

Headline: Interview of Ms. Chitra Ramkrishna, MD & CEO, NSE

Source: Bloomberg News

Date: 28 September 2016



Interview of Ms. Chitra Ramkrishna, MD & CEO, NSE on Bloomberg News

Harsha Subramaniam, Anchor, Bloomberg News: My first question to you what's the next big change that you anticipate in the Indian stock markets, in the Indian financial landscape? And what are you doing about to sort of reassert your dominance?

MD & CEO, NSE: In the Indian markets there is always abundant things to do in terms of growth and expansion. So I truly believe that several areas which will be of significant economic impact and value will emerge, they are beginning to emerge, one is around fixed income, the second is around the SME. And I think innovation in product, ability to reach out to mass customers, these will make a huge difference in what the markets can provide as value in both of these segments.

Anchor, Bloomberg News: We have seen a significant increase in retail participation through the mutual fund route. But it is also a fact that you have seen brokers finding an extremely challenging time. What is the NSE doing to ensure that direct participation into the markets increases?

MD & CEO, NSE: In fact this is something that we have been focused on for many years now and I would say that one of the real game changers around retail participation into the markets. You of course said direct but I would like to stress that in India we have seen indirect retail participation come in a big way only with the recent policy of EPFO participation in the markets. And that has an ability to be a

significant game changer for the retail savings that will come into the markets. With that comes a lot of awareness and interest in market products which we can take to the smaller saver. ETFs have been the big product that we have been pioneering and focused on over the last decade, the fact that EPFO is starting to invest in the market through ETFs is again a huge endorsement that this is an appropriate mass for a small saver, passive investment vehicle, low cost. So we will really put a lot of efforts and we continue to put those efforts around making ETFs a household accessible product. Second as you are aware even the mutual funds today the exchanges have started providing a distribution platform. At the end of the day it is about market infrastructure like us being able to leverage the huge infrastructure that is being created to create inclusion in not just investors but also in intermediaries. So people like agents who have been servicing financial products over the years there should be a way of embracing them into the ecosystem and therefore reach the ultimate retail savers that you want to reach.

Anchor, Bloomberg News: There is a global debate about high frequency trading, algo trading. We realize about 40% of total volume happens through algo trading in India and you are a pretty dominant player, you control most of it. There is a view Madame that it is in a sense driving away small investors. What's your take on the entire debate?

MD & CEO, NSE: So there is a place and need for ensuring that small savers and small savings come into the market and I think we can never take that argument away. Especially in a country like India where it is strength of our markets that we have a strong retail base and we have to build on that base. So one hand you have to develop mass products like ETF, mutual funds etc. which are appropriate for the small saver and bring him into the markets. Increased participation of this variety anyway will bring the small savers into the market. But having said that today all markets across the world have diverse participation, I would say that the success of any infrastructure is that you must be able to provide a multitude of access, it will be algo, it will be non algo, it will be intermediated, sometimes it will be non-intermediated. So an infrastructure's success and job is to be able to ensure that it is not driving anyone away, it opens up the access to all.

Anchor, Bloomberg News: Sure. Do you have a view on an investment association asking the regulator to reconsider its plan, to slowdown algo trading. Is there a merit in this argument?

MD & CEO, NSE: No, I don't think we should look at each and every suggestion in that fashion because ultimately the regulator has a very broad perspective of where they want to see the markets go. This is something that worldwide regulators are looking at and frankly they are all looking at it from a positive policy perspective of what will deepen and expand our markets. So I don't think we should get into particular suggestions, end of the day regulators across the world and in India continue to engage with the market to see how to develop the market. And I think we have to be empathetic to whatever those requirements are.

Anchor, Bloomberg News: If you look at Indian companies at this point in time, which sectors are you hoping would be accessing capital markets, where are the areas of growth for you? And secondly from an institutional fund flow standpoint what's your own understanding of how markets are positioned?

MD & CEO, NSE: So when you talk of sectors I will nuance it little differently, in the last year for example if you see several new assets have been coming into the market, have come to market to raise capital. What is interesting about this story is that this time around it is a healthy number of midsized companies that are actually coming to the market and able to raise capital. This is in some way proof of

the pudding that it is not just for the billion dollar raisings that markets are for it is for strong assets that will get created in the midsize range as well. Similarly, the fact of focus on what we can do for SMEs is really going to be the huge focus going forward. So if you talk therefore about sectors I would say more than sectors we must think about the size of offerings and we must think about the kind of instruments that come into the market. So we no longer talk about only equity, we really talk about equity but different kinds of debt instruments as well where the market should be able to meet the requirements of different raisers of capital.

Anchor, Bloomberg News: From a fund flow perspective do you believe that India will continue to attract the kind of investments that it is getting from foreign investors?

MD & CEO, NSE: Definitely, every conversation that we have with Foreign Institutional Investors at this point India is very much an attractive destination that they look at. Infact I don't know if you saw while this is about the underlying capital but if you look at India per say and Indian markets and how much attention that is grabbing. If you look at the last WFE/IOMA Derivatives Market Survey, if you look at index options just an example Nifty options, 59% of total global derivative market turnover comes from ASEAPAC and interestingly 36% comes from India, NSE. So why this is important is India is no longer a small piece in the total global market turnover piece. India is a significant piece and India was the destination, NSE was the exchange that accounted for one of the top growths in the market expansion in the last year. This gives us a sense that Indian markets continue to be a strong source of interest and then attractive destination for institutional investors across the world.