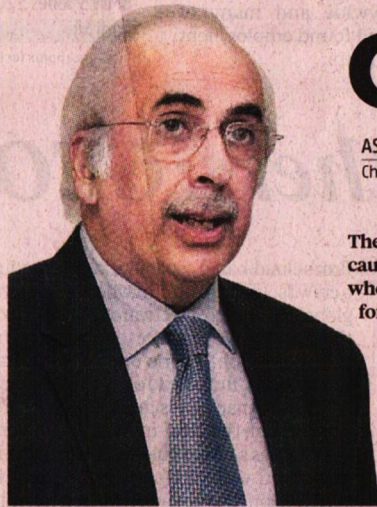


Headline: 'We expect a new chief of NSE by the end of February'

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'We expect a new chief of NSE by the end of February'



Q&A

ASHOK CHAWLA
Chairman, NSE

Managing special situations is not new to **ASHOK CHAWLA**, chairman of the National Stock Exchange (NSE). In his long stint in the government and as a regulator, the 65-year-old former IAS officer has handled many complex and critical matters. Within weeks of his taking charge in May, the exchange's board cleared the long-pending plan to make an initial public offering (IPO). However, midway, the bourse hit a speed bump last week with the resignation of its managing director and chief executive officer, Chitra Ramkrishna. While personal reasons were cited for the exit, stakeholders are closely watching the corporate governance concerns in the air around certain appointments and regulatory scrutiny over algorithmic trading. In a chat with **N Sundaresha Subramanian**, Chawla talks about all these and his long-term vision for the exchange. Edited excerpts:

The sudden exit of Ramkrishna has caught many by surprise, especially when the bourse is gearing up for an IPO. It is said she was not keen on listing. Also there were some governance issues raised around a key appointment. What is your take on this?

The board had already taken a call on listing. I don't think the other factors would have been dominant factors in the recent decision.

Clearly there is a grey area in the chief operating officer being hired as a consultant and kept out of regulatory oversight. The board was aware of this appointment. Why didn't the board take any action or did the board tell her about this in advance?

You were talking of the time when the appointments were made. I can't comment on that. I presume to some

"EVEN IF THERE IS SOME DELAY IN THE IPO PROCESS, IT WILL BE MARGINAL"

extent that the nominations committee and the board must have been kept informed. I have not really gone into what extent, either in terms of letter or oral briefing.

The concerns about this appointment were raised by the secretarial auditor. Was the board aware of this?

I don't think the board was aware of it till

this was looked into in some detail recently.

What was the view taken by the board on this issue?

We looked at those papers. And, that was part of the exercise which happened. The secretarial auditor, from whatever papers were available, had raised some issues. Then presumably, there were some oral discussions between the senior management and the auditor. And to some extent they had modified the views from what they had communicated at that point of time. This was all looked at in the recent past.

Was there a serious governance issue?

Well, all issues are important from the corporate governance point of view.

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'Delay in IPO process will be marginal'

The NSE release said personal reasons caused the exit, the board also recognised Ramkrishna's sterling performance. So, was there any effort to make her stay back since the IPO is near?

These are part of normal discussions. When any senior employee puts in papers, there is some interaction between the board or the chairman and the person to understand what the main issue is. But, it was somewhat brief because she was quite clear she needed to devote time to personal, family matters. It was not an engagement which was of any substantial consequence.

Do you think the exit should have happened in a more graceful way?

It was very graceful.

Is it correct to leave a month before a key deadline?

I think that is the question you have to ask her. From our point of view, it was graceful.

As the chairman of NSE, do you think her departure at this juncture creates a wrong perception given the disagreement with board on the listing process?

There are two issues. One is normal operations of the NSE. From the operational point of view, with the departure of a senior officer, there is no impact on the functioning of the exchange. The other part is the build up to the public offering and the listing process. Listing requires a chief executive in place. That is why we are working in full pace to ensure we get a replacement at the earliest. In that sense, the departure means that we will have to find a replacement very fast, which we are doing.

Will this delay the IPO process? You were supposed to file papers by January according to the road map?

Even if there is some delay that will be marginal. The process is going on.

Has Sebi given any guidance on self-

listing and the processes which NSE was keen on?

Sebi regulations are very clear. The board of NSE took those into consideration and NSE will be listing on the other exchange, no doubt on that. This issue was settled quite clearly in discussions with the regulator. NSE board had suggested to Sebi sometime ago, that while the exchanges will need to list on the other exchange not on themselves, but it may be appropriate and desirable to put in place a mechanism within the existing regulation of Sebi to provide comfort to each other. The exchange on which the listing takes place, the competitor, does not do anything to harm the commercial interests of the listed exchange. I believe Sebi is actively looking at that.

So, there might be some changes to the regulation.

I cannot prejudice what Sebi will do. We have made our case. We understand that they are in the process of taking a decision. We will wait.

Is there any precedence for such safeguards anywhere in the world?

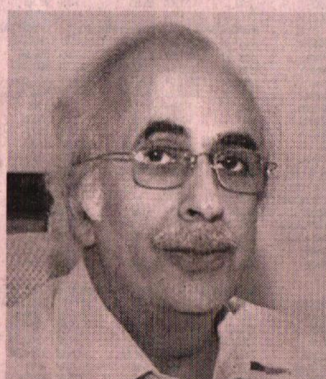
Both models have been applied in various countries. There is self listing and there is listing on other exchanges also. I'm not aware of any model where the regulator has provided some comfort or the other. But, NSE has made out a case. We wait to see whether Sebi provides some element of comfort within existing regulations.

Is foreign listing off the table?

It had nothing to do with the resignation. This was the initial thought. For the present we will focus our time and energy only on domestic listing. We will think of foreign listing, if necessary, later.

The other controversy that hit the bourse was about algo trading. What is the progress?

This was looked at within the NSE. The Sebi technical advisory committee had looked at it and given their comments. Sebi said the board should specifically



Ashok Chawla, chairman, NSE

look at this, give their views and tell us what is their conclusion. The board immediately appointed an external agency to do a forensic audit. We should be getting the final report in the next 10- days at the most 15 days. Based on the report, whether or not any manipulation of the technology platform, whether or not there was any connivance or was it just one of things that happened by coincidence, the board will take a call, make its submission to Sebi. The process of investigation by the independent agency is reaching its finality.

Has NSE on its own taken any steps to strengthen its system?

Technology has been evolving. It is a continuous process of evolution. Based on what the external experts tell us in relation to change in protocol or operating parameters the board will certainly look at those. The fundamental is to see we keep making improvements and in case something wrong happened in the past, we plug that to ensure it doesn't happen in future.

Will NSE look at the structural changes to ensure that the management doesn't go on a tangent?

There are already systems in place with adequate checks and balances. Someone just cant go on a tangent. That cannot

happen. At the same time, there are situations either not noticed or overlooked. If there are deficiencies those will need to be strengthened.

Would we see a N R Narayana Murthy-like (of Infosys) return at NSE. (NSE vice-chairman) Ravi Narain returns to tide over the IPO phase and then a professional takes over.

He is already the vice-chairman. The board's decision is senior most official holding charge. We have appointed a selection committee. In the next 10 days, at the most, you will see an advertisement for selection of the new MD. I don't think that scenario is envisaged. We are also in the process of appointing a credible search firm, which will assist in the process. Both will work together. The objective is we should have an appointment by the middle or end of February 2017.

Which are the major steps you have taken since taking over to strengthen governance?

The engagement with the management of the board has been strengthened and has become much more robust. The oversight of the board has increased substantially, which adds to corporate governance. NSE is a typical example non-promoter controlled enterprise. Therefore, in such enterprises, even more so, the role of board and engagement with management becomes more critical. That has been the effort. That will continue.

What are the immediate priorities?

Immediate priority is that the stability in operations be restored, leadership should be in right kind of hands. The process of listing, approved by the board and notified to the stakeholders, should be carried forward to its logical conclusion.

Will you look at a succession planning for the long term?

Succession planning not just for the chief, but also the next rung is extremely important. We will engage on these issues as we go ahead.

Will shareholders, especially foreign institutions, have any say in the selection process. Have they proposed candidates?

One or two have sent some emails. It is a process that will play out. People have to apply. Or, credible people have to be found and nudged to apply. There has to be a pool of applicants. NSE is not a normal company. We are answerable to Sebi. We have set up this search firm, who will identify people and nudge them into applying. There have to be CVs on table and some short listing. All this process might take a maximum of 60-75 days.

Unlike government agencies, compensation will not be a big challenge.

It would be reasonably good.

There has been lot of talk about NSE chief compensation, which was seen as very good.

The package is pretty good. But the point made to us was that it was not as good in the other side of the financial services because they get Esops. And in NSE, you are not allowed to have Esops. We have not at the moment gone down the road yet. We will give market related compensation, which we have been giving in the past.

Are you happy with the current board structure?

I have no hesitation to say we have a very good board. The structure is decided by Sebi regulation, which says PIDs should be equal to or more than shareholder directors. Looking at many other boards, I think it is a very good board. Nothing more needs to be done.

You have a fairly long tenure ahead.

What is your vision for the exchange?

The exchange has been doing well. From nowhere 23-24 years ago, it now had 80-85 per cent market share. It is a very technically strong, professionally run exchange. The idea will be once we have the new leadership, the operations should go from strength to strength. That's what the vision of the board or me as a chairman would be. Nothing more; nothing less.