

National Stock Exchange Of India Limited
Department: SURVEILLANCE

Download Ref No: NSE / SURV / 45016

Date: July 14, 2020

Circular Ref. No: 447 / 2020

To All NSE Members

Sub: High Order to Trade Ratio (OTR)

In continuation with SEBI Circular No. SEBI/HO/MRD/DP/CIR/P/2018/62 dated April 09, 2018 and Exchange circular NSE/INVG/23505 dated May 24, 2013 and NSE/SURV/38122 dated June 22, 2018. SEBI has issued Circular No SEBI/HO/MRD1/DSAP/CIR/P/2020/107 dated June 24, 2020, regarding *Guidelines for Order-to-trade ratio (OTR) for Algorithmic Trading*, wherein SEBI has asked Exchanges to carryout changes in existing OTR framework.

Circular shall be applicable to Equity, Equity Derivatives & Currency Derivatives Segment of the Exchange, with effect from July 15, 2020. The said charges shall be computed at member level on a daily basis and shall be collected on a monthly basis, after reckoning all algo orders and algo trades of the member:

Penal Charges and Actions:-

Daily Algo Order to Trade Ratio	Existing Charges (per algo order)	Revised Charges (per algo order)
Less than 50	Nil	Nil
50 to less than 250 (Incremental Basis)	2 Paise	2 Paise
250 to less than 500 (Incremental Basis)	10 Paise	10 Paise
500 to less than 1000 (Incremental Basis)	10 Paise	15 Paise
1000 to less than 2000 (Incremental Basis)		20 Paise
2000 or more than 2000 (Incremental Basis)		25 Paise

The revised penalty structure shall be applicable w.e.f. July 22, 2020.

In addition to the above, in case, if the ratio is 2000 or more on three occasions in the previous thirty trading days (on 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. In Equity Derivatives and Currency Derivatives segment, the current mechanism of permitting to enter orders in risk reduction mode shall continue. However, in Equity segment member shall be able to place orders only after 15 minutes of the normal market open.

In order to discourage repetitive instances of high daily order-to-trade ratio, there will be an additional penalty in form of suspension of proprietary trading right of the trading member for the first trading hour on the next trading day in case a trading member is penalized for maintaining high daily order to trade ratio, provided penalty was imposed on the trading member on more than ten occasions in the previous thirty trading days (on rolling basis).

Disablement / Suspension shall take place across all Exchanges.

Trading members are also hereby informed that the data pertaining to their respective order to trade ratio shall be made available on daily basis in the following folders on Member Portal for Equity, Equity Derivatives and Currency Derivatives Segment:

<Member folder>/Investigation/Dnld

For other important information regarding the details of OTR framework, kindly refer to Annexure I.

Members are requested to take note of the above and ensure compliance.

In case of any further queries, members are requested to contact on below mentioned contact details:

Direct No: 022-26598166 / 129

Board Line No: 022-26598100

For National Stock Exchange of India Limited

Bireshwar Chatterjee
Vice President
Surveillance

Encl.: Annexure I

Telephone No	Email id
+91-22-26598129 / 26598166	surveillance@nse.co.in

Annexure I

1. Orders placed in the Equity segment and orders placed under the liquidity enhancement schemes shall be under the order to trade framework.
2. For the purpose of calculation of Daily Order-to-Trade ratio all algo orders, i.e., order entry, order modifications and order cancellations will be considered.
3. If the orders entered and/ or modified are within 0.75% of the last traded price (LTP) of the respective security/ contract ($(\text{Absolute (Limit price} - \text{LTP)} / \text{LTP}) \leq 0.75\%$), such algo orders will not be included in the calculation of the aforesaid Order-to-Trade ratio.
4. In Equity Segment, securities in SME, ETF and securities with designated market makers shall be excluded for computation of OTR.
5. Orders placed in Odd Lot Market, Auction Market, Block Trading Session, Pre-open session, Post Close Session, Periodic Call Action session and Call auction in Pre-open session for Initial Public Offering (IPO) and other category of Scrip's shall also be excluded for the computation of OTR.
6. In Equity Segment, cooling off session of 15 mins (for OTR violation of 2000 or more on three occasions in the previous thirty trading days (on rolling basis)) and 1 hour pro-trading (for more than 10 instances out of previous 30 rolling trading days where penalty has been levied), it should cover the following sessions:
 - i. For 15 mins
 - a) Pre-open session - 9.00 to 9.15 am
 - b) Special Pre-open Session - 9.00 to 9.30 am
 - c) Continuous session - 9.15 to 9.30 am
 - ii. For 1 hour proprietary trading
 - a) Pre-open session - 9.00 to 9.15 am
 - b) Special Pre-open Session - 9.00 to 9.45 am
 - c) Continuous session - 9.15 to 10.15 am