Headline: Don't believe move by Indian exchanges is anti-competitive: NSE	
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National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) have moved to reassure stakeholders of an orderly transition of data. This comes after the indices said they would stop licensing their indexes and securities data to foreign exchanges. In an interview to CNBC-TV18, Vikram Limaye, MD & CEO of NSE gave further clarifications and spoke about the latest happenings.

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In an interview to CNBC-TV18, Vikram Limaye, MD & CEO of NSE gave further clarifications and spoke about the latest happenings.

Limaya said that we do not believe move by Indian exchanges is anti-competitive.

Below is the verbatim transcript of the interview:

Anuj: We will discuss the SGX part as well but I first want to discuss what happened last evening when a fake Sebi circular was doing the rounds in WhatsApp groups that Sebi has asked NSE to give data on public sector undertaking (PSU) banks. Are regulators looking at that issue right now because if this circular was part of the market hours, it could have led to disturbing the market mechanism?

A: When I was asked the question when it came out for the first time, I was quite clear that we haven't received any such letter and that is a factual reality. So I am sure the regulators would be looking into it in terms of how to prevent these things from happening going forward.

Latha: The second press release that we got from NSE, BSE and Metropolitan Stock Exchange (MSE) yesterday saying further to the February 9th press release there have been discussions with several exchanges, data vendors, index provides related to the announcement dated to February 9. Can you elaborate a little on what were these, will it mean that some kind of SGX Nifty or index will be allowed but not stock futures. Just some colour of this discussion?

A: This press release was to make all participants aware and all stakeholders aware that we are focused on making sure that there is an orderly transition and it is not disruptive for market or investors and in that regard we are in tough with all stakeholders whether its exchanges, index providers, investors etc. and we are doing that soon after the announcement was made; we reached out to everyone, we continue to do that and we are here to be helpful, to make sure that investors who are trading Indian products are able to continue to trade going forward as well and as we said before as well, there are alternatives for investors to trade either onshore in India or in Gujarat International Finance Tec-City (GIFT).

Latha: How do you react to that fairly angry notes that came from the MSCI slamming the Indian exchanges' action and calling it anti-competitive and protectionist?

A: I do not believe that it's anti-competitive in anyway because – a) these are licensing arrangements in commercial contracts and from that perspective nobody is compelled to share their IP if they do not want to. So from that perspective these are commercial contracts and they should be viewed as such and b) it is in fact quite common to find other exchanges, not sharing prices and data relating to the core contracts. If liquidity is going to get fragmented and getting built offshore. So what we have done is not different from what – - actually exists even as policy with some exchanges where data and licenses are not shared on core contracts because they do not want liquidity to move offshore. Therefore, I do not believe what we have done is anti-competitive in anyway and different from what many other exchanges do.

Anuj: But the issue here is and a lot of people believe that lot of volumes were moving to Singapore because of taxation being too high, from trading point of view, in India. The issue here is that it is not just about data, for example SGX generates huge volumes at 7:30 am or 8:00 am and anyway NSE is closed and there is no data. In that sense the argument is that – maybe not in the name of Nifty but in some other name the SGX can still have a product which benchmarks Indian stocks. How can you prevent that?

A: I have no idea what that product would be, if it is based on Indian prices because ultimately you would require prices and data from the Indian exchanges.

Anuj: But you are quite clear that it cannot be Nifty?

A: Obviously. We have terminated our license on Nifty. We have terminated our license with SGX on Nifty. You are talking about alternate products. I am just saying that any alternate product that is market linked will require prices from the Indian exchanges. So I am not sure how that product can be created without getting prices from the Indian exchanges.

Anuj: For example pre-market. The SGX Nifty is still trading, right and is generating volumes while it is not getting data?

A: Right now there is a notice period. In order to terminate any license, there is a notice period. So there is a six month notice period with SGX that expires in August.

Anuj: I take that point - that is of course during live market hours. I am saying when Indian market is not trading live even then there is an equilibrium around 7:30 am and on SGX Nifty you are seeing volumes – that's the point I am making?

A: But all I am saying is tomorrow if they want to create volumes in alternate product that is benchmarked on an Indian security or an Indian index, they will have to try and get a price on that, right. Where will they get a price of an Indian security unless it is from the Indian exchanges? I do not know what product they are talking about. I am just saying that whatever product you try and develop, if it is based on trying to get prices from the Indian exchange then that will be difficult to do, is all I am saying. If they have another creative way of doing it, we will see what they come up with but I have no idea what the details of that products are.

Surabhi: Could that creative way be routed through Gujarat, through GIFT. There is a lot of talk right now whether you could explore something with the SGX in Gujarat International Finance Tec-City (GIFT), whether there could be some kind of – even an equity participation in that exchange from SGX, whether there could be some kind of stock connected – what Hong Kong had with Mainland Chinese shares. Is something like that being explored?

A: I have said this before – there have been discussions in the past with SGX to try and figure out how we move liquidity from offshore markets including Singapore to GIFT City because that is the natural jurisdiction for if somebody wants to trade in a dollar contract with tax advantages etc. that is not available onshore. So those conversations have been ongoing in the past before we did this. There is nothing wrong in trying to figure out mechanisms by which liquidity that is offshore can be moved to GIFT City because GIFT City is an international jurisdiction. I cannot talk about details of what that arrangement might be or what form it might take. These are not easy things to do, they are quite complex in terms of operational, legal, structural, commercial consideration. So from that perspective a lot has to fall in place for any of those arrangements to work out.

Latha: I have three questions – one, therefore to compensate for the absence of SGX Nifty and government and Sebi closely look at quickly launching a Nifty Futures say starting 6:30 am or something and going on after the cash market close.

A: We haven't had any discussions surrounding that in terms of extension of market hours for trading of Indian index product.

Latha: Second question, this sentence that came from MSCI that this step of discontinuing provision of data and I am quoting them, "could jeopardize the country standing in indexes tracked by global funds. Do you think that you can expect some kind of a backlash from MSCI – that can mean trillions of dollars of investments?

A: I do not have any view on what MSCI can or cannot do. They have stated what they have to state. All I am saying is that we have been in discussion with all stakeholders including investors etc. they obviously appreciate the position and why things have been done etc. We are also trying to facilitate an orderly transition so that it is not disruptive for markets and investors and investors have an alternative to trade India whether it is India onshore or in GIFT City and so by no means investors are going to be stranded without being able to hedge India risk.

Latha: Third question, can GIFT City be anyway as competitive or as easy as SGX Nifty because there are a lot of products and people normally like to trade in a place where they can move money from one to another. GIFT City is not quite an alternative.

A: As it relates to trading Indian markets in a dollar product with no STT and no taxes – that is an alternative that is available. Will it be as liquid as competitive as Singapore or any other location right now? Obviously not because it is a new exchange but all I am saying is that liquidity can get built in GIFT City. For those who want to trade dollar product on India with all transaction cost advantages that they have in any other international jurisdiction and liquidity is a function of people wanting to trade and people actually trading there. So those who are currently trading offshore, if they choose to trade in GIFT City. Obviously liquidity will built in GIFT City, it will become robust enough exchange.

Surabhi: Do you expect a tie-up with the SGX, whatever format that might be for GIFT to work out by August, which is the deadline which is when the current contract expires with the SGX?

A: I cannot comment on any kind of tie-ups or anything unless there is anything concrete that is visible and tangible that I can talk about.