

Headline: Cover Story - Man of the Moment

Source: Business World

Date: 19 August 2017

TAKING HOSPITAL TO YOUR HOME | INTERVIEW: RAJEEV CHANDRASEKHAR

BW BUSINESSWORLD

www.businessworld.in RNI NO. 39847/81 | 19 AUGUST 2017

RISE

MAN OF THE MOMENT

NSE, under Vikram Limaye, seeks to put recent controversies behind, and gears up for the long haul – it will go public and make further inroads into the exchange business

Meanwhile, BSE, under Ashishkumar Chauhan, is trying to carve out a bigger spot for itself in trading and investing businesses with its new technology platforms

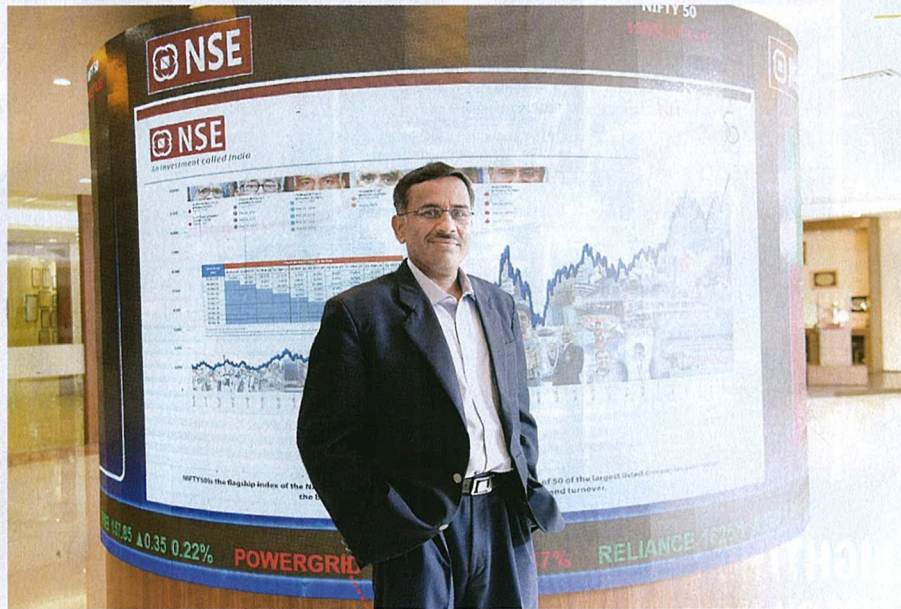
Rs 100

ISSN 0970839-7



CONTENTS

■ VOLUME 36, ISSUE 25 ■ 19 AUGUST 2017



JOTTINGS & SNAPSHOTS

18 Jottings

Flying Taxis; Busy Month for MEA; Sebi wheels the stick; and more

21 The Social Circuit

Facebook launched its virtual reality (VR) social networking platform called Spaces; Amazon enters the social space with its new feature Spark for customer engagement

22 Verbatim

What Nitin Gadkari, Amitabh Kant, Dick Costolo, among others said

26 Marketing & Advertising

GAIL (India) has launched a new campaign to throw light on how people can help improve the situation

32 Columns

Noor Fathima Warsia, Minhaz Merchant (p. 36), Suman K. Jha (p. 48), Chaitanya Kalbag (p. 82), Indranil Gupta (p. 112), Shivjeet Kullar (p. 113), Prakash Iyer (p. 122), Rachna Chhachhi (p. 140), Tushar Kanwar (p. 144)

34 Globescan

United States President Trump commissions USS Gerald R. Ford; China scales up its industrial output; Dengue outbreak kills around 300 people in Sri Lanka, and more

50

New Player on the Hot Seat

The National Stock Exchange Index rallied to set new benchmarks in the first few weeks of Vikram Limaye's arrival

Cover design by DINESH S. BANDUNI
Cover Photograph by UMESH GOSWAMI

NEW MAN AT THE HELM

IF ONE THING EMERGES crystal clear from the first two weeks of Vikram Limaye's leadership at the NSE, it's that the man is in a hurry to set things right. In barely a few days of joining the National Stock Exchange, the CEO & MD of the bourse filed the consent application with Sebi for a case that dogged the NSE, which alleges that the exchange unfairly gave access to a few brokers and algorithm traders.

For Limaye and the NSE, the consent application is a major move forward, which will pave the way eventually for a long-pending initial public offering, which has been stuck due to regulatory scrutiny. Consent applications are like negotiated settlements where a penalty is imposed on such entities. Says Limaye on the application: "It is an application to settle the matter without admission of guilt or wrong doing. The amount and terms would be mutually agreed based on discussions with Sebi."

For one of the world's largest exchange that ranks among the top 3 in number of trades in the derivatives market, it is an issue that has dogged the exchange for a few years now. Now, the soft-spoken Limaye has been thrust into the spotlight with the task of negotiating the terms of settlement with Sebi. It is a process that is likely to take a while as such matters go, but Limaye is hopeful that the matter will be resolved soon. "My hope is that it will be resolved in the next six months," says Limaye..

The IPO Dream

If the issue does not get a speedy resolution, NSE's IPO could see further delays. NSE is among the world's largest exchanges in derivatives, handling a humongous amount of volumes that pitches the exchange in the top two in the world. The exchange has seen over 3 billion derivative contracts changing hands in 2015, and this trading volume is only rising.

"NSE is an institution of national importance. You don't

India's premier exchange is looking ahead even as newcomer Vikram Limaye wants to set things right
By Clifford Alvares

WHERE THE REVENUES COME FROM

Transactions form a bulk of NSE's revenue mix

	NSE	BSE
Transactions	50	27
Listing	3	24
IT	7	3
Market data	5	3
Other	35	43

GAINING GROUND

Market share of NSE

	NSE	BSE	MSEI
Apr-Jun			
CM*	85.99%	14.01%	0.00%
F&O*	99.99%	0.01%	0.00%

HIGH ON GROWTH

NSE's net profits have increased considerably

	FY16	FY15	FY14
Revenue	235.9	229.1	192.06
Total Expenses	72.08	65.7	59.3
Net Profit	97.5	99.3	75.2

Rs crore; consolidated; *Cash market; Futures & Options



VIKRAM LIMAYE
CEO & MD, NSE

want overhang of investigations for too long which could be the case if this was to go through the court process. We would like to resolve the issue and move on and that I believe will also be in the best interests of markets and investors domestically and globally," says Limaye.

It's an issue that all stakeholders would like to see resolved. Earlier in July, its chairman Ashok Chawla in a letter to employees said that the exchange is going through tough times due to technical and organisational issues. "Challenges (are) on the organisational front, stress over legacy technology issues, re-energising of relations with the stakeholders across the spectrum, from regulator to shareholder," Chawla wrote in the letter. He also expressed optimism on overcoming the problems.

Bouncing Back

NSE has a market share of over 85 per cent in the equities

trading segment, and 94 per cent in the equities derivatives segment. NSE has also been one of the largest exchanges in terms of total and average daily turnover within the first year of its operations back in 1994.

Hence, Limaye also had to oversee a submission to Sebi on the trading glitch that hit India's biggest stock exchange. This glitch halted trading for three hours on the NSE on 11 July, days before Limaye joined, which he attributes to an interface breakdown of its systems.

A few days later into the new role as the CEO, Limaye also witnessed a historical moment. The NSE's flagship index, the Nifty 50, scaled a new peak and crossed the important 10,000 mark for the first time in its 22-year history.

For NSE, however, despite it being India's premier exchange, some of the needs of corporates is to bridge the debt funding gap in the economy. Limaye believes that the Indian bond market needs to be developed, and products such as interest rate futures and credit derivatives need to see the light of day. Limaye also notes that the NSE has applied for a corporate bond repo product, and some shorter duration index products.

So, it has been an eventful first few weeks at the helm for Limaye. For the man, though, the challenge of steering a business through difficult times is nothing new.

But the good thing is that NSE has a strong and enviable business in the transactions business having a lion's share of the derivatives market. Limaye just has to build on that, and before long, the NSE should be out of the woods. **BW**

clifford@businessworld.in

[@cliffordahvares](https://twitter.com/cliffordahvares)

'Relooking systems, controls and processes'

VIKRAM LIMAYE (50), has stepped into the hot seat of the NSE and has hit the ground running filing a consent application with Sebi (in a case which says it gave preferential access to some high-frequency traders and brokers) even as the Nifty scaled a new peak and crossed the five-figure mark. The CEO & MD of NSE spoke to **Clifford Alvares** and **Raghu Mohan** on various steps the exchange has taken in the recent past to set things right at the NSE. Edited excerpts:

Q: How have your first few weeks been? You have hit the ground running and the markets have hit 10000. It has been hectic. Resolving the regulatory issue is a priority for which I have filed a letter with Sebi for settlement under the consent process. We have also filed a report with Sebi relating to the trading halt. I am working on improving stakeholder relationships with Sebi, government, clients, shareholders, media and employees.

Q: What did you say in the consent letter? What are the terms of settlement? It is an application to settle the matter

without admission of guilt or wrong doing. The amount and terms would be mutually agreed based on discussions with Sebi.

Q: What are the grounds for the consent application?

NSE is an institution of national importance. You don't want overhang of investigations for too long which could be the case if this was to go through the court process. We would like to resolve the issue and move on and that I believe will also be in the best interests of markets and investors domestically and globally.

Q: What do you think the learnings are from this issue?

I just think that if the issue was managed better it would not have escalated to this level. The discussions with the regulator could have been handled better relating to the technology and any gaps/lapses in process and documentation could have been fixed.

Q: So you are having a re-look at internal systems?

Yes, we are looking at the systems, controls and processes so that management and the board are comfortable that the foundation of the organisation is strong.

Q: Have all the 14 employees filed consent?

There are 11 out of the 14 who have filed so far.

Q: How long do you think the whole process is going to last?

My hope is that it will be resolved in the next six months.

Q: On the trading glitch, are there any changes that you have been asked to carry out?

We have submitted our report to Sebi in which we have outlined remedial steps, which incorporates views of our vendors. There was no issue surrounding cyber security or hacking. We have discussed with CERT and they are satisfied with our report that there was no cyber-attack or hacking.

Q: If you could go back in time and tell us what happened?

The simplified version of it is that we are dealing with two systems. One is a legacy proprietary system operating at a certain speed, and one is a newer open source system operating at a faster speed. There is an interaction and messages that go back and forth between the two. But because of the difference



'While you never want any trading halt on an exchange, there are instances of this happening since it is very hard to plan and think through everything that could go wrong'

COVER STORY / IN CONVERSATION

in speed, one system was expecting a response in a certain way, and that didn't happen, and so the other system waited because of which the entire system hung up in terms of processing the market opening.

There are things to be done from a design perspective, automation standpoint and the contingency measures that need to be adopted. We are working on these fronts to make sure these issues are plugged. While you never want any trading halt on an exchange, there are instances of this happening in several exchanges since it is very hard to plan and think through everything that could go wrong. This kind of trading disruption hasn't happened on NSE for the last 20-plus years, so the technology is robust and there is nothing to worry about. Technology

has been the strength and differentiator for NSE.

'There is no reason why we can't emerge as a platform for foreign companies to list'

Q: You have launched some foreign derivative products in the international exchange? How has the progress been?
It is still early days since we started two months ago, and the volumes are very low. The product approvals were very recent. We need to get more liquidity and that will require several things to fall into place. We are working on all of them.

Q: What are the new products that you are launching on the NSE?
There are various products on the fixed income and equity side that are awaiting Sebi approval such as a corporate bond repo product which could be settled through the clearing corporation. We have also asked for some in-

Q: Not many Indian indices are available internationally, what are you planning on this front?

That is an area of growth. We have to promote our products internationally through partnerships with other exchanges.

Q: What are your plans for the NSE?

The equity markets are relatively well developed but there is a lot to be done to develop other markets. I believe it is a core part of NSE's mandate to work with regulators and government for market development. Bond market develop-

ment is critical to fund the country's growth since this can't be achieved just on the back of bank financing. Once the bond market develops, the interest rate futures market and credit derivatives markets will develop. There's also a huge opportunity in better intermediating retail savings since equity penetration at 7-8 per cent is still very low and has a long way to go.

There are other revenue streams that NSE has. We have a data business, index li-

censing business, IT business and an education business. If you look at non-exchange revenues for other exchanges it's about 20-30 per cent, but in our case it's approximately 10 per cent. So there is a long way to go in growing these other revenue streams beyond the trading fees that an exchange earns.

Q: Do you see India emerging as a supplier of capital for other foreign firms?

There is no reason why we can't emerge as a platform for foreign companies to list. It will require a lot more domestic capital to be available which is happening with the growth of the domestic mutual fund industry. Ultimately, whether somebody lists here or not has to do with whether or not they will get the right kind of valuation, and whether the ecosystem is supportive from a regulatory and tax standpoint.

Q: How does India Inc. look from the NSE corner room?

The medium-to-long term outlook is good. In the near term, fundamentals need to catch up, whether it is earnings growth or even GDP growth. For the last couple of years, the economy has been firing on the back of consumption and government spending. Private sector capital expenditure and rural consumption needs to pick up. Many of the steps the government has taken will show up in economic growth with a lag. There is political stability and macro-economic stability, and those are critical for any investor to feel confident about investing in the country. **BW**

clifford@businessworld.in

[@cliffordakares](https://twitter.com/cliffordakares)

raghu.mohan@businessworld.in

[@tabonyou](https://twitter.com/tabonyou)

