

First mercantile exchange to open

Written by Nguon Sovan
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Creators of similar commodities exchange in Nepal say initiative should be trading around July



Photo by: HENG CHIVOAN Workers sort rice at the end of October at a mill in Battambang. The company planning to establish Cambodia's first commodities exchange, slated for completion around July, says it will raise prices on domestic agricultural goods.

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AMBODIA is set to launch its first commodities exchange around July, according to the Indian and Nepalese group that is driving the initiative, known as Mex Cambodia.

The pioneering mercantile exchange, which was registered with the Ministry of Commerce in January, will operate like similar exchanges worldwide, said Cambodian Mercantile Exchange Plc CEO Shafeequr Rahman.

"It'll be an online commodities marketplace where the buyers will have sellers and sellers will have buyers," he told the Post on Tuesday.

The Mex Cambodia team previously set up a similar system in Nepal, Rahman said.

"This is a very new business concept in Cambodia, but it's ... very popular all over the world," said Rahman. "We have the Chicago Mercantile Exchange, the New York Mercantile Exchange, the Nepal Mercantile Exchange, why not in Cambodia?"

The Mex Cambodia business plan says the initiative would help improve price transparency and fairness where futures in commodities such as rice and gold would be traded five days a week around the clock for international goods. On goods from local markets operations would have a limited trading period.

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“As such, Mex Cambodia is only acting as an umpire and facilitator of the market,” the business plan states. “Trading takes place at the clearing member level as the ... [clearing member] is the immediate counterpart of the market to provide liquidity.”

Rahman said that such an exchange would likely push up commodity prices for domestically produced goods.

“We guarantee [sellers] better ... on-the-market prices for their produce,” he said.

Mex Cambodia will charge membership fees for involvement in the exchange that Rahman said would be a “minimum amount”.

The company is currently involved in discussions with ACLEDA Bank and ANZ Royal to partner as part of the clearing process, although no deal has been finalised yet, he added.

“The negotiation process is under way,” Rahman said. “ACLEDA bank is the most appropriate partner for the project because it has nationwide branch networks reaching local areas.”

ACLEDA CEO In Channy confirmed Tuesday that talks were under way with Cambodian Mercantile Exchange Plc.

“It’s just the first phase of discussions – the company [Cambodia Mex] has not submitted any documents for cooperation yet,” he told the Post.

Som Yen, director of Malai Trading Co, an agricultural products brokerage for Thai ethanol and flour in Banteay Meanchey province, said Tuesday that the new commodities exchange would help promote agricultural produce and sustain prices.

“At the moment, our agricultural produce such as corn and cassava is sold [to Thailand] at about 30 percent below the market price,” said Som Yen, who collected about 25,000 tonnes of cassava and corn for export to Thailand last year. “If this company realises this initiative, I believe that farmers will benefit from it and will gain broader markets for their agricultural produce.”

Officials at the Ministry of Agriculture could not be reached for comment Tuesday.

Confirmation that Cambodia will soon start trading in commodities on an official, standardised exchange offers further evidence that the economy is finally maturing as well as integrating to global markets.

Mex Cambodia looks likely to start trading a few months before the Kingdom establishes a first securities exchange due at the end of this year with Korea Exchange as part of a joint-venture agreement with the Ministry of Economy and Finance.