

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

Meet the Experts

'Exchange trading ecosystem needs diversity'

The core exchange mantra is fairness, order and transparency: Nandini Sukumar, CEO, WFE

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Exchanges have a major part to play in capital raising and risk protection. They also need to balance between providing fair and transparent platform even while allowing space for innovation. Dr Urs Rügsegger, Chairman, SIX Swiss Exchange, and Chairman, World Federation of Exchanges (WFE); and Nandini Sukumar, CEO, WFE, shared their views with *BusinessLine* on various issues concerning global exchanges. They were talking on the sidelines of the WFE's conference on derivatives and clearing, hosted in partnership with the NSE, in Mumbai recently. Excerpts:

Can you explain the role of WFE in the global exchange ecosystem?

We are a venerable industry group founded in 1961 with 71 members, including three Indian exchanges. We represent around 300 market infrastructure institutions including exchanges and CCPs (Central Counterparty Clearing)



around the world, including those that run the biggest exchanges, the mid-sized ones, and the small. We often say that our members under 'C' include CME, Chicago Board Options Exchange and exchanges from Colombo and Columbia. So, we are pretty diverse.

We exist to advocate on behalf of our members to regulators, policy-makers and politicians. We bring the industry together globally to take policy positions. We speak to global regulatory authorities and policy-makers, do standard setting, prepare codes of best practice, etc, in addition to agreeing on policy positions and making submissions.

The other part of what we do is to help develop the market through capacity building, information sharing and providing technical assistance to exchanges in emerging and frontier markets. We also do a lot of research, and conduct workshops and conferences.

Automated or high-frequency trading (HFT) was once a source of great concern, but now, people aren't talking about it much. What are your thoughts on this?

Let me say two things on this issue. One, we believe that the exchange trading ecosystem needs diversity. A trading ecosystem in which there's only one kind of participant isn't necessarily in anyone's interest. It would have been a source of concern if the market wasn't fair, orderly and transparent – which is the core exchange mantra – because of HFT. We would be uncomfortable if any participant does not behave in a way that leads to fair and normal markets.

It's our duty to make sure that every participant in the market is treated the same way so that they have the same access to information, co-location, as well as the technology platform. And as long as they have equal rights and play along the rules, I think we are fine.

It's a constant process of management, which is why exchanges have surveillance departments, and invest in financial literacy programmes. These are some of the tools in the toolbox.

What is your position on crypto assets?

We consider crypto assets as a new asset class. We look forward

to our members trading them, to crypto asset exchanges and to, in time, accepting these exchanges as our members, as long as they conform with the strict criteria we set out as a definition of an exchange. It needs to be understood that at present, there are no crypto exchanges in the world; there are only crypto trading platforms. If they perform the same function as we do, we expect them to be regulated the same way. If it's yellow like a duck and swims like a duck, it should be regulated like a duck.

So for us, as an industry, it's an opportunity to make that new generation of investors, who perhaps wouldn't have been interested in markets, come to the market, and hopefully be part of the next generation of traders.

What is your view on unlit exchanges such as dark pools?

The new issue that we are currently discussing in the industry is the concentration on the buy side among the asset managers; so, the ticket sizes are getting bigger.

These unlit/dark pools serve the investor to trade larger ticket sizes. It's

not pre-trade transparency, but post-trade transparency – after a trade is completed, everybody has the same information about the trade.

And I think this is the reality – we have to serve our big customers in such a way that they can invest and get out of an investment without moving the price too much. And as long as there are clear rules and everyone sticks to them, we are fully supportive.

What are some challenges that exchanges face currently?

I'll give you two. One is that we should always ensure we remain close to the people who use the exchange.

The customer is not one person, and that's part of the challenge. And the second challenge is maintaining market integrity; it is absolutely at the core of the exchange mandate. So, how do you balance market integrity with the need for innovation? That's another challenge.

One of the things that I don't believe is a challenge is the role and the relevance of the exchange. What we exist to do remains as relevant today as it was on the day the first exchange was set up. To reach the message across to the end investors about the relevance of the exchange would also be a challenge for our organisation.

The people on the street, people who have their money in a pension scheme, they should understand the value of an exchange.

If we get that message to the end investor, I think we have been successful.



"There are no crypto exchanges in the world, only crypto trading platforms."

DR URS RÜGSEGGER and NANDINI SUKUMAR
Chairman and CEO, WFE