

**Headline:** NSE's clearing corporation maintains lead over BSE

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# NSE's clearing corporation maintains lead over BSE

**SAMIE MODAK**  
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The National Stock Exchange (NSE) has cemented its dominant position in the stock market ecosystem after interoperability of clearing corporations has kicked in.

According to people in the know, trading members accounting for nearly 95 per cent of market volumes have selected NSE Clearing (NCL) — the fully-owned subsidiary of NSE — for settling their trades in the cash segment.

Interoperability came into effect in this segment on June 15. It allows trading members to opt for a clearing corporation of their choice, irrespective of the stock exchange in which they execute trades.

Interoperability for the equity derivatives segment comes into effect next week, and for currency derivatives a week after that.

Of the total of 1,100 trading members, above 900 have selected NCL. The Indian Clearing Corporation (ICCL) — subsidiary of the BSE — has been chosen by nearly 200 members, who account for 5 per cent of volumes, the people said.

The proportion of clients cemented by NCL and ICCL largely mirrors the market share of parents NSE and BSE, respectively. Of the total trades done in the cash segment this year, over 92 per cent have been on the NSE. Both NSE and BSE declined to comment on the matter.

Industry players say all custo-



## HEAD-TO-HEAD

NSE enjoys higher market share in the cash segment

	Market share* (%)	
	BSE	NSE
Jan-19	8.4	91.6
Feb-19	7.4	92.6
Mar-19	10.4	89.6
Apr-19	8.0	92.0
May-19	6.8	93.2
Jun-19	7.3	92.7
Jul-19	6.4	93.6

Note: \*For cash segment  
Sources: NSE, BSE

dians, except two, have opted for NCL. Custodians are big volume drivers given that FPI trades are routed through them.

Risk management framework, size of the balance sheet, and settlement guarantee fund (SGF) are some factors traders consider while choosing a clearing corporation.

"The risk management systems of all clearing corporations are largely similar as the framework is laid down by Sebi. However, the NSE's balance sheet size and SGF are relatively bigger," said a broker on the condition of anonymity.

The total SGF of the NSE is about ₹2,800 crore, while for BSE it is ₹400 crore.

The process for emplaning trading members for the derivatives segment is in progress. NCL is expected to garner huge market share in equity derivatives, given

its near-monopoly in the segment.

The fight for market share is likely to be more intense in currency derivatives, where both bourses have equal dominance, with the Metropolitan Stock Exchange of India having a small market share too.

The interoperability framework allows trading members to select different clearing corporations for different segments.

The introduction of interoperability is aimed at making the market ecosystem more efficient. The move will allow trading members to consolidate their capital at a single location even if they decide to trade at multiple locations.

Earlier, trading members had to provide margins and collateral separately to each exchange and their clearing corporations, as they didn't have the choice to select the clearing venue.