Dominant market share, leadership doesn't mean monopoly: Chitra Ramkrishna

Agency: Dna | Anto T Joseph

A child of competition, National Stock Exchange (NSE) was built on a strong foundation of transparency and trust, says Chitra Ramkrishna. The managing director and CEO of NSE is not bogged down by recent allegations that high-frequency trades or algorithm-based trading helped a section of big investors. She has struck a delicate balance between its commercial and regulatory roles while keeping the exchange at the vanguard with new products and services, even as old rival BSE attempts to recapture some of its lost ground. She shares with Anto T Joseph her experiences of a two-decade long journey.

Transparency, technology and speed are the three foundations for stock exchanges. In the last two decades of your existence, have your priorities changed?

NSE was built to make Indian stock markets world class. To achieve this, there is really one foundation on which it is built -- good governance and trust. Transparency helped good governance, and helped bring in trust in the market. It also helped broad-base the market and helped take markets to the doorsteps of the investor. Technology was the lever or the vehicle through which we could achieve transparency. The foundation never changes. Ultimately, for institutions to continue to excel, to continue to add value, and to contribute to the economy, governance is at the heart of it. Products may come and go, technology may change, and the areas you serve may change. But fundamentals do not.

NSE was built on a new business model. We moved away from a broker-focused market to multiple stakeholders-focused markets, essentially Indian investors, and of course, a huge number of intermediaries. I think we were able to capture the dream of a lot of first-generation professionals who wanted to make the financial markets their business arena.

Two decades down the line, how do you evaluate the performance of the exchange today?

Technology played a huge role in equalising wherever you are located, negating all location advantages. It also played a huge democratising role among intermediaries as well as investors. It was very well established within a year that there was a lot of pent-up demand among brokers, investors, etc, for a market like ours. It reaffirmed the growth and business that we saw as we commenced operations. Starting with debt markets, we quickly followed up with equity markets. Equity markets caught on because everyone was ready for a change. On the other side, we have been trying to widen and deepen the debt markets. And I must say that in 20 years now, we are somewhere close to our objectives. Today, we see much more broad-based debt market than what we had two decades ago. Of course, there is a lot of work left to do. But we see the beginning of a good debt market, whether it is in the form of the transparent reporting platform or interest rate futures products that have taken off well.

So I would say that in these 20 years products have of course come. Subsequently, equity derivatives came. Our markets were ready for products like derivatives. But a lot of development work went into the launch of derivative products -- in the form of education. The regulators players a catalytic and developmental role in last 20 years. This is what made the markets grow the way they have today, whether it is through the de-materialisation or shortened settlement cycles, or through the launch of the derivative products. It is the regulatory nudge towards creating these markets, at the same time being cognizant of what risk, safety and other parameters need to be kept in mind. So in last 20 years, a lot of catching up was done by the markets. Today, we are certainly one of the top few markets in the world -- in equities, in equity derivatives and currencies. Also interestingly, from the regulator's perspective, we have in India some of the most advanced regulations in place compared with many other markets in the world.

BSE lost its market share steadily when you came in early nineties. It is now successfully recouping some of the lost market share…

We are a child of competition. We believe competition is good for the market, and so we actively seek to better everything that we can provide. For us, anything which offers Indian assets is a competition. It is not restricted to shores. If we can do it better onshore, we should try and do it. We can attract a lot of investments into the country, and therefore we should do it. So I think competitive elements are always very healthy so long that it ensures that we are all cutting-edge, and that we do enough to broad-base and deepen our own markets.

Your competition has claimed that they are faster. Is it true?

We believe in excellence. We believe in setting the standards. We believe in bettering ourselves continuously. At the end of the day, it has to be a value proposition for the customer. We will do all that is helpful for the end customer in terms of cost, products and services.

There has been a complaint that algorithm-based trading is helping institutional investors, and that perception is keeping retail investors off. Is it true?

Technology is a reality for markets. All markets today are technology-driven. It is a question of how you use the technology. World over, the algorithmic trading has become a way of life. So there are big users in markets who will use algorithmic trading for participating in markets. However, that is where you find that in market like ours, regulators and exchanges do take somewhat pre-emptive or pre-meditative role before these kind of policies are introduced. In fact, India was one of the first markets which had a framework for how someone can participate in automated and algorithmic trading. That framework eventually was adopted by many other countries. So what it really tells us is that trends and business trends do not go away. But as responsible market citizens what we do is that ahead of time, what kind of framework you put in place so that you mitigate what possible risks can arise out of your innovations. I think India's regulators have been ahead of the curve in adopting these frameworks. Now, a lot of research has been done world over on this subject, and established that it is not necessarily a bad thing.

Mobile trading is catching up in India…

Yes, the percentage of people trading using their smart phones has showed a significant upsurge. Trading through mobile has surged by around 90% during the first six months of 2015 as compared to the same period in 2014. Over last 6-7 years, we have been upbeat about using mobiles as a way for financial penetration and financial inclusion. It is one device that is held by more people than any other metric of financial empowerment that you can think of. So if you see a lot of our technology initiatives, they are incorporating mobile to make it an effective way for not just transacting in the market but also from a risk mitigation perspective. We do seek it as a huge driver. We do see this as a way to break new grounds that internet penetration could not do. You still see internet trading at 12-13% of the total market. That is because that has a different set of requirements, whereas mobile gives you a lot of freedom, in terms of whom you can reach.

Sebi has relaxed rules for start-ups to help them hit primary markets and raise funds. What is NSE doing to facilitate their market participation?

It is a very good thing that the regulator has relaxed the norms. We would have missed a whole lot of companies that could have potentially listed in India. These are new-age companies, very iconic, that signify the new India. So based on the new norms, we are in discussions with a lot of these potential companies. It is however early to give any further details.

Nifty trading in Singapore has been a concern as price discovery is happening before Indian markets open in the morning…
India is a very important investment destination. There is going to be interest in Indian assets. So Nifty is the best proxy. So you can do two things: make Nifty available in destinations where investors are looking for opportunities so that you can capture that interest and crystalise it for the benefit of the country. Second, over time, many of those investors may come onshore and trade. So it creates a pipeline for onshore interest. When there is interest and we do not provide an avenue through which they will invest, we will lose that potential investor interest completely. But price discovery is very much onshore as far as Nifty is concerned. Today, markets are all integrated. You have news 24x7. We all react to all different world news. So when Nifty is available in different time zones. Investors will need to trade on Nifty when such news comes out.

Since its inception, NSE had to fight an image of being a strong monopoly.

We are never a monopoly seeker. Rather our efforts have won trusts of the people and that have made NSE a market leader. Even if you have a dominating market share, leadership does not make it monopolistic.