

# *NSE India Update*



*Sriram Krishnan*  
*Chief Business Development Officer*

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# About NSE

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*Largest Derivatives Exchange in the World (vol, 5<sup>th</sup> year – from 2019)*

*95.2b contracts traded in 2023-24*

1

*First in the world to introduce automated screen-based trading*

19b

*Receives 19 billion order messages & 250 million trades on many days*

>\$5t

*Market cap of companies listed on NSE is ~ USD 4.5 trillion*

1

*Largest in the world in Currency Futures & Options in '23 vol.*



- *India's 1st demutualised Stock Exchange, established in 1994; largest Multi-Asset Exchange*
- *Promoted India's 1st Depository; Enabled dematerialisation of shares*
- *First Exchange to commence electronic trading in India in 1994*
- *Democratised India's capital markets with satellite connectivity*
- *Established India's 1st Clearing Corporation– NSE Clearing Ltd.*
- *NSE Clearing Limited is the only Clearing Corporation in India which is rated AAA*

*Our current focus*

# Our current key focus



Building volumes in the various commodities contracts launched in Q4 2023



Finalise the plan for building the new Data Centre and work towards the transition to the new Data Centre



Further popularise the concept of Social Stock Exchange & increase participation of *not-for-profit* entities



Roll-out of NSE Mutual Fund Platform (version 2.0); bring all key Retail Platforms and other Key Members on to this platform



Improve discipline and quality control and bring the right companies on to the NSE platforms (both Main Board and NSE Emerge)



Discussions around FNO volumes, and our suggestions around Suitability Framework & Disproportionate Trading Framework



Greater focus on Investor Awareness & Investor Education with *physical + digital* approach



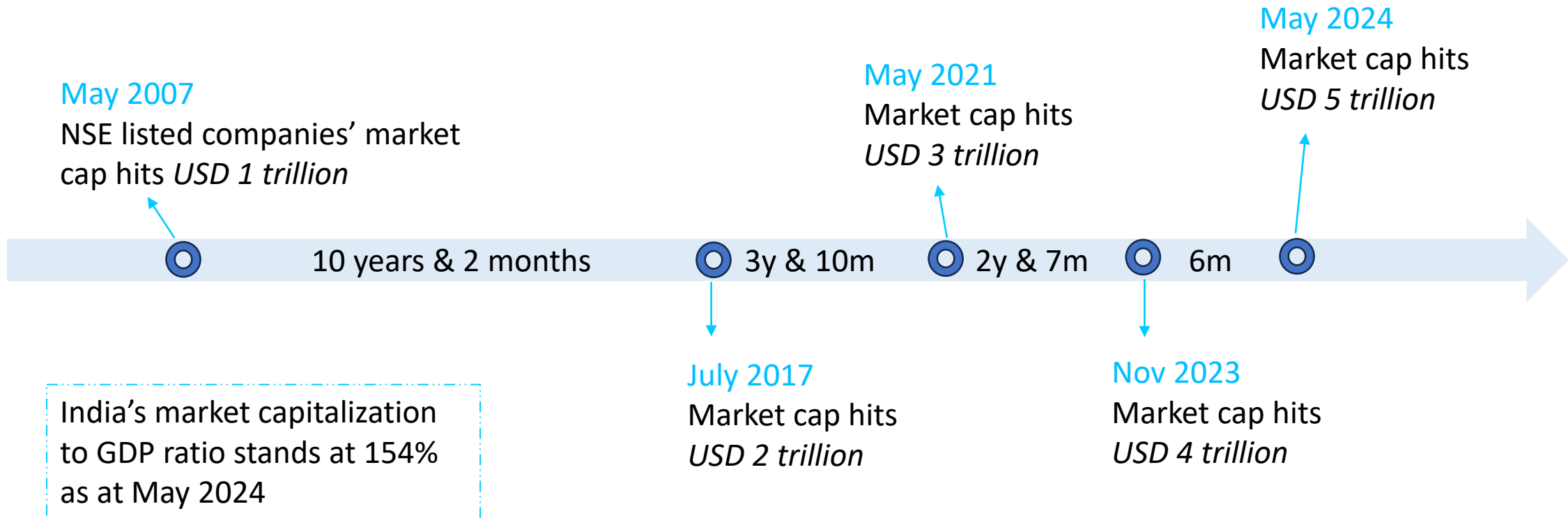
Set up Common Investor Services Centres across the country in line with the plan agreed with the capital markets regulator



Preparation for Shortened Settlement Cycle; T+0 currently under beta testing (25 stocks)

# *Key current trends & themes*

# 1. Market cap of NSE listed companies hits USD 5t



## 2. The world is moving towards *passive funds*



- Global AUM \$11.6t
- 10y CAGR of 16.9%
- 73% Equity allocation
- US share is 70%
- 11,869 ETFs
- 731 providers
- 81 Exchanges
- 63 Countries



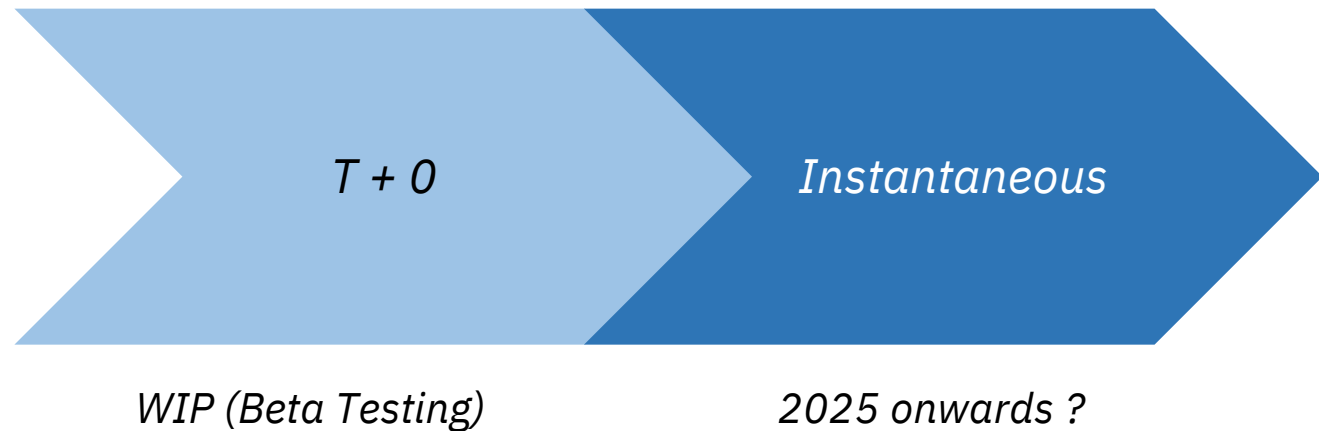
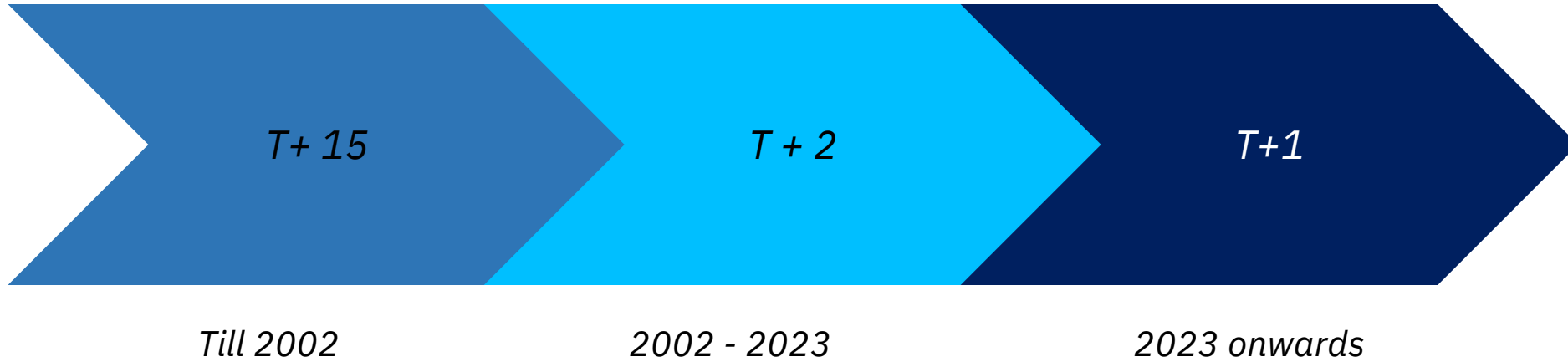
- India AUM \$102b
- 10y CAGR of 56%
- 73% Equity allocation
- 22% of MF Equity AUM
- 75% are ETFs
- Total of 361 funds



- Tracked by 36 funds
- 17 ETFs
- 19 Index Funds
- AUM \$37b
- 16.7% of overall MF AUM
- Trading Volumes on the rise

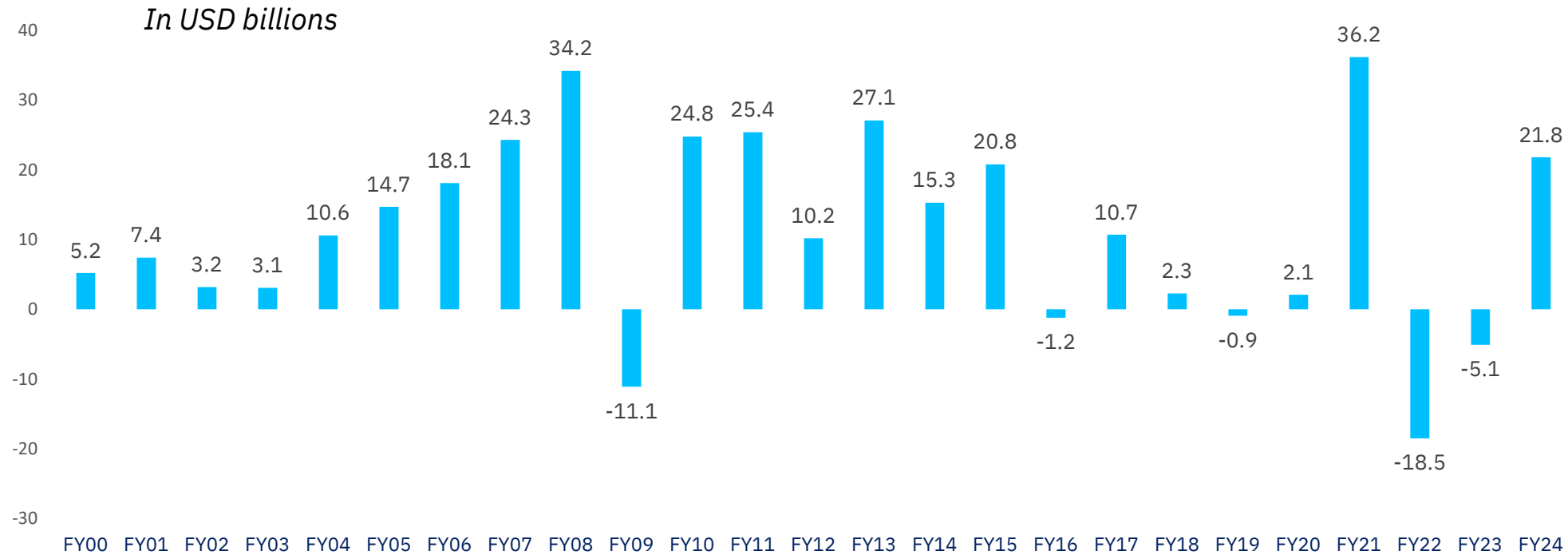
Reducing Alpha between active and passive funds, Pension Fund investments in equity being permitted only through ETFs, Significantly lower expense ratios largely leading to increasing popularity of Index Funds and ETFs in India

### 3. Settlement cycles are *getting shorter*



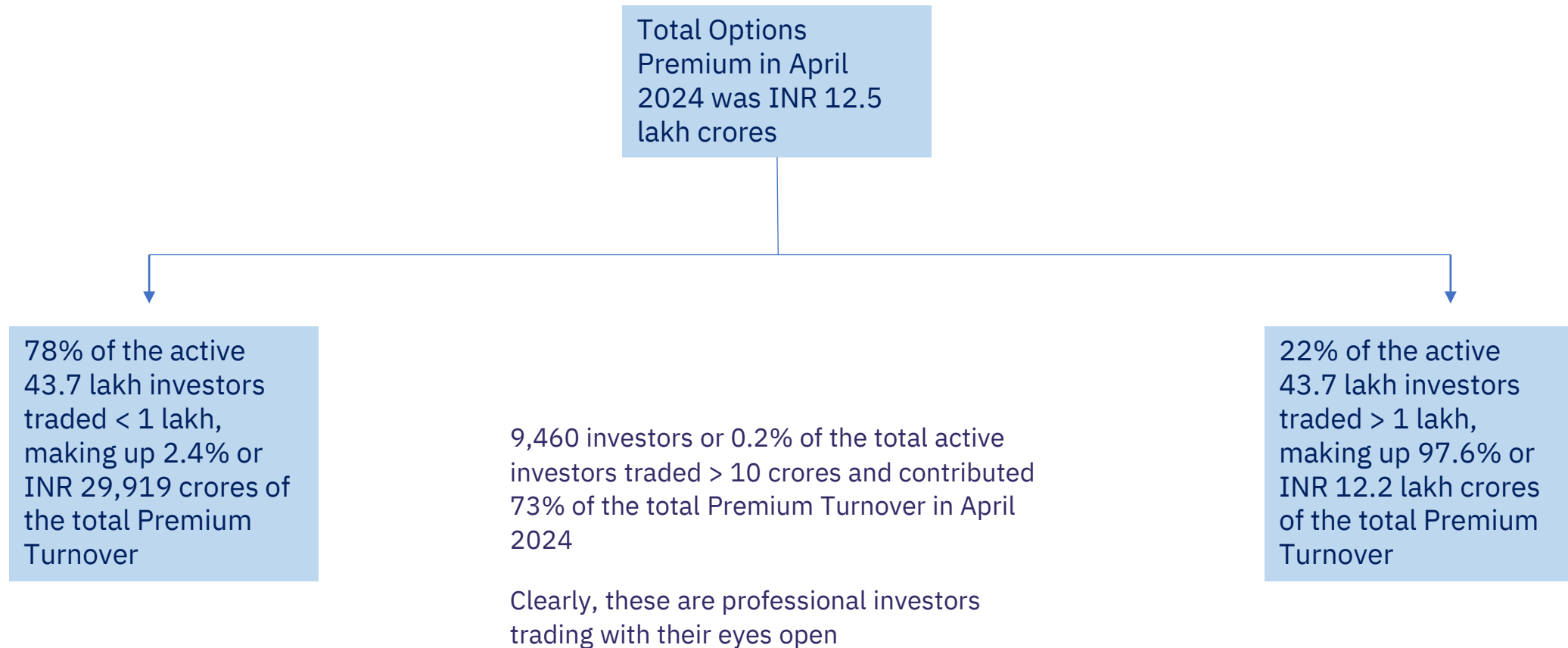


# 4. India continues to be an *investment destination*

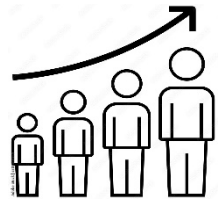


- *FPIs have been big sellers of Indian equities in only three out of last 25 years.*
- *FPIs have turned strong buyers of Indian equities this year after remaining on the sidelines over previous two years.*

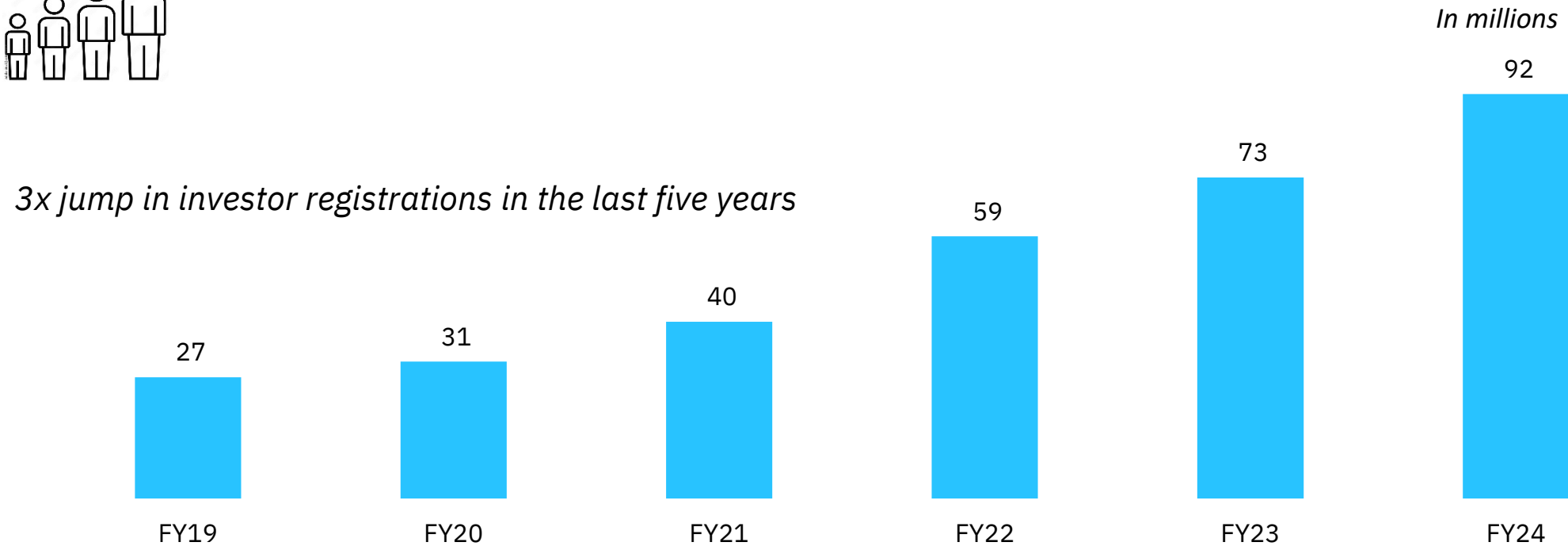
# 5. The Options Boom: *what does our data say?*



# 6. The growth of *Unique Investors* post Covid



*Number of Unique Tax IDs registered on NSE*



- *Crossed 90 million unique registered investors mark in just 5 months*

# 7. The growth of Retail Platforms

*Retail Platform Providers (similar to Robinhood of the US) have started proliferating in the Indian capital markets landscape as well, enabling rapid sachetisation of equity derivatives in particular*

## Key Retail Platforms

- Groww
- Zerodha
- Angel One
- Upstox
- PayTM
- Anand Rathi
- ICICI
- HDFC
- Kotak
- IIFL
- Motilal Oswal
- Indmoney
- Moneylicious (Dhan)
- Alice Blue
- SMC Global
- Fyers
- Geojit
- Choice
- 5 Paisa
- Mirae
- Axis
- Nirmal Bang
- Sharekhan
- Marwadi

# 8. The *Rise of the Machines*

*High Frequency Trading (HFT) Firms globally are often the subject of critical debates, given the systemic risks they pose. Their defence is that they improve market efficiency by providing liquidity.*

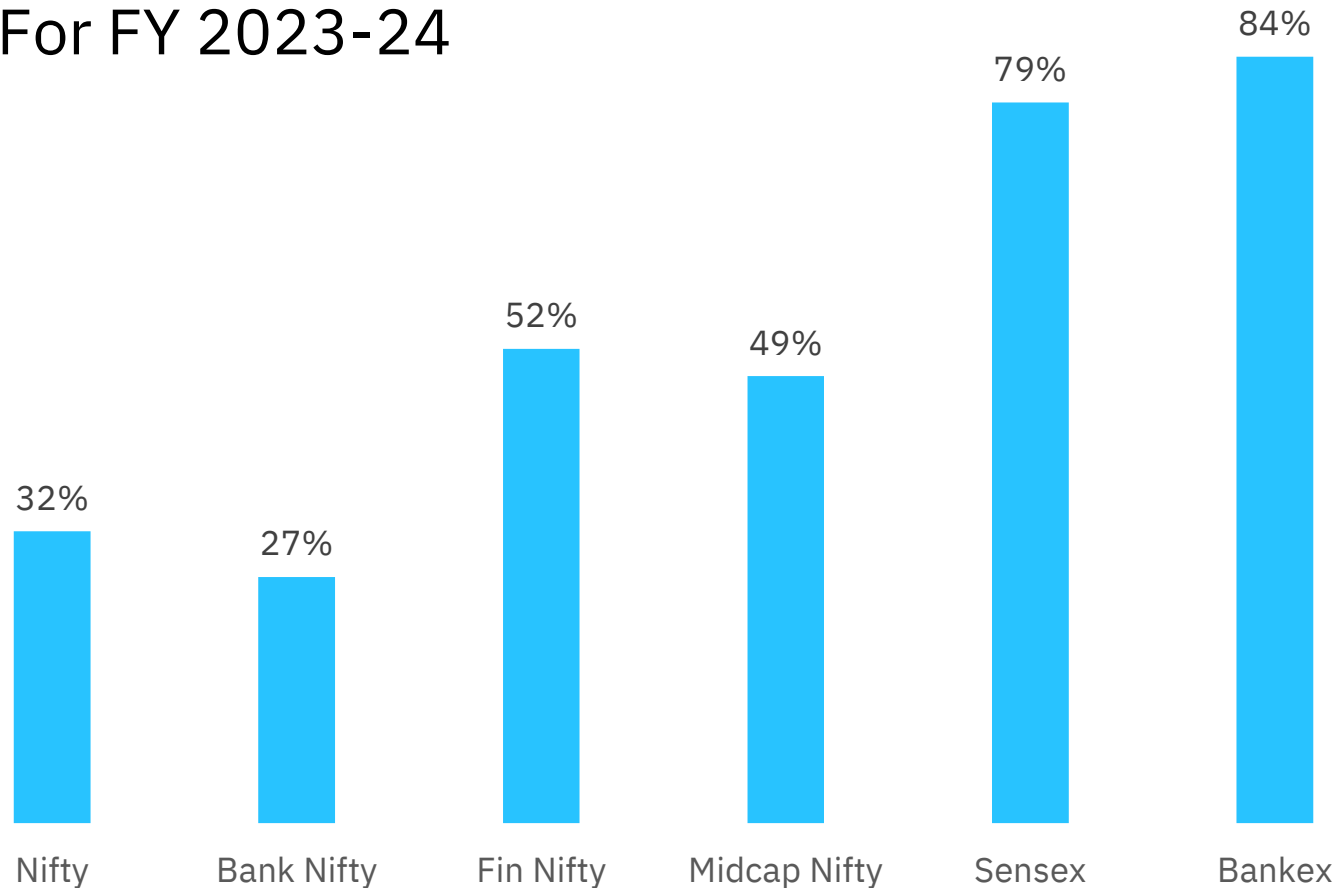
## Big on India HFT firms

- *Graviton Research*
- *Alphagrep Securities*
- *Quadeye Securities*
- *Dolat Agrotech*
- *Tower Research Capital*
- *iRage Broking*
- *Hudson River*
- *Citadel Securities*
- *IMC*
- *XTX Markets*
- *Jane Street*
- *Jump Trading*
- *Mathisys Advisors*
- *Susquehanna*
- *Optiver*
- *APT Portfolio*
- *NK Securities Research*
- *Algoquant Fintech*

*Names highlighted in blue font are trading both as FPIs and domestic members*

# 9. Increasing *expiry day fascination (ODTE)*

For FY 2023-24

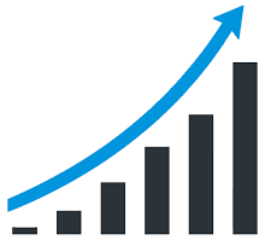


## Key messages

- In almost all the major Stock Exchanges of the world, and particularly in the US, ODTE is increasingly becoming popular
- NSE contracts see balanced trading activity on all days of the week, not just the Weekly Expiry Day
- Also, NSE contracts have deep Open Interest
- Expiry day volumes are only 32% of the weekly volume in the case of the Nifty contract. Likewise, it is 27%, 52% and 49% respectively for Bank Nifty, Fin Nifty and Midcap Nifty.
- Sensex and Bankex (the BSE contracts) are most active only on the expiry day and also have negligible Open Interest. In fact, recent weeks the % of expiry day activity in these contracts is over 90%

# *In Summary*

# In Summary



*India's GDP, currently estimated at close to USD 4 trillion, is expected to grow to USD 5 trillion by 2027, and to USD 10 trillion by 2035. The current market capitalization of companies listed on NSE is over USD 5 trillion. India's capital markets will most likely mirror India's GDP growth, and so we can expect secular growth across all asset classes – equities, equity derivatives, fixed income (Government Bonds & Corporate Bonds), currency derivatives, commodity derivatives, interest rate derivatives and several other new emerging products / innovation.*