

The Referee Cannot Play: The Case Against NSE Self-Listing

Self-listing by India's dominant exchange collapses the separation between regulator and participant — a separation global capital treats as non-negotiable

by [Ram Kumar Kakani](#)*

In the Panchatantra's third book, a partridge returns home to find that a hare has moved into his burrow. The two agree to seek arbitration and choose a cat who sits by the riverbank reciting scripture. The cat beckons them closer, then closer still, and settles the dispute by eating both. Pandit Vishnu Sharma's lesson for his princely pupils was not that cats are wicked. It was that a judge with an appetite for the outcome is no judge.

The fable came to mind on reading NSE Chairman Shri Srinivas Injeti's remarks after the exchange's market debut (*BusinessLine*, 26 September). Self-listing, he said, "*may not be permitted today, but may be permitted tomorrow*", subject to SEBI's assessment of conflicts of interest. With NSE now valued at about ₹4.5 lakh crore and ranked among India's ten most valuable listed companies, the question is no longer theoretical.

The commercial logic is not frivolous: NSE is the country's deepest pool of liquidity, and self-listing would spare it being policed by its chief rival. Shri Injeti also rightly made any change conditional on SEBI's satisfaction. Yet some doors are best left not merely shut but bricked up. NSE shares trading on NSE is one of them.

Referee and player

A stock exchange is not merely a marketplace; it is the frontline regulator of everything listed on it. It vets listings, polices disclosure, runs surveillance, sets circuit filters and refers suspected manipulation to SEBI, and each is a discretionary judgement about a company's conduct and share price.

Now put NSE's own scrip before that bench. Would NSE's surveillance team flag unusual trading in NSE shares ahead of its own quarterly results with the zeal it brings to a volatile mid-cap? Even if the honest answer were yes, no outside investor could be sure. In governance, the appearance of conflict is itself the injury.

That is why Regulation 45 of SEBI's Stock Exchanges and Clearing Corporations Regulations, 2018, permits an exchange to list on any recognised exchange other than itself. BSE has traded on NSE since 2017; NSE now trades on BSE. The symmetry is not an accident. It is a firewall.

A fair critic will ask whether a rival makes a better referee, especially now that BSE competes hard with NSE in options. But the incentives run the right way. A competitor's temptation is to scrutinise too closely, not to look away — and excessive scrutiny is the safer error for investors. SEBI's framework for listed exchanges already provides for an independent oversight committee at the host exchange to watch for such conflicts.

"But Nasdaq does it"

The other rejoinder: self-listing is common abroad. Nasdaq is listed on Nasdaq; Intercontinental Exchange on the NYSE it owns; HKEX on its own board. True, but look at the guard rails. In Hong Kong, the Securities and Futures Commission, not HKEX, performs the listing functions for HKEX's own shares, precisely because the conflict was judged unmanageable in-house. In the United States, trading is fragmented across many venues; no single one controls price discovery, surveillance and derivatives pricing the way NSE does.

According to its offer document, NSE handled nearly 93 per cent of India's cash market turnover in FY26 and 99.8 per cent of equity futures turnover; even in options, where BSE is gaining ground, it held about three-quarters of premium turnover. An NSE share listed on NSE would trade in a market NSE owns, supervises, prices through its own derivatives and disseminates through its own data feeds.

Memory is a governance asset

NSE has history here. In the co-location case, SEBI's 2019 order alleged that some brokers enjoyed preferential access to the exchange's systems. The Securities Appellate Tribunal set aside the ₹625-crore disgorgement in 2023, yet still directed NSE to pay ₹100 crore for lack of due diligence and pointedly asked how SEBI could have directed NSE to investigate itself. Then came the 2022 revelations that a former chief executive had shared confidential information with an unidentified "Himalayan yogi".

NSE has since rebuilt its governance and deserves credit for that. But trust compounds slowly and decays fast. The chairman now speaks of data monetisation, connectivity and technology solutions as growth engines — precisely the businesses where an exchange's privileged view of order flow creates structural temptation. A listed NSE chasing those revenues under quarterly scrutiny is exactly the institution whose share price should be under someone else's watch.

What foreign investors actually read

Foreign portfolio investors do not read speeches; they read structures. MSCI's market classification framework explicitly weighs the stability of a country's institutional framework, and with India's weight in the MSCI Emerging Markets index already down to about 12 per cent from 21 per cent in 2024, India can ill afford to give global allocators one more reason to look elsewhere.

A rule forbidden "today" but permitted "tomorrow" signals that governance norms bend for large institutions. Capital prices that quietly, through higher risk premia and a higher cost of capital across the market.

The real gap between developing and developed economies is institutional. The 2024 Nobel Prize in economics went to Daron Acemoglu, Simon Johnson and James Robinson for showing how institutions shape the prosperity of nations. Viksit Bharat by 2047 and GIFT City's global ambitions rest on one signal above all: that our market institutions hold themselves to stricter standards than the companies they oversee, not looser ones.

Kautilya on honey

Kautilya observed in the Arthashastra that just as one cannot help tasting honey on the tip of the tongue, an official handling the king's revenue cannot help tasting a little of it. Sound regulation does not ask whether NSE's current management would behave honourably with its own stock. It asks why the question should ever arise.

A Lakshman Rekha, drawn in law

First, treat Regulation 45's bar on self-listing as settled policy, so that any proposal to change it requires public consultation and a demonstrated benefit to investors, not to the exchange.

Second, strengthen the host exchange's oversight: periodic independent audits and published surveillance metrics for each exchange's stock, so that rivalry cannot colour enforcement either way.

Third, set the minimum bar for any future change at the Hong Kong standard, where the regulator, not the exchange, supervises the exchange's own stock.

Fourth, ring-fence the regulatory departments of listed exchanges from commercial targets, and require fair, non-discriminatory pricing for data and connectivity, so that captive users do not fund shareholder returns.

In popular retellings of the Ramayana, the line Lakshmana drew was not a wall, merely a rule whose entire value lay in its not being crossed. Once crossed out of compassion, not malice, the story changed course. Market rules work the same way.

NSE's listing is a landmark for Indian capital markets. Its most valuable act as a listed company may be the one it chooses not to perform: to stay, permanently and gladly, on the other side of the line. **Markets trust rules that never need to be tested.** The cat, after all, would have remained a perfectly respectable cat had he simply declined to judge.

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References: The piece draws on five principal sources beyond the HBL article dated 26 Sep. 2026: (a) Business Today, "NSE IPO: How the country's largest stock exchange is scaling up its product offerings" (18 June 2026); (b) The Indian Express, "Explained: Why India's weight in the MSCI EM Index has fallen" (original article), indianexpress.com/article/explained/explained-economics/india-msci-em-index-weightage-fall-10715860/; (c) Tax Management India, Text of Regulation 45, SECC Regulations, 2018; (d) Bar & Bench, "NSE co-location scam: SAT sets aside SEBI order for disgorgement" & (e) Outlook Money, "NSE IPO Listing: India's Biggest Exchange Makes A Flat Debut On Its Oldest Rival", outlookmoney.com. AI tools were used only for structural review; the analysis and writing are original.

