

NSE to initiate legal action against perpetrators of misleading reports

OUR BUREAU

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The country's largest bourse NSE has said it will initiate legal proceedings by filing a suit for defamation against persons/ entities who recently published false and misleading reports against it.

"These reports referred to algo trading mechanism, etc, which were published without any substance. As you know, since inception NSE has been maintaining a high degree of surveillance and integrity in its day-to-day operations, strictly adheres to the rules, regulations and guidelines issued by the regulators from time to time," NSE said in a statement.

Systemic risks

In June, the RBI had observed in its financial stability report that volumes related to algo orders gave rise to concerns related to systemic risks.



The banking regulator observed that the share of algo orders in total orders and the share of cancelled algo orders in the total number of cancelled orders was around 90 per cent.

Systemic risk is the risk of collapse of a financial system due to a contagion spread by the default by a few entities within the system, such as the global credit crisis of 2008.

RBI observed that volumes in algo trading and high-frequency trading increased substantially in the cash segment of the equity market to about 40 per cent of total trades in both the exchanges in March 2015.

The Senior Supervisors Group (SSG – a group of 10 supervisors from Canada, France, Germany, Spain, Netherlands, Italy, Switzerland, the UK, Japan and the US that assesses risks associated with algorithmic trading and identifies risk-based control principles) in a report on April 30, has suggested higher levels of controls to mitigate systemic risk.

RBI added that there have been certain instances of abnormal market movements in Indian stocks which have been attributed by market experts to algo trading/HFT. Some of these episodes though, are explainable with factors other than algo trading/HFT, RBI said.