

Tough Transition, Rewarding Aftermath

A lawyer by training, Dipendra Khatiwada, Managing Director of Mercantile Exchange Nepal Ltd., has made a name for himself in futures trading in a relatively short span of time. He is associated with several regional futures exchanges of South Asia and is regarded as one of the most active minds behind introducing a futures exchange in Nepal. All that well within less than 10 years after a big career transition – from law to financial market!

Khatiwada left his legal profession in 2000 which he recalls as 'one of the most frustrating periods' of his life. "I was sick and tired of the profession," he shares. Shortly into the transition break, he received an opportunity for legal consulting in Philippines for six months in the same year. But upon returning from the assignment, while he was still weighing his options, he met with a bike accident and suffered from jaundice which left him bed-ridden for almost three months. "It was a difficult time," he says. "I didn't have my mind over the career aspect yet. It was a time when I did a lot of soul searching. I didn't want to return to the legal profession. I had to find something else to do."

Post recovery, Khatiwada joined an institution called CFD (Contract For Difference) Broking House in Kathmandu. After joining, he visited Indian cities like Delhi and Kolkata as a financial market trainee. During the same period, we got acquainted with commodity market, trading and futures exchange. That was how he found an

inlet into the financial market. It was in 2003, three years after bidding adieu to his black-blazer profession.

Fast forward to 2007 Khatiwada had gathered enough confidence to start a futures exchange in Nepal. So COMEN (Commodities & Metal Exchange Nepal Ltd.) came into being in the same year. But Khatiwada later found out that his team consisted of more people having no knowledge

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about the sector than those who did. "I found myself in a fix – whether to carry on with the team or to walk out. After much consideration, I opted for the latter. I quit COMEN," he informs. He then formed a new team and started Mercantile Exchange Nepal

Limited (MEX Nepal) in 2007. "We made it electronic unlike the practice of 'pit trading' that we used to follow at COMEN," he further informs. "It took us more than half a year to put things together – to install software for electronic trading, to train people and to arrange things in the right order." Two years later, in January 5 2009, MEX Nepal started its first live trading.

"I want to share it with all that though many commodities brokerage firms may have their signboards as futures exchanges, MEX Nepal is the only futures exchange in Nepal in true sense of the term," he says. "An exchange is a facilitator which introduces the system of risk mitigation. In that context, there is no other futures exchange except ours." Khatiwada informs that the Governors from Chicago Mercantile Exchange have come to MEX office and have carried out internal auditing. He wants to make sure they deliver services of international value and standard and to bring in professionals from the land of origin of commodities trading, the USA, is an assurance for their words.

Khatiwada puts emphasis on the purpose of investors willing to participate in the futures trading – whether that is for pure speculative purpose or for risk mitigation of their products physically lying in the market. "The latter is the correct approach for being in the futures trading market while the former approach is the offshoot of greed," he points out. "Product analysis is a must-have knowledge for those who want to participate for speculative purpose."



Dipendra Khatiwada
Managing Director
Mercantile Exchange Nepal Ltd.

PERSONAL SIDE

He is a big fan of Cricket and Football

He prefers to watch comedy programs in television over others

He has a small baby

He is not particular about foods and branded clothes

He is not particular about brand of the vehicles either

He is an Internet fanatic in his own admission. "Leave with a computer with an Internet connection and I can lay there for days," he says.

He is a frequent traveler outside the country

The one habit that he wants to get rid off is 'smoking'

He is a social drinker

Likes to read books on financial issues



If an investor doesn't bother to do a portfolio analysis and plays it blind, there is a thin line between investment and gamble."

Khatiwada stresses on the point that nobody who invests in the futures market with genuine intentions loses, which is the basic philosophy of futures trading. The only thing that makes or breaks an investor is the approach – whether he has genuine intentions or wants to manipulate the market through speculation.

Khatiwada nurtures some ambitions plans. He believes, and rightly so, that through his futures exchange, he can promote some unique Nepali commodity produce like black cardamom, tea and red lentils. "We can take these key Nepali products to the international market through a futures exchange," he

shares, with his voice drenched in confidence. "This can contribute a great deal in commercializing the Nepali farmers and help them mitigate their market risks." Khatiwada says that his institution is ready to bear the risks of commercializing agriculture products in almost all the districts of Nepal provided the government mediates in the endeavor and provides the most basic facilities to farmers, like irrigation, fertilizers and improved seeds through special agro initiatives. "Lack of warehouses is a burgeoning problem facing the commodities market in Nepal," he says.

"Nepal is a country with immense possibilities but inefficient management has plagued its development prospects. Even Cambodia, which reestablished its Central Bank and its currency in

1980, has the per capita income of nearly \$2000 now. It is both ironic and tragic that Nepal government recently had to take the joy in leading the pack of the six least developed countries in the world," he laments about the government apathy. The reason for all this, in his words, is the fact that economic priorities never fell in the spotlight of government attention and the politicians tend to drain their energy on, without much leeway, political issues alone. "It is the most worrisome case. I haven't seen government presence in the public sector for the last five years. That is why we are standing at the brink of an impending economic doom which has been signaled by the acute liquidity crunch in the financial system," he retorts. ■