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NSE hosted the 36th IOMA: WFE's Clearing & Derivatives Conference on 3rd & 4th April 2019 in Mumbai

'Liquidity risk is a theme frequently spoken about'

The World Federation of Exchanges (WFE), the global industry group for exchanges and central counterparties (CCPs), on Tuesday published a joint report with Oliver Wyman examining the post-crisis developments that have shaped the current clearing landscape. In an interview with **Ashley Coutinho**, **NANDINI SUKUMAR**, chief executive officer (CEO), WFE, and **VIKRAM LIMAYE**, managing director & CEO, National Stock Exchange of India, spoke about the key focus areas for the industry body. Edited excerpts:

What will be the key focus areas for the WFE in the next 4-5 years?

Sukumar: Markets are being increasingly collateralised. The regulatory standard setting bodies have been talking about further disclosures and liquidity risk is a theme that is spoken about frequently. There are a few issues that we plan to focus on. One, is the evolution of dialogue around incentives. Two, are the default management practices of CCPs. Three, is the standard-setting on specific topics such as cyber resilience, recovery, and resolution planning.

Q&A

How is the WFE catering to the development of emerging markets?

Sukumar: We have 71 members representing 300 market infrastructures, of which 70 per cent operate in frontier markets. We have a very active emerging market working group and our mandate includes educating investors on market structures. We have also done some study on how to enhance retail participation and boost liquidity in the secondary markets.

There is recognition that the reforms after the financial crisis are not yet fully and consistently implemented and there is variation in the use of central clearing across G20 jurisdictions and asset classes.

Sukumar: We are working with regulators to ensure the reforms agenda is implemented consistently across the world. This

includes both the trading and clearing mandates, which are important safeguards brought by the G20 to ensure the markets become more resilient. As the global regulatory approach gradually shifts from the implementation of the post-crisis reforms towards promoting market development and growth, the clearing industry stakeholders, including supervisors, CCPs, and clearing members, must work together to ensure any outstanding areas of reform are properly implemented.

The Securities and Exchange Board of India is worried that the derivatives market is risky and is being used for speculation. How legitimate is the concern?

Limaye: The entire equity derivatives market in India is exchange traded. The data indicates that 95 per cent-plus of what is classified as retail participation in the derivatives market would be what you would call accredited investors, who are typically high networth investors with risk capital as well as professional traders.