Arbitration proceedings started on Saturday to settle the dispute between National Stock Exchange (NSE) and Singapore Stock Exchange (SGX) over the latter's decision to launch Nifty-based derivatives.

The case will be heard on a daily basis for one week.

Justice S J Vazifdar, retired Chief Justice of the Punjab and Haryana High Court, who was appointed arbitrator in the dispute, heard both the parties.

An arbitration process typically appoints a middleman or arbitrator to settle the dispute.

On May 28, the Bombay High Court had issued an arbitration order and asked the arbitrator to complete the hearing by June 16. The high court also directed SGX not to launch its products until the arbitration concludes. SGX, however, can continue with its existing licensed product, under an agreement with NSE expiring in August.

Last month, the NSE had approached the high court, seeking an injunction against SGX. Senior counsel Abhishek Manu Singhvi, who represented the NSE, contested the SGX move to launch products scheduled for June 4, saying NSE had an intellectual property right over the Nifty benchmark.

Moreover, NSE alleged that new products of SGX are identical to the existing ones and hence SGX can't launch them.

NSE counsel had also put forth three terms before the high court and SGX for beginning the arbitration proceedings. These terms include withdrawal of SGX's April 11 circular on product launch until the arbitration proceedings are disposed of.

The counsel also wanted the court order put on SGX's website so that investors know that the matter is sub judice.

SGX has to mention the high court order in the agreement, marketing materials and notifications.

In an attempt to arrest migration of traders, three Indian stock exchanges –the Bombay Stock Exchange, the NSE and the Metropolitan Stock Exchange – had taken a joint decision in February to stop trading of derivative contracts based on Indian indices on overseas bourses.

However, on April 11, SGX announced new India equity derivative products that will be based on settlement prices of the Nifty-futures contracts.