Address by Shri Tuhin Kanta Pandey, Chairman, SEBI
“30 Years of NSE Clearing Ltd.”
Aug 27, 2026

Distinguished guests, board members of NSE, SEBI colleagues, market veterans, ladies and gentlemen,

Good evening to all of you.

It is a pleasure to be here on an occasion that marks 30 years of NSE Clearing Limited. I congratulate NSE Clearing, its Board and management, its employees, clearing members and everyone who has contributed to this journey.

Thirty years is a long time in financial markets. In these three decades, the Indian securities market has changed beyond recognition. We have moved from a relatively small, largely manual market to one that is large, electronic, highly connected and increasingly global.

Yet, there is one thing that has remained constant: every trade creates a promise. A buyer promises to pay. A seller promises to deliver.

The market works only when these promises can be trusted.

That is where a clearing corporation quietly performs one of the most important functions in the market. It stands between the trade and its final settlement. Through novation, netting, margining and risk management, it transforms individual promises into obligations that can be settled with certainty.

Thirty years of Clearing and settlement operations is therefore not simply a story about an institution. It is part of the story of how India built trust into its securities market.

From Settlement Risk to Settlement Assurance

Let us briefly go back to where we started.

Thirty years ago, trading and settlement were largely broker-driven. Processes were predominantly manual and paper-based. Physical share certificates were common. Settlement cycles were much longer and, historically, could extend to T+14.

The longer a trade remained unsettled, the longer the market remained exposed to counterparty and settlement risk. There were also operational risks — delays, forged or duplicate certificates, loss of certificates and substantial paperwork.

To address these challenges, we built a new post-trade architecture.

We introduced risk-based margining system.

We introduced rolling settlement.

We introduced Dematerialisation.

The settlement cycle moved from T+3 to T+2 and eventually to T+1.

Each of these measures addressed a different vulnerability.

But together, they reduced the time for which risk remained open. They made risk measurable. And they made settlement more predictable.

From a Guarantee to a Risk Architecture

But reducing settlement time was only part of the answer.

There was a more difficult question: what happens if a member fails?

This led us to strengthen the central counterparty framework. The clearing corporation became much more than a settlement intermediary. It became a sophisticated risk manager at the centre of the market.

To strengthen the governance, ownership and risk management framework of MIIs, we introduced SECC[1] Regulations.

We introduced the Core Settlement Guarantee Fund and a defined default waterfall.

We brought in the stress testing and ring-fencing framework so that a default in one segment would not contaminate another segment.

These reforms changed the philosophy of risk management.

We are no longer relying only on the assumption that members will meet their obligations. We have built a system that is prepared for the possibility of failure.

These may sound like technical mechanisms. Their purpose, however, is very simple. A problem at one point in the system should not become a problem for the entire market.

Making the System Stronger—and More Efficient

As we strengthened the system, we also recognized that a safer market should also be an efficient market.

This is where interoperability among clearing corporations became significant.

It enabled market participants to consolidate their clearing and settlement functions and collateral, even when trades were executed on different exchanges.

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[1] SEBI (Stock Exchanges and Clearing Corporations) Regulations

It improved capital efficiency. It reduced costs and operational complexity. More importantly, it added to the resilience by providing greater flexibility in clearing arrangements.

Our endeavour has been to build resilience and strengthen the risk management systems. At the same time, we want to facilitate greater efficiency and ease of doing business.

To enhance operational efficiency, we have recently proposed to rationalize settlement, margin and risk-management provisions[2] for Clearing Corporations.

We are working to rationalize certain periodic filings and simplify the processes even further.

We are also proposing to formulate an SOP for operational activities related to settlement on unscheduled holidays.

We are examining a proposal on margin rationalisation for subsequent buy or sell transactions following acceptance of Early Pay-In of securities in the cash segment.

Risk Management Needs Governance

There is another pillar of resilience that is sometimes less visible than margins or collateral. That is governance.

A clearing corporation is a systemically important financial market infrastructure. Its decisions can affect the functioning of the market well beyond its own balance sheet.

That is why we have progressively strengthened the governance framework for Market Infrastructure Institutions.

We have strengthened the role of public interest directors and specialised committees. We have clarified commercial and regulatory responsibilities. And, we have strengthened accountability of key management personnel.

We have also placed greater emphasis on conflicts of interest, risk management, compliance, technology and information security.

What Makes India's Architecture Distinctive

All these measures have created a risk-management architecture that is distinctive in several ways.

One important feature is our segregated market structure, as opposed to an omnibus model followed in many developed markets. In India, every trade is

[2] Provisions in the 'Master Circular for Stock Exchanges and Clearing Corporations'

traceable to the ultimate investor, and each client's assets and obligations are handled individually.

This creates greater transparency and investor protection. It also provides stronger asset security and helps contain risk at the client level.

We have upfront and dynamic margining with peak-margin verification.

We have strengthened investor protection through direct payout of securities, client-level monitoring and the pledge-repledge framework.

We also have strong integration among exchanges, clearing corporations and depositories.

Our financial safeguards have continued to grow with the market. The Core SGF is progressively strengthened based on stress-test results, including scenarios involving simultaneous default of multiple large clearing members.

The principle is important: market growth must be accompanied by commensurate growth in the financial resources available to absorb stress.

No financial market can eliminate risk. What we can do is build multiple layers of defence so that risk can be identified, contained and absorbed before it becomes systemic.

The Nature of Risk Is Changing

And this brings us to the most important question for the next phase.

If the market has changed, should our understanding of risk remain the same?

The risks we have addressed so far have been largely centred around settlement, counterparty failure and the default of clearing members.

The next set of risks is more interconnected.

A participant may be financially sound, but its technology may be outdated and risk-prone. A market may be liquid, but a sudden liquidity shock may affect several participants at the same time.

A clearing member may be safe on its own, but common exposures can create concentration across the system.

A technology service provider may appear peripheral, yet a failure there could affect multiple market institutions simultaneously.

This is the important shift.

Risk can no longer be understood only by looking at individual institutions. We must also understand the relationships between them.

Artificial intelligence adds another dimension. It can improve surveillance, risk analytics and decision-making. At the same time, it can introduce risks related to opaque models, data, governance and operations.

Therefore, risk management must evolve.

We must move from measuring risk to anticipating risk. We must move from entity-level risk management to network-level and system-wide risk management. And we must look at financial resilience together with operational resilience.

Closing: The Promise Behind Every Trade

Let me close by returning to the simple idea with which I began.

Every trade is a promise.

What makes a market strong is not the absence of risk. It is the confidence that risks have been anticipated, that safeguards are in place, and that the system can continue to function even when something goes wrong.

The investor does not see the risk calculations. The investor does not see the stress test.

The investor sees something much simpler.

A trade is executed. The buyer pays. The seller delivers.

The securities arrive. The money arrives.

Behind this simple experience is a complex system of institutions, technology, risk management and governance.

That is what clearing and settlement ultimately provides: not just settlement, but confidence.

Thirty years of NSE Clearing is therefore thirty years of strengthening that confidence.

But the coming years should be about something more.

Not only ensuring that the market can settle when things go well, but ensuring that the market remains resilient when things do not go as planned.

That is the challenge before all of us.

And that is also the opportunity.

I congratulate NSE Clearing on completing thirty years. I wish the institution and everyone associated with it continued success. And I look forward to seeing MIIs playing an even greater role in building a safer, more resilient and more efficient financial market for India.

Thank you.