

Market Segments

NSE provides a trading platform for various types of securities for investors under one roof viz., equity, debentures, central and state government securities, t-bills, commercial papers, certificates of deposits, warrants, mutual fund units, exchange traded fund, various derivative instruments like index futures, index options, stock futures, stock options, interest rate futures etc. These instruments are available for trading under the three different segments; they are:

The **Wholesale Debt Market** segment provides the trading platform for trading of a wide range of debt securities which includes State and Central Government securities, Treasury bills (T-Bills), State development loans (SDLs), bonds issued by public sector undertakings (PSUs), Floating rate bonds (FRBs), zero coupon bonds (ZCBs), index bonds, commercial papers (CPs), certificates of deposit (CDs), corporate debentures, SLR and non-SLR bonds issued by financial institutions (FIs), bonds issued by foreign institutions and units of mutual funds (MFs). However, along with these financial instruments, NSE has also launched various products e.g. FIMMDA-NSE MIBID/MIBOR owing to market need. A reference rate is said to be an accurate measure of the market price. In the fixed income market, it is the interest rate that the market respects and closely matches. In response to this, NSE started computing and disseminating the NSE Mumbai Inter-bank Bid Rate (MIBID) and NSE Mumbai Inter-Bank Offer Rate (MIBOR). Keeping in mind the requirements of the banking industry, Financial Institutions, Mutual Funds, insurance companies, who have substantial investments in sovereign papers, NSE also started the dissemination of its yet another product, the 'Zero Coupon Yield Curve'. This helps in valuation of sovereign securities across all maturities irrespective of its liquidity in the market. NSE also constructed an index the, 'NSE Government Securities Index' which provides a benchmark for portfolio management by various investment managers and gilt funds. There are more than 3,500 securities which are listed in this segment.

The **Capital Market** segment offers a fully automated screen based trading system, known as the National Exchange for Automated Trading (NEAT) system. This operates on a price/time priority basis and enables members from across the country to trade with enormous ease and efficiency. Various types of securities e.g. equity shares, warrants, debentures etc. are traded on this system. The average daily turnover in the CM Segment of the Exchange is nearly Rs. 14,148 crore. (US \$ 3,540 million).

The **Futures & Options** segment of NSE provides trading in derivatives instruments like Index Futures, Index Options, Stock Options, Stock Futures and Futures on interest rates. The derivatives trading at NSE commenced on June 12, 2000 with futures trading on S&P CNX Nifty Index. Subsequently, the product base has been increased to include trading in options on S&P CNX Nifty Index, futures and options on CNX IT Index, Bank Nifty Index, CNX Nifty Junior, CNX 100, Nifty Midcap 50 Indices and 228 single stocks. Though only eight years into its' operations, the futures and options segment of NSE has made a mark for itself globally. The average daily turnover in the F&O Segment of the Exchange is nearly Rs. 52,153 crore (US \$ 13,048 million).

Quick Facts about NSE

- Ranks 04th in the world, in terms of number of transactions executed on a stock exchange, after NASDAQ, NYSE and Shanghai SE.
- Ranks 2nd in the world, in terms of the number of contracts traded in Single Stock Futures.
- Ranks 03rd in the world, in terms of no. of contracts traded, in Stock index Futures
- Ranks 2nd in Asia, in terms of no. of contracts traded, in equity derivatives instrument.



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Introduction

National Stock Exchange of India Limited (NSE) is a nationwide, electronic exchange offering investors trading facility in a variety of financial instruments which includes equities, debentures, government securities, derivative products such as index futures, index options, stock futures, stock options, interest rate futures etc. NSE operates three market segments, the Capital Market segment (CM), Futures & Options Market segment (F&O) and the Wholesale Debt Market segment (WDM). NSE is the largest stock exchange in India in terms of traded value in equity, debt and derivative products.

Today NSE's share to the total equity market turnover in India averages around 69%, whereas, in the futures and options market this share is around 98%. The Exchange has around 1,075 trading members who are connected to the Exchange through advanced communication technology (VSATs) and leased lines.

History

NSE was incorporated in 1992 and was given recognition as a stock exchange in April 1993. It started operations in June 1994 with the launch of the Wholesale Debt Market Segment. Subsequently, the Capital Market Segment was launched in November 1994 as a trading platform for equities and the Futures and Options Segment in June 2000 for various derivative instruments.

NSE was set up with the objectives of :

- (a) Establishing a nationwide trading facility for all types of securities
- (b) Ensuring equal access to investors all over the country through an appropriate communication network
- (c) Providing for a fair, efficient and transparent securities market using electronic trading system
- (d) Enabling shorter settlement cycles
- (e) Meeting up with international benchmarks and standards

NSE has been playing the role of a catalytic agent in reforming the securities markets in India in terms of market microstructure and in evolving the best market practices.

Milestones/Achievements

Over the years NSE has achieved a series of milestones and landmarks, which have had a significant impact on the securities trading environment in the country. Some of them are summarized in the table below:

Month/Year	Event
November 1992	Incorporation
April 1993	Recognition as a stock exchange.
June 1994	WDM segment goes live.
November 1994	CM segment goes live through VSAT.
April 1995	Establishment of NSCCL, the first Clearing Corporation
July 1995	Establishment of Investor Protection Fund
October 1995	Became largest stock exchange in the country.
April 1996	Commencement of clearing and settlement by NSCCL
April 1996	Launch of S&P CNX Nifty index
June 1996	Establishment of Settlement Guarantee Fund

November 1996	Setting up of National Securities Depository Ltd., first depository in India, co-promoted by NSE.
November 1996	'Best IT Usage' award by Computer Society of India.
December 1996	Commencement of trading/settlement in dematerialised securities.
December 1996	Dataquest award for 'Top IT User'.
December 1996	Launch of CNX Nifty Junior
November 1997	'Best IT Usage' award by Computer Society of India.
May 1998	Promotion of joint venture, India Index Services & Products Limited (IISL) (along with CRISIL) for index services.
May 1998	Launch of NSE's Web-site : www.nseindia.com .
July 1998	Launch of 'NSE's Certification Programme in Financial Markets'. (NCFM)
August 1998	'CYBER CORPORATE OF THE YEAR 1998' award
October 1999	Setting up of NSE.IT Ltd.
February 2000	Internet Trading in CM segment
June 2000	Commencement of Derivatives Trading (in Index Futures)
September 2000	Launch of Zero Coupon Yield Curve
June 2001	Commencement of Trading in Index Options
July 2001	Commencement of Trading in Options on Individual Securities
November 2001	Commencement of Trading in Futures on Individual Securities
December 2001	Launch of NSE VAR for Government Securities
January 2002	Launch of Exchange Traded Funds (ETFs).
May 2002	NSE wins the Wharton-Infosys business Transformation Award in the organization-wide transformation category
October 2002	Launch of Government Securities Index
August 2003	Launch of Futures and Options on CNX IT Index
June 2004	Launch of STP Interoperability
August 2004	Launch of NSE electronic interface for listed companies
March 2005	'India Innovation Award' by EMPI Business School, New Delhi
June 2005	Launch of Futures & Options on <u>BANK Nifty Index</u>
August 2006	Setting up of NSE Infotech Services Ltd.
December 2006	'Derivative Exchange of the Year', by Asia Risk magazine
January 2007	Launch of NSE – CNBC TV 18 media centre
March 2007	Launch of Gold BeES- Exchange Traded Fund (ETF). (First Gold ETF)
June 2007	Launch of Futures & Options on CNX 100 and CNX Nifty Junior contracts.
October 2007	Launch of Futures & Options on Nifty Midcap 50
January 2008	Launch of Mini Nifty derivative contracts
March 2008	Launch of long term option contracts on S&P CNX Nifty Index.
April 2008	Launch of Securities Lending & Borrowing Scheme
April 2008	Launch of - India VIX - The Volatility Index
June 2008	Setting up of Power Exchange India Limited