

# Foreign investors in NSE urge bourse not to challenge fine

[Abhirup Roy](#)

MUMBAI (Reuters) - Some foreign investors in India's National Stock Exchange (NSE), which the market regulator has slapped with a steep fine and a six-month ban from public fundraising, are urging the bourse not to challenge the penalty and focus instead on a long-awaited initial public offering.



A NSE (National Stock Exchange) building is seen in Mumbai, July 11, 2017. REUTERS/Danish Siddiqui/Files

The Securities and Exchange Board of India (SEBI) on Tuesday ordered the country's largest stock exchange to pay about \$100 million, plus interest, after finding it had failed to ensure all brokers had equal access to its network servers.

NSE said it was reviewing the order and taking legal advice before deciding whether to appeal to the Securities Appellate Tribunal.

But some foreign investors, who have been pushing the exchange to go public, said they fear an appeal would further delay plans for an IPO that bankers estimate could raise up to \$1 billion.

“I would encourage NSE to accept the fine and move on,” Sohil Chand, a managing director at U.S. firm Norwest Venture Partners, which owns about 1.6 percent of the exchange, told Reuters.

Amit Jain, managing director at private equity firm GTI Capital, said the benefit of an IPO would far outweigh the financial impact of the penalty on the bourse and its shareholders.

NSE’s chief executive officer Vikram Limaye told Reuters that the exchange had not yet taken a decision on whether to challenge the order but that the monetary penalty was “stiff.”

“We’ll have to take a well thought out decision in the long-term interest of shareholders, employees and the organisation,” Limaye said.

He added that depending on whether or not the exchange decided to appeal, NSE could start preparing documentation for its market debut and file for an IPO with the regulator as soon as the six-month ban was over.

The NSE originally planned a public listing in 2017 but it was delayed due to SEBI’s investigation into whether bourse employees provided unfair access to some brokers to its co-location servers, which are placed at the site of exchanges to speed up algorithmic trading.

SEBI said it did not have sufficient evidence that the NSE committed a fraudulent and unfair trade practice but it had established the exchange did not exercise due diligence when putting the servers in place.

“From the shareholder’s perspective (the penalty is a) loss of value to the company when no wrongdoing was found,” Pratibha Jain, partner at law firm Nishith Desai Associates, which represents some of NSE’s foreign investors, told Reuters.

Norwest’s Chand said he believes an IPO could value the exchange at more than \$10 billion, a significant premium to the 850 rupees a share it currently trades at in the private market, which gives it a valuation of around \$6 billion.