

# On listing, NSE says one thing but does another

## IN THE MONEY

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National Stock Exchange of India Ltd is the main gateway for India's stock markets. In value terms, around 85% of stocks change hands on its trading platform. But while NSE has been adept at facilitating trades between thousands of investors each day, the experience of its own shareholders has been quite the contrary.

For over two years, some of them have accused it of delaying the listing of its shares. What has changed in recent months is that the protests have become public and acrimonious. Ravi Adusumalli, managing partner at SAIF Partners, told *Bloomberg* earlier this year, "I've been investing in India for over 12 years and have never seen such a blatant disregard for shareholder rights."

Perhaps, as a result of such statements, NSE has begun making official statements that it is not against listing. Chitra Ramkrishna, chief executive officer and managing director, told this newspaper in August that NSE has never been averse to listing. This week, she told *The Hindu* that the exchange is "all for listing".

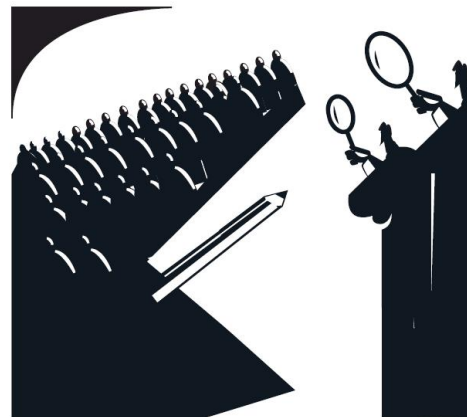
All of this should have assuaged its shareholders' concerns. But they haven't, simply because the exchange's actions haven't matched its words. Adusumalli says, "NSE says one thing officially on listing and takes a completely different stance privately with shareholders. This has been its strategy for the past many years. They continue to say that they are not averse to it, but effectively keep creating new road blocks and delaying tactics."

Three shareholders who attended a 23 November meeting with NSE's management said that the exchange has brought two new proposals to the table, which are essentially tactics to delay the listing process. One of them is that its shares should be listed on its own trading platform, in a process known as self-listing. The other is to recast its corporate structure ahead of a listing.

Ramkrishna told *CNBC-TV18*, "For any company that lists on NSE, I offer a value proposition of liquidity, index, derivatives, etc. I genuinely believe that this is tremendous benefit that I can offer the securities that are listed on NSE. It is only natural that my shareholders want to see the same benefit for the NSE shares."

But in truth, self-listing is entirely a non-issue from a shareholders' perspective. The shareholders *Mint* spoke to, including Sohil Chand, managing director at Norwest Venture Partners, are interested only in a listing, and couldn't care less where the shares are listed.

And even if NSE's superior liquidity is a key factor, this can still be achieved by listing the shares as a permitted security.



SHYAMAL BANERJEE/MINT

The primary listing venue will be another stock exchange, to adhere to Securities and Exchange Board of India's (Sebi's) rules that demand cross-listing, and disallow self-listing. This other exchange will act as the listing authority, but that won't stop NSE from listing its shares as a permitted security and offer its shareholders the superior liquidity it is talking about.

By bringing the self-listing debate to the table at this stage, regardless of whether the idea originated from a misinformed shareholder, NSE has unwittingly revealed that it still has reservations about listing under existing guidelines. Sebi, on Monday, announced changes in some guidelines, which had made listing of exchanges a non-starter. But NSE is bringing new issues to the table, which is understandably irking its shareholders.

Chand and Adusumalli say that NSE is reluctant to go ahead with listing because it wants to remain privately held and not be subject to the demands of a publicly listed company. Adusumalli says, "The NSE management has a fundamental lack of respect for shareholders. While NSE should be the standard for shareholders' rights and corporate governance, it is anything but. They consistently work against shareholders to retain control and I firmly believe that they are against an IPO (initial public offering) because they do not want NSE's actions and performance to be transparent." Some shareholders have also complained about inadequate representation on the company's board; only two of NSE's directors represent shareholders.

All of this is alarming, to say the least. It speaks of a lack of accountability to shareholders, and of far too much power being vested in the hands of NSE's management. True, exchanges are accountable to Sebi for their regulatory role, but that would have been sufficient if they were public utilities. Being private companies, their responsibility to shareholders is vastly important, too.

This column has argued before that the accountability and increased transparency that will come as a result of listing of an exchange far outweighs any perceived or real negative fallouts. One concern often cited is that a listed exchange's primary objective will be to grow profit, and this will lead to a sidelining of regulatory functions. While there is merit in this argument, there are other ways to tackle this conflict.

In fact, delaying or shelving listing plans do not solve the problem. It only creates a new problem—it opens up the possibility of mismanagement by an exchange's management, due to a lack of adequate accountability.

Sebi appears to have done its bit to correct this, by removing some restrictions that prohibited exchanges from listing. *Prima facie*, its new requirement that each new shareholder declare (both pre- and post-listing) that he/she is qualified to hold an exchange's shares looks quirky. But it brings some clarity on the issue and may be workable. If BSE Ltd, which had applied for listing in 2013, goes ahead with its plans, it will hopefully put adequate pressure on NSE to go ahead with a listing as well.

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