



## Market Infrastructure Institution

**For Prelims:** Securities and Exchange Board of India (SEBI), National Stock Exchange (NSE), Market Infrastructure Institution (MII).

**For Mains:** Market Infrastructure Institution (MII), Capital Market, Mobilisation Of Resources.

### Why in News?

Recently, [Securities and Exchange Board of India \(SEBI\)](#) noted that the [National Stock Exchange \(NSE\)](#), the country's largest equities and derivatives exchange is a systemically important [market infrastructure institution \(MII\)](#).

### What is SEBI?

- The Securities and Exchange Board of India was **established on 12<sup>th</sup> April, 1992** in accordance with the provisions of the **Securities and Exchange Board of India Act, 1992**.
- Major Function:
  - To protect the interests of investors in securities.
  - To regulate the securities market.

### What are MIIs?

- **Stock exchanges, depositories and clearing houses** are all Market Infrastructure Institutions and constitute a key part of the **nation's vital economic infrastructure**.
- According to a panel set up (in 2010) under the **chairmanship of former [Reserve Bank of India](#) Governor Bimal Jalan**, the term '**market infrastructure**' denotes **such fundamental facilities and systems serving this capital market**.
  - The primary purpose of the securities /capital market is to enable allocation/reallocation of capital/financial resources.
- MIIs helps in **optimal use of money in the economy** and fostered economic development.
- They constitute the nucleus of the **capital allocation system and are indispensable for economic growth** and have a **net positive effect on society like any other infrastructure institution**.

### What is the National Stock Exchange?

- The [National Stock Exchange](#) of India Limited (NSE) is **India's largest financial market**.
- **Incorporated in 1992**, the NSE has developed into a sophisticated, electronic market, which ranked **fourth in the world by [equity trading volume](#)**.
- NSE was the **first exchange in India to provide modern, fully automated electronic trading**.

- The NSE is the largest private wide-area network in India.
- The NIFTY 50 is the flagship index on the National Stock Exchange of India Ltd. (NSE).
- The Index tracks the **behaviour of a portfolio of blue chip companies**, the largest and most liquid Indian securities. It includes 50 of the approximately 1600 companies listed on the NSE.

## Why are they considered to be systemically important?

- MIs are systemically important in India is clear from the **phenomenal growth of these institutions in terms of market capitalization** of listed companies, **capital raised and the number of investor accounts** and the **value of assets held in the depositories' account**.
- Any failure of such an MI could lead to **even bigger cataclysmic collapses** that may result in an overall economic downfall that could potentially extend beyond the boundaries of the securities market and the country.
- Given the potential for a **domino effect** that a failure of an MI could have on the **wider market and economy, governance and oversight** are absolutely critical and need to be of the highest standards.

## What are the specific institutions in India that qualify as MIs?

- Among stock exchanges, the SEBI lists seven, including the **BSE, the NSE, the Multi Commodity Exchange of India** and the **Metropolitan Stock Exchange of India**.
- There are two depositories — charged with the safekeeping of securities and enabling their trading and transfer — that are tagged MIs: the **Central Depository Services Ltd.** and the **National Securities Depository Ltd.**
- The regulator also lists seven clearing houses including the **Multi Commodity Exchange Clearing Corporation**.
  - Clearing houses, for their part, help validate and finalise securities trades and ensure that both buyers and sellers honour their obligations.

[Source: TH](#)