
Cross Border Trading & Globalization of the Markets – CCP's Views of the challenges



Central Counterparty Global Conference

TOKYO

April 17, 2008

Presented by : R.Sundararaman, NSCCL



- Greater correlation between markets
- Free flow of capital – new structures?
- Diversification
- Who moves cross border?
 - Issuers
 - Investors
 - Exchanges
- What is the role of domestic CCP?
- Are the challenges same for all CCPs?



- Cross border trading restricted to
 - Investors
 - Issuers
- Local markets attractive?
 - Do investors move cross border?
- Is OTC permitted?
- Who owns the CCP?
- Single exchange or multiple exchange models
- Exclusivity of products
- Interoperability between domestic exchanges



- Ownership of exchanges regulated
- Vertical integration
- No OTC trades permitted in equities and their derivatives
- No exclusivity of products
- No interoperability
- Cost sensitivity – very high
- Domestic returns attractive

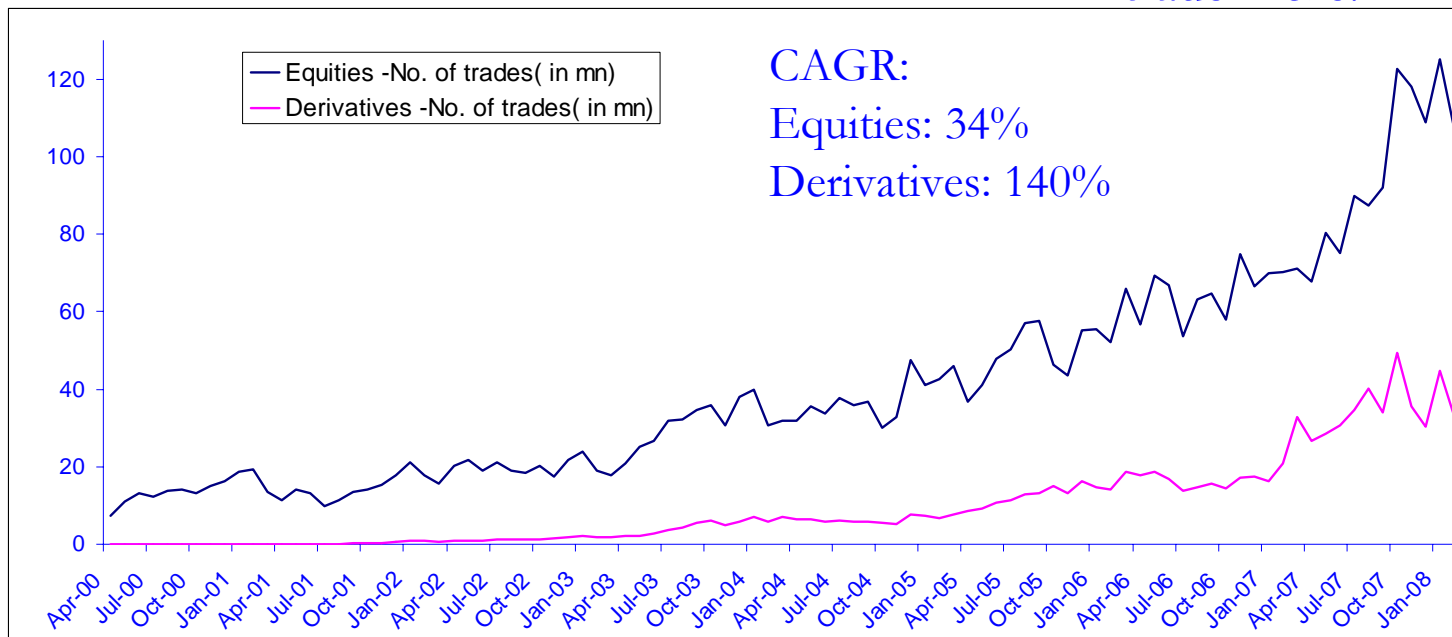


- Wholly owned subsidiary of NSE
- Corporate body, Board managed
- Clears and settles trades of National Stock Exchange
- Both derivatives and cash, but separately
- CCP and Guarantee in both segments

What are the challenges?



- Increasing number of trades
- Effective risk management
- Settlement guarantee
- Source of revenue stream?
- Liquidity under threat?
 - Global conditions?
 - Foreign inflow issues?
 - Will DRs/ outside structures trade more?





- Stronger transparency and disclosure.
- Stronger risk awareness on the part of regulators and all market participants.
- Stronger risk management by all participants.
- Stronger capital management. Well-capitalized institutions are better prepared to deal with challenges, foster economic growth, and enhance market confidence.
- Stronger regulatory policies.
- Stronger market infrastructure

Looking ahead..



- Risk management as the main core
- Geographical aspirations
 - Cost and regulations
- Export of technology
 - Dependency issues?
- Cross membership arrangements
 - Strengthens liquidity
 - Mutual benefits
 - Regulatory issues?



- Opening up of ownership of exchanges
- New regulatory structure of CCPs
- Shifting liquidity?
- Alternate Revenue streams?
- Opening up of cross border investment potential
 - Cost issues
 - Need for centralized services
- Cross membership
- Other services?
- Over the counter?



THANKS