

Headline: NSE may Settle Derivatives Weekly to Woo Traders

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THE BOURSE plans to kick start its operations at GIFT City with new settlement formula on Nifty index to counter BSE

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Mumbai: The National Stock Exchange (NSE) may kick off its operations at GIFT (Gujarat International Finance Tech) City with weekly-settled derivatives contracts on the Nifty index. The bourse is likely to start operating in GIFT from the second week of April and weekly settlement cycle is being tried to counter BSE's first mover advantage in Gujarat, sources close to the development told **ET**.

Currently, the NSE follows a monthly settlement cycle for Nifty contracts, the most traded derivatives product in India. But the idea to launch a weekly Nifty contract comes from the popularity of weekly settled Bank Nifty index, one of the sources quoted above said. NSE did not comment on the development.

Bank Nifty, where a weekly settlement cycle was introduced last year, has gained huge popularity among traders. Data show that options contracts of weekly-settled Bank Nifty have between 55% and 78% market shares versus the monthly-settled contracts of the same index. In March, average daily traded vol-

umes of the weekly settled Bank Nifty options contracts stood at ₹330 crore, the NSE data showed.

"Weekly settled options contract are popular as their premium is less compared to monthly contracts due to less time value and hence high volumes are seen in such instruments," said Yogesh Radke, quant research head, Edelweiss. "In GIFT city, introduction of such weekly-settled contracts too, could see high volume."

Both the BSE and NSE have applied for a host of products for trading on the GIFT exchange and are waiting for clearance from the Securities and Exchange Board of India (Sebi). The BSE had launched its GIFT operations in January with derivative contracts based on S&P Sensex along with a few single stock futures of global companies. India INX, BSE's GIFT platform, has witnessed daily volumes of around \$4-5 million.

India is promoting GIFT to counter shifting of country's equity, currency and commodity trading to tax havens. Both the BSE and NSE are leveraging on tax breaks that GIFT offers to traders and companies including zero short-term capital gains, securities transactions tax and stamp duty.

