Brandt slams decision to stop index futures trading abroad

BY SANAM MIRCHANDANI, ET BUREAU | FEB 14, 2018, 10.54 AM IST

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MUMBAI: Peter Brandt, a veteran global trader, has slammed the decision by Indian exchanges to stop providing licences and data to foreign bourses. Brandt, who has been trading in SGX Nifty futures, called the move "isolationist" and said he would not trade on the NSE platform in the near future.

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"It's a shame and it is shortsighted. It will hurt India's stock market. It is a move that can be defined as being isolationist," said Colorado-based Brandt.

"India has made a decision to kind of become a little island unto itself...I will find other markets to trade...the people who made this decision made it for probable political reasons. But it was a wrong decision to make in terms of the future benefits to India to become part of the global stock market world," added Brandt.

At a time when India's future is increasingly becoming linked with the global economy, this move by exchanges in India is in the opposite direction, said Brandt.

India's three main exchanges-The National Stock Exchange, BSE and the Metropolitan Stock Exchange-in a joint communication on Friday said that they would not provide market data to any foreign exchange. The move, they said, was to stop migration of liquidity from India.

This means that the popular Nifty contracts on Singapore's SGX-which attracts global investor due to low trading cost and attractive tax regime-will cease to exist after August. NSE, India's largest exchange, has a contract with SGX that allows futures and options on the Nifty to trade in Singapore.

In addition to cheaper costs and lower taxes, foreign investors also prefer to trade in the SGX Nifty futures as the volumes are higher there. The open interest, or outstanding positions, in SGX Nifty is 70-75 per cent of the total open interest in Nifty combined of NSE and SGX, said analysts.

"We find better volume and better liquidity. Singapore has a very viable exchange," said Brandt.

The decision by exchanges was criticized with many terming it as protectionist. Washingtonbased Futures Industry Association, the international trade body for derivatives markets, said the decision will likely disrupt trading on exchanges worldwide and alarm institutional investors.

Brandt, who is active in markets across the globe, in particular United States, said he won't be as active in the Indian market as before. "The chances are we will not be active in the Indian market. If we take a position in the Indian market, it maybe through an ETF or maybe through a mutual fund that is invested in India. But it certainly won't be as active investment as we have had by using the (SGX) Nifty futures," said Brandt.

The step by Indian exchanges to scrap the licences could be aimed at energizing activity in the recently launched Gujarat International Finance Tec (GIFT) City, the government's ambitious project.

When asked if he would consider taking exposure to India by directly investing in futures segment of India's main exchanges or via GIFT city, Brandt said it is something that he would look at over time.

"I don't think it's something that we are going to be involved in right away but I am not going to discount the idea that we may not have some interest in the future," said Brandt.

"If we are direct investors in India then we also have to consider the rupee risk that we might be taking at the same time," added Brandt.

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