

SECURITIES BROKING INDUSTRY

**Exchanges up the ante; vie for
dominance in derivatives segment**

MAY 2024





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Booming retail investor participation; active NSE client base increased to over 4 crore mark in March 2024

Option volumes continue on relentless growth trajectory, option contracts traded surpassed 100 billion mark in FY2024

BSE garners market share in derivatives volumes; corners about one fifth of contracts traded, while NSE maintains leadership position



Domestic benchmark indices have posted a healthy performance over the last four years. Amid buoyant capital markets, the industry saw a significant rise in the participation of retail investors. In the past four years, the active NSE client base rose by ~3.8 times to 408 lakh as of March 31, 2024. The rise of retail participation in derivatives has been sharper with about 10 times increase in active clients during the same period. While the domestic markets continue to trade at a premium, they witnessed heightened volatility in recent weeks amid geopolitical tensions in West Asia and the ongoing General Elections.

Introduction of new index derivatives, miniaturisation of contracts, separate expiry days for option contracts, lower brokerages and user-friendly trading platforms along with rising internet penetration have augured well for trading volumes. The option contracts traded continue to grow relentlessly at a stellar CAGR of 106% between FY2019 and FY2024 to 10,609 crore in FY2024. Shorter expiries, higher leverage and likelihood of high returns along with shift in risk appetite among young investors have made options emerge as a popular instrument among the investor class.

Amid the rising popularity of index options among retail investors, competition in the segment has intensified across exchanges in recent years. While the NSE continues to be the leading exchange in terms of option contracts traded for the fifth consecutive year in CY2023, with the re-launch of Bankex and Sensex derivatives in May 2023, BSE has garnered a sizeable footprint in the segment. BSE's share in option contracts traded and premium turnover increased to 19% and 7%, respectively, in March 2024 from being negligible a year ago. While the pipeline of new index derivatives suggests a continued focus on option volumes, it remains exposed to investor sentiments and an evolving regulatory landscape.



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