturing and Retail Spreads

While jewellers command higher fabrication margins of 8% to 10%, they remain highly vulnerable. Heightened price volatility severely disrupts profit forecasting, cash flows, and overall operational efficiency across the value chain.

c) Unsold Inventory Risk and Hedging Solutions

Unsold retail inventory carries substantial price risk. Because jewellery prices in India are duty-paid, they are exposed to multiple macroeconomic variables. Businesses can effectively mitigate this exposure through exchange-traded futures and options contracts. These derivative instruments at MCX provide an ideal hedge, as their pricing naturally integrates international gold spot prices, USD-INR currency fluctuations, and domestic import duty regimes.

d) Price Exposure in the Domestic Gold Supply Chain

India's annual import volume of 700 tons and a 16% price volatility, the physical market remains heavily exposed. At a benchmark rate of Rs. 1,50,000/10g, participants face a direct price risk of Rs. 1.7 lakh crores on their holdings.

High Hedging (H.E.) Efficiency of domestic market in Gold

H.E. estimates the extent to which a certain position in the physical market can be hedged in the futures market.

Impact cost (IC) is the percentage mark-up while buying / markdown observed while selling, a desired quantity of a contract with reference to its ideal price. For example, I.C. of 0.01% for a portfolio of ₹2 cr indicates very a low cost of trading even for a high trade value.

1. Hedging on Indian regulated derivative markets is more efficient than the OTC, for the domestic hedgers for mitigating gold price volatility due to strong price correlation.
2. Jewelers acknowledge the efficiency of hedging in their annual report.
3. Indian derivatives contracts bring strong spot-futures integration.

Role of MCX

MCX Gold and Silver Prices are considered the benchmark for value-chain and end-consumers alike. It is understood that most pricing is done MCX (+/-). MCX Bullion contracts are designed considering the need of all market participants namely Bullion traders, Corporates, Retail jewellers, importers, investors and end consumers.

Further, MCX Gold and Silver prices are a complete hedge as they are in built hedge for all four elements: USD/ INR exchange rate, Custom Duty tariff, international gold and silver prices along with the domestic premium/discounts. In volatile situations there is a need to hedge via MCX futures and options contracts to safeguard the profit margins. Further, any change in duty is reflected immediately in MCX gold and silver prices leading to efficient hedging of price risk by hedgers.

MCX has various products in Gold and Silver to cater to the needs and requirements of all segments of society. MCX offers Gold 1kg, Gold Mini 100grams, Gold Ten 10grams, Gold Guinea 8gram and Gold Petal 1gram futures contract and in Silver, it has Silver 30kg, Silver Mini 5kg, Silver Micro 1kg and Silver 100 gram futures contract backed by physical delivery.

The strong convergence of the MCX futures and physical commodity markets in India, reflects the attractiveness of the exchange-traded commodity futures market in India as an efficient platform for price risk management. MCX Bullion contracts have order book depth and established liquidity.

MCX has seen deliveries of **174 MT** of Gold & and over **6151 MT** of Silver since inception. (till June 2026)

Recent new offerings for retail

Smaller denomination contracts are designed to cater to the organized retail investor demand. Investment in smaller denomination contracts are backed with delivery, providing a systematic investment plan (SIP) type of flexibility. Coins and bars can be held and accumulated in the COMRIS electronic format and physical delivery is also available. Every bar and coin comes with an individual assaying certificate; quality assurance thus is always given. Convenience of transaction and liquidity of exchange platform are key advantages leading to better Cash flow management, margin protection and Inventory hedging amid volatile prices.

MCX designed one gram Gold Petal future contract (**first ever deliverable one gram gold contract in the world**) to cater to organized retail investor demand, by providing a systematic investment plan (SIP) type of flexibility with an electronic accumulation. This contract has seen successful delivery of **765 kg (764467 coins)** since its launch in October 2019 till May 2026 contract.

Similarly, Silver Micro (1kg) and Silver Mini (5 Kg) contracts with one kilogram silver bar as delivery lot has seen successful delivery of **634 MT** catering to retail demand and helping establish Gold & Silver as an Asset class.

Recently MCX added Silver 100 gram futures contract to the basket of existing Silver portfolio on June 1, 2026. These products have strengthened the bullion portfolio further and successful deliveries are a sign of market acceptance.

Options – Helping Jewellers Protect Margins

MCX designed Gold 1kg, Gold Mini 100 gram, Silver 30 kg and Silver Mini 5kg Options contract. Gold Mini and Silver Mini Options contract caters to small and medium jewelers who can easily mitigate their price risk by hedging in smaller denomination. Further, these small denomination options contract has less premium making it affordable and feasible to the small retailers and investors.

The advantages of options are multifold, and as listed below:

- Options offer the buyer an insurance against adverse movement, but allow for participation on favorable side
- Maximum Loss to the extent of Premium paid for Buyer
- Exchange Traded options are free from counter-party risk
- Futures & Options combination (both risk management tools) gives leverage of futures with safety of Options. Hence, profit is possible from change in future prices, but losses are limited via Options
- Participants can devise numerous effective hedging strategies
- Better Cash-flow management because of one-time payment of Premium

- Low Transaction Cost, low capital intensive
- Flexible pricing via Put options: Jewelers may offer the lower of current price / or of a future date, for example - Akshay Tritiya as Festive Scheme.

Further, MCX modified Gold 1kg, Silver 30kg and Silver Mini 5kg Options contracts include monthly expiries to suit the hedging requirements of value-chain participants. The performance of these options contracts have been phenomenal.

Atmanirbhar Bharat Mission – Empanelment of Domestic Gold Refiners

To make the Exchange's bullion derivative contracts more relevant to the physical market players and in line with the broader national objective of 'Atmanirbhar Bharat', MCX empaneled domestic refiners as per "MCX Good Delivery Norms for BIS-Standard Gold/Silver" effective from March 6, 2021 and saw a successful delivery of **20,508 kg** valued at **19,473 crore** till June 5, 2026 contract.

This initiative of empaneling domestic refiners by MCX may serve the nation by reducing disparities, encouraging quality gold recycling and reducing import dependence.

Bullion Performance of MCX over five years is tabled below:

Gold and Silver Futures Average Daily Turnover (ADT) Rs. In crores					
Commodity	FY 21-22	FY 22-23	FY 23-24	FY24-25	FY25-26
Gold (all)	4,710	4,578	4,751	8,415	28,338
Silver (all)	5,504	6,351	7,445	9,037	21,648
Total Futures	10,214	10,929	12,196	17,452	49,986
Gold and Silver Options Average Daily Turnover (ADT) Rs. In crores					
Commodity	FY 21-22	FY 22-23	FY 23-24	FY24-25	FY25-26
Gold (all)	854	1,704	6,107	28,100	1,92,810
Silver (all)	148	267	2,994	7,748	74,883
Total Options	1,002	1,971	9,101	35,848	2,67,693
Total Bullion F&O Average Daily Turnover (ADT) Rs. In crores					
Commodity	FY 21-22	FY 22-23	FY 23-24	FY24-25	FY25-26
Gold (F&O)	5,564	6,282	10,858	36,515	2,21,148
Silver (F&O)	5,652	6,618	10,439	16,785	96,531
Bullion (F&O)	11,216	12,900	21,297	53,300	3,17,679

It is seen from above table that the Bullion F&O has exponentially grown from 11,216 crs to 3,17,679 crs over five years.

Story thus far

Indian derivative bullion market at MCX has helped to create spot future integration. MCX Bullion prices serve the industry as a domestic benchmark. This has helped the organized Jewellery sector with an efficient risk management mechanism.

In another dimension these deliverable contracts in smaller denomination are helping retail within organized quality assured, regulated asset class. The growth and consolidation of the Jewellery industry as evidenced in the success of organized Jewellery brands is a testimony to the successful integration of this evolving spot market with a vibrant derivative landscape.

Drawable references from International Exchange ecosystem

- Role of gold Spot Exchanges - Shanghai Futures Exchange (SHFE) and Borsa Istanbul (BIST) Exchange**
In China and Turkey, the gold import process is centralized and managed directly through Shanghai Futures Exchange (SHFE), and Borsa Istanbul (BIST) Exchanges. Certified members of Borsa Istanbul import physical gold directly into the exchange's precious metals market, immediately linking imports to spot trading and vaulting. Similarly, Shanghai uses its exchange infrastructure to channel imported gold straight into accredited warehouses, creating a unified domestic price.

On the other hand, physical gold imports into India are handled exclusively by nominated commercial banks and government-approved public agencies. This means that while Shanghai and Istanbul operate as complete, all-in-one gateways that merge physical imports with market trading, India's Commodity Exchanges operate strictly as a financial derivatives platform that is separate from the upstream banking channels controlling the nation's physical gold supply.

b) London Vaults and Spot Market

The London Spot Exchange, known as the **Loco London** over-the-counter (OTC) precious metals market, operates through bilateral trades rather than a centralized exchange. It is the world's largest center for trading gold and silver, requiring secure vault storage and major banks to function.

Transactions settle under the "Loco London" standard, requiring physical bullion to reside in specialized vaults within London. The Bank of England anchors this network, holding allocated gold reserves for central banks and institutional market-makers.

Major international banks form the backbone of the market, providing infrastructure, liquidity, and credit. Their primary functions include actively buy, sell, and lend precious metals, providing continuous pricing and liquidity for clients. Further, clearing banks hold vast amounts of physical bullion in their own dedicated vaults to back up the unallocated balances of their customers.

In India the Commodity Exchange networks should be as interspersed with the spot markets as the Loco London market so that spot to futures integration can take place and true benchmarks can immerge.

c) Electronic Gold Receipts (EGR) – Recycling household gold

Directing all gold imports through Commodity Exchanges would be a key policy step for successful transition of physical gold into an organized, unified spot market via EGR.

Further, Indian households and temples hold an estimated 30,000–35,000 tonnes of idle gold. Mobilizing even a small fraction of these cuts the need for fresh foreign exchange outflows. Recycling idle domestic gold through BIS-certified refiners and introducing it into the formal economy via Electronic Gold Receipts (EGRs) directly aligns with India's vision of reducing import dependency. By transforming hoarded assets into liquid, dematerialized, tradeable gold, India can conserve crucial foreign exchange and bolster economic stability.

The Way Forward: Securing the Value Chain:

As India solidifies its position as the undisputed epicenter of global physical gold demand, the structural realignment of the bullion and jewellery sectors is no longer a distant projection—it is a present reality. Navigating an era marked by heightened geopolitical tensions, restrictive tariff adjustments, and localized currency volatility requires a fundamental departure from unhedged exposure. For bullion intermediaries operating on razor-thin margins and retail jewellers managing duty-paid stock, the traditional reliance on unregulated over-the-counter (OTC) structures presents an unsustainable risk to business continuity.

The path forward hinges on systemic modernization and the widespread adoption of institutional-grade risk management. Achieving long-term operational resilience will require the industry to focus on three critical pillars:

- a) **Accelerating Digital and Physical Integration**
- b) **Deepening Corporate and Institutional Participation**
- c) **Enhancing Financial Literacy and Retail Inclusivity**

By continuously innovating product suite—ranging from institutional larger contracts to retail-centric fractional offerings like Gold (10g, 8g and 1g) and Silver (1kg and 100g) contracts—MCX provides the essential financial architecture needed for this transition. As profit margins face pressure from both domestic regulatory changes and global macroeconomic shifts, the future belongs to those who actively manage their exposure. Embracing the robust, transparent, and multi-layered hedging ecosystem offered by MCX will ultimately empower India's bullion and jewellery industry to convert systemic volatility into a sustainable competitive advantage.