

CIRCULAR

SEBI/HO/MRD1/DSAP/CIR/P/2020/107

June 24, 2020

To

All recognised Stock Exchanges (except Commodity Derivatives Exchanges and Stock Exchanges in International Financial Services Centre)

Dear Sir/ Madam,

Subject: Guidelines for Order-to-trade ratio (OTR) for Algorithmic Trading

SEBI vide circulars no. CIR/MRD/DP/09/2012 dated March 30, 2012, CIR/MRD/DP/16/2013 dated May 21, 2013 and SEBI/HO/MRD/DP/CIR/P/2018/62 dated April 09, 2018, had advised stock exchanges to put in place effective economic disincentives for high daily order-to-trade ratio (OTR) of algo orders placed by trading members.

2. On the basis of request received from the stock exchange(s) the mechanism has been reviewed and the following modification shall be carried out in the existing OTR framework:
 - a. Stock exchanges may be permitted to introduce additional slabs upto OTR of 2000 (from existing OTR of 500), and for OTR more than 2000. Such slabs can be introduced with deterrent incremental penalty, which stock exchanges may decide jointly.
 - b. On the third instance of OTR being 2000 or more, in last 30 days (rolling basis), the concerned member shall not be permitted to place any orders for the first 15 minutes on the next trading day as a cooling off action.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

3. The recognised stock exchanges may make necessary amendment to their existing byelaws, rules and/or regulations, wherever required.
4. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
5. This circular is available on SEBI website at www.sebi.gov.in at "Legal Framework→Circulars".

Yours faithfully,

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