



CIRCULAR

SEBI/HO/CDMRD/DRMP/CIR/P/2018/60

April 03, 2018

To,

The Managing Directors / Chief Executive Officers
National Commodity Derivatives Exchanges

Sir / Madam,

Sub: Orders per second limit and requirement of empanelment of system auditors for algorithmic trading in commodity derivatives

1. Vide circular [SEBI/HO/CDMRD/DMP/CIR/P/2016/97](#) dated September 27, 2016, SEBI had issued broad guidelines on algorithmic trading for National Commodity Derivatives Exchanges.
2. The circular inter-alia required exchanges to place a limit on the number of orders per second from a particular CTCL ID/ATS User-ID to twenty orders per second and to impose economic disincentives for orders exceeding twenty per second. The circular also stipulated that system audit of algorithmic trading shall be undertaken by a system auditor empanelled by exchanges.
3. Based on representations from exchanges and discussions in CDAC sub-group, it has been decided to permit exchanges to relax the limit on the number of orders per second from a particular CTCL ID/ATS User-ID up to hundred orders per second. Thus, para '9' of SEBI Circular SEBI/HO/CDMRD/DMP/CIR/P/2016/97 dated September 27, 2016 stands revised as follows-

"The exchanges shall place a limit (X) on the numbers of orders per second from a particular CTCL ID/ATS User-ID not exceeding hundred orders per second. Compliance with the limit "X" so set by a particular CTCL ID/ATS User-ID shall be measured over a rolling period of five seconds (i.e., 5X orders for 0th – 5th second, 5X orders for 1st-6th second, 5X orders for 2nd to 7th second and so on).



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For number of orders exceeding the limit (X) set by the exchange, the exchange shall prescribe economic disincentives and inform the same to SEBI.”

Exchange shall ensure that the limits it provides is subject to its ability to handle the load.

4. Based on representations from exchanges it has also been decided to do away with the requirement of empanelment of system auditors by the exchanges for system audit of algorithmic trading. Thus in Para '18.c' of SEBI Circular SEBI/HO/CDMRD/DMP/CIR/P/2016/97 dated September 27, 2016 the words “*empanelled by exchanges*” stand deleted.
5. The exchanges are advised to bring the provisions of this circular to the notice of their members and also to disseminate the same on their website.
6. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
7. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

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