

Time ripe for India to enter futures league: Melamed

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LEO Melamed, the man who conceived the International Monetary Market — the first futures market for financial instruments — and nurtured it for 25 years through its thick and thin, feels that the time is ripe for India to venture into derivatives.

The game, however, should not be restricted to institutional players but must involve speculators and eventually, retail investors as well.

"I totally disagree with a view in certain section of the market that derivatives should be restricted to large players," he said.

"Institutional players behave like sheep — they buy and sell together. They follow similar ideas because they attend the same meetings and meet the same analysts. And therefore, they often have the same reaction. For a market to succeed, it must have

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the influence of retail investors, speculators and institutional players alike."

Mr Melamed, who took some time off from his choc-a-bloc schedule today, told *The Economic Times* that the Indian markets have what it takes to introduce financial futures — technological infrastructure and a well developed financial community.

"Early indications are that you have the necessary infrastructure



SMALL IS DUTIFUL: LEO MELAMED

in place. But derivatives also need vibrant cash markets. And I am not sufficiently well versed with your markets to be able to make that judgement myself," he remarked.

Mr Melamed said the fact that India's proposed futures markets is going to be governed by just one regulator — the Securities and Exchange Board of India (Sebi) — is a "big positive". "Unlike in the US, where we had two regulatory bodies fighting for the turf of controlling derivatives, you only have one," he said.

Mr Melamed, however, stressed that "educating" the financial community on the virtues of financial futures must take precedence, and in fact, must be

an on-going exercise.

"Education is the key," he said adding "its importance cannot be overemphasised. All the participants here would be well served if they push for education (of derivatives) through college and universities in any form possible. Futures trading is certainly not for everyone. You must qualify for it."

"One of the things that I faced during the early Seventies was the resistance by the establishment to accept futures markets as an important element of financial markets. But it takes a long education process to realise that a futures market is not a casino," he said.

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