

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3191
ANSWERED ON:19.08.2011
UNFAIR MARKET PRACTICE OF NSE
Rane Dr. Nilesh Narayan

Will the Minister of FINANCE be pleased to state:

(a) whether the Competition Commission of India has held the National Stock Exchange (NSE) guilty of indulging in unfair market practices; and

(b) if so, the details thereof and the action taken thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): The Competition Commission of India (CCI) found that the National Stock Exchange (NSE) has violated Section 4(2) (a)(ii) and Section 4 (2) (e) read with section 4(1) of Competition Act, 2002.

(b): The order passed by the Commission in the matter is as follows:-

1. In exercise of powers under section 27(a) of the Competition Act, NSE is directed to cease and desist from unfair pricing, exclusionary conduct and unfairly using its dominant position in other markets to protect the relevant Currency Derivative (CD) market with immediate effect.

2. Further, in exercise of powers under section 27(g) of the Act, NSE is directed to maintain separate accounts for each segment with effect from 01.04.2012.

3. In exercise of powers under section 27(g) of the Act, NSE is directed to modify its zero price policy in the relevant market and ensure that appropriate transaction costs are levied. This should be implemented within 60 days of the date of this order.

4. In exercise of power under section 27(g) of the Act, NSE is directed to put in place system that would allow NSE members free choice to select `NOW`, `ODIN` or any other market-watch software for trading on the CD segment of NSE. If necessary, this may be done under the overall supervision of SEBI. NSE shall ensure all cooperation from DotEx International Ltd. and Omnesys Technologies Pvt. Ltd. in this regard.

5. In exercise of powers, under section 27(b) of the Act, NSE is directed to pay penalty of Rs.55.5 crore, which is 5% of the average of its 3 years` annual turnover for three years, within 30 days of the date of receipt of order.

6. NSE was directed to comply with the directions issued and submit a report of compliance within the time frame as specified above.

NSE has decided to file an appropriate appeal in the Hon`ble Competition Appellate Tribunal. However, in deference to the order of Hon`ble CCI and without prejudice to the rights and contentions of the Exchange in the matter, NSE has decided to levy charges in the Currency Derivatives Segment with effect from August 22, 2011.