

Eyeing a relevant spot among exchanges

Even after 10 years in business, the Metropolitan Stock Exchange of India is trying to find its place

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Back in 2012, when the MCX Stock Exchange (MCX-SX) was working towards starting its equity segment, its actions were being closely watched by the existing two stock exchanges - the BSE and the National Stock Exchange (NSE). To be fair, the unveiling in February 2013 did make an impact, albeit for a short period of time.

Enhanced technology got a foot in the door while brokers saw benefit as membership fees came down drastically. For the first time, perhaps, there was disruption in a segment where the NSE was the dominating big brother and BSE was a distant second with no third player in the fray.

But much water has flowed under the bridge since then. Today, there is no MCX-SX. What exists is the rechristened Metropolitan Stock Exchange of India (MSEI) and even after being in business for close to a decade - it started its currency trading segment in 2008 - it is still trying to find a place in the hugely competitive exchange space.

Eyeing a niche

The exchange has got a new management and it is trying hard to create a niche. It is focussing on product innovation and plans to come out with new products in all segments - currency, debt and equity derivatives.

Incidentally, last month London-based GMEX Group signed an agreement with MSEI to acquire a 5% stake in the exchange and its clearing corporation. The two entities plan to work in areas of product development, tech-



Up and down: MSEI's average daily trade value in the currency segment in May gives it a 6-7% market share, compared with more than 40% in 2013. It now wants to garner at least 15-20% share. • GETTY IMAGES/ISTOCK

nological innovation and market infrastructure development for new products and project finance.

"Our approach cannot be the same as others," said chief operating officer Abhijit Chakraborty. "We will have a blue-ocean strategy. We will focus on products that are not there on other exchanges," he said.

"For example, we believe there is huge development possible in the currency segment. If we are able to provide new products with efficiency of cost that could mean higher RoI (return on investment) to brokers as well, we could create a niche there," he said.

Interestingly, the exchange understands the importance of brokers in getting business to an exchange. Ahead of the unveiling of its equity segment in 2013, it had come out with an attractive membership scheme that had forced both the BSE and the NSE to reduce membership charges. It is again working on a strategy that would benefit

the brokers through lower fixed and operational costs while trading on MSEI.

The exchange has been losing market share steadily over the years. Currency derivatives is the only segment where the exchange sees some traction, a change from the dominant equity it was a few years earlier.

In the month of May, the average daily trading value in the currency segment was ₹647 crore, which translates to a 6-7% market share. To put this in context, it had a more than 40% market share in 2013 when it clocked close to ₹12,000 crore daily. The exchange now wants to stem the slide and garner at least 15-20% market share.

To add to its woes, there is hardly any significant activity in the equity, debt and equity derivatives segments. However, the exchange is planning to unveil four new products across segments like currency, debt and equity derivatives this fiscal.

To boost its numbers in the equity segment, it also got on board almost 250

companies that were earlier listed only on the regional stock exchanges (RSEs), most of which are now history after the Securities and Exchange Board of India (SEBI) came out with an exit policy for such bourses.

"Any RSE-listed company gets an immediate cost benefit if it chooses to list on MSEI as our charges are much less than the other exchanges. That is the reason we have around 240 such companies on our platform. But, we do proper due diligence before allowing them to list on our platform," said Mr. Chakraborty.

Extended timings

The exchange is also toying with the idea of extended market timings.

"We are in dialogue with the regulator for the markets to be open till 5 pm. It cannot be that one exchange is open till 5 p.m. and others shut at 3:30 p.m. There needs to be unanimity... We are in favour of extended market hours and will wait for the regulator to decide,"

said MD and CEO Uday Kumar.

In 2009, SEBI allowed exchanges to be open between 9 am and 5 pm in the cash and derivatives segments. Both BSE and NSE advanced the start time to 9 a.m. but did not extend the closing time due to resistance from brokers. Till then, trading used to open at 9:55 a.m.

Another opportunity that MSEI is eyeing is that of the bulk and block deals space. It believes that its low liquidity can be a blessing as the almost nil volume in its cash segment would cut down the slippages when two parties execute such negotiated transactions on its platform.

The road to recovery may not be easy for the exchange that lost the confidence of the market in 2013 when the ₹5,600 crore settlement controversy at the National Spot Exchange came out.

Financial Technologies Ltd - now renamed 63 Moons Technologies - was the promoter entity of NSEL and also MSEI, which was then known as MCX-SX.