RAINMUMBAI

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RAINMUMBAI Latest News

The National Commodities and Derivatives Exchange (NCDEX) recently announced the launch of India's first SEBI-approved exchange-traded weather derivatives contract, named "RAINMUMBAI".

About RAINMUMBAI

- It is **India's first exchange-traded weather derivatives contract.**
- It was **launched** by the **National Commodity and Derivatives Exchange (NCDEX).**
- The instrument will be used to **hedge losses from unpredictable weather and monsoon variability.**
    - Unlike conventional insurance products, **weather derivatives** are **settled directly against observed weather data** rather than physical loss assessments, enabling **faster payouts** and **reducing operational complexity.**
    - These products are widely used globally by sectors such as agriculture, power, construction, logistics, tourism, and energy, where revenues can be heavily impacted by weather variability.

- **RAINMUMBAI**, which has r**eceived approval from** the Securities and Exchange Board of India (**SEBI**), was **developed in collaboration with** the Indian Institute of Technology **(IIT) Bombay, based on rainfall data in Mumbai.**
- **India Meteorological Department (IMD) surface rainfall and automatic weather stations** (AWS) observations at Santacruz and Colaba will be the **source of rainfall data.**
- The **contract** will be **cash-settled** and will **track the deviation of actual rainfall from the city's long-period average (LPA)** during the **monsoon season.**
- **Only contracts** for the months of **June, July, August, and September will be available to trade,** tracking Mumbai's monsoon patterns.
- RAINMUMBAI will be **traded in lots** with a **base cost of ₹50 per millimetre of rainfall,** allowing participants to engage in contracts that suit their specific risk management needs.
- The **trading hours** for this contract will be from **10:00 a.m. to 11:30 p.m. on weekdays.**

What are Derivatives?

- Derivatives are **financial contracts** that **derive value from an underlying asset.**
- Common **underlying assets: Stocks, bonds, commodities, currencies,** interest rates, and market indexes.
- Derivatives **allow traders** to **bid on the direction of the underlying asset's price change without owning them.**
- They allow investors to **speculate on price movements, hedge against risk**s, or enhance portfolio returns.

Key Facts about National Commodity and Derivatives Exchange (NCDEX)

- It is a commodities exchange **dealing primarily in agricultural commodities** in India.
- The NCDEX was **established** in **2003**, and its **headquarters** are in **Mumbai**.
- The **primary purpose** of the exchange is to facilitate the **electronic trading of agricultural derivative contracts like futures.**
- The exchange mainly **focuses** on agricultural commodities like **wheat, sugar, spices, and cotton.**
- At present, the NCDEX is **managed by an independent board,** with the **SEBI maintaining supervision and oversight** of the exchange.

Source: ET
