

Headline: National Stock Exchange starts operations at GIFT

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Aims to capture market from global financial centres

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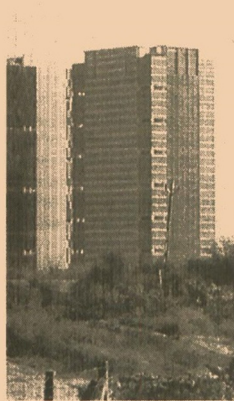
The National Stock Exchange (NSE) on Monday commenced trading at Gujarat International Finance Tec-City (GIFT City), an international financial services centre (IFSC) that offers tax sops to investors. The move comes five months after rival BSE went live with its operations in the special economic zone (SEZ).

To begin with, NSE will offer trading in derivatives contracts of Nifty, Bank Nifty and Nifty IT, 10 domestic stocks, 10 global stocks. Besides, it will also offer derivatives contracts in gold and silver and two cross-currency pairs — euro-dollar and pound-dollar. BSE's arm in IFSC called India International Exchange (INX) also offers trading in similar instruments.

GIFT City, the country's first IFSC at Gandhinagar in Gujarat, is modelled on global financial markets in London, Dubai, New York, and Singapore.

Derivatives instruments based on domestic indices such as Nifty and Sensex are actively traded in these global markets. For instance, of the total contracts traded on the Nifty, the most-active domestic index, 55 per cent happen onshore, while the remaining happen in the offshore market.

Both NSE and BSE will aim



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to eat into the 45 per cent offshore market share.

NSE IFSC registered volumes of nearly \$13 million on Monday until 9:30 pm. The BSE, which launched in January, clocks average daily volume of around \$45 million. These volumes are still a fraction of derivatives volumes taking place onshore and even offshore. On Monday, derivative volumes on NSE stood at ₹2,62,868 crore (around \$40 billion), a large portion contributed by Nifty and Bank Nifty contracts.

Exchanges and other GIFT City participants are hopeful that the regulators, including

the Securities and Exchange Board of India (Sebi) and the Reserve Bank of India (RBI), will give a push to the operations by allowing more products. Trading in rupee-dollar currency derivatives is one of the demands from market participants, which the RBI is considering. It is also said to be considering demands to allow domestic investors to participate in IFSC under the Liberalised Remittance Scheme. Sebi is said to be considering demands to allow trading in stocks similar to that in the cash market.

"GIFT City helps us showcase India's competitiveness. Regulators are committed to make this a success and put it in fast-track mode," said Ajay Tyagi, chairman, Sebi.

Exchange officials said foreign investors will be attracted towards GIFT City IFSC as trading here will be more cost-effective compared to other global financial centres. Also, investors would prefer trading in India-based derivatives contract in the domestic market once there is enough liquidity.

NSE IFSC will remain open for trading for 16 hours, while BSE INX offers trading for 22 hours. "Trading hours can be extended depending on market demand," said Ashok Chawla, chairman, NSE, adding India's geographical location will give GIFT City a competitive edge over others.