

Comments received on Consultation Paper on Guidelines for Algorithmic Trading on the Stock Exchanges

Sr. No.	Para No.	Text of the Guidelines	Comments/Suggestions/ Suggested modifications	Detailed Rationale
1	2	-	Include "Copy Trading" & App Marketplaces: Explicitly classify "Copy Trading" apps and broker "Strategy Marketplaces" as Algorithmic Trading. Clarify that the platform/provider holds accountability, not the retail user who clicks "Copy."	Retail Protection: Many users treat copy-trading like a game, unaware that it is automated execution. Regulating this prevents mass losses where thousands of retail users unintentionally mimic a bad strategy.
2	2(a)	-	"Algorithmic Trading" means trading in securities listed on a stock exchange, where a computer algorithm, based on predefined instructions, rules, or models, automatically: i. generates orders; and/or ii. determines one or more of the following parameters of an order, namely - placement of the order; timing of the order; price of the order; quantity of the order; or any subsequent modification of any of the above parameters, with limited or no real-time human intervention once the algorithm is activated. Explanation I: For the purposes of this clause, "limited human intervention" shall mean human involvement	The suggested changes are meant to make sure the definition actually covers how algorithmic trading works in practice. By clearly covering cases where an algorithm generates orders on its own, the definition avoids leaving out automated trading activity that can occur during early or transitional trading phases. This helps ensure there are no gaps in regulatory coverage for systems that are capable of placing trades independently. Adding the words "based on pre-defined instructions, rules, or models" along with a clearer explanation of what "limited human intervention" means, helps draw a clear line between true algorithmic trading and basic electronic or assisted trading systems. The intent here is to make it clear that the focus is on systems that operate automatically once switched on, where humans are involved in setting things up, not in making real-time decisions for each trade. Finally, the revised exclusion section tightens the carve-outs for routing, processing, and post-trade systems. It makes clear that these systems are excluded only when they are purely technical and do not independently decide or change trading parameters. This avoids accidentally pulling simple back-office or transmission systems into regulation, while still ensuring that systems which actually drive trading decisions remain squarely within scope.

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3	2(b)	-	"Algorithmic Trading System" means the entirety of hardware, software, procedures, processes, risk controls, and monitoring mechanisms used execution, supervision of Algorithmic Trading and designed to prevent disorderly trading.	In practice, algorithmic trading works through a combination of systems and processes, including built-in checks and monitoring tools that identify errors and control unusual trading behaviour. This reduces the risk of errors or system failures rapidly turning into broader market disruption and helps maintain stable and orderly markets.
4	7	The stock exchange shall ensure that a market participant shall provide the facility of or itself undertake Algorithmic Trading, only with the prior permission of the stock exchange.	Adopt a 3-Tier "Risk-Based" Approval:1. Low Risk: Simple execution tools (Fast track).2. Medium Risk: Market Makers (Standard).3. High Risk: AI/ML & HFT (Strict testing).	Innovation: A "one-size-fits-all" rule hurts startups. A tiered approach ensures high-risk strategies get strict scrutiny without blocking low-risk innovation. This proportional approach preserves market integrity while encouraging participation, innovation, and liquidity provision, particularly from smaller technology-driven traders.
5	8(b)	-	There should be a mandatory disclosure of algorithms used in Trading by traders.	If firms are required to share proprietary logic or source code, they will simply bypass GIFT City in favor of jurisdictions like Singapore or Dubai, where 'conformance testing' focuses on outcomes of stability rather than internal code disclosure.
6	11(e)	-	"The stock exchange, if necessary, may refuse permission to any Trading Algorithm or class of trading strategies or seek modifications in any Trading Algorithm for the purpose of orderly trading and market integrity. In such cases, the stock exchange shall communicate the reasons for such rejection or modification to the concerned market participant and inform IFSCA with a detailed rationale. The market participant shall be provided a reasonable opportunity to respond or rectify the identified issues within a specified timeframe. The stock exchange may also lay down appropriate timelines and a review or appeal mechanism for such decisions."	Without clear procedures and timelines, participants may be left uncertain about what went wrong, whether the issue is technical or procedural, and how quickly they need to act. This can lead to confusion, and a perception of unfairness. Providing clear reasons, fixed timelines, and an opportunity to respond or fix the issue reflects basic principles of natural justice, such as the right to be informed and the right to be heard. These principles help ensure that decisions are not arbitrary and that similar cases are treated consistently.
7	12	-	Replace "Dummy Filters" with "Smart Velocity Checks": Mandate "Velocity Breakers": If a price moves too	Flash Crash Prevention: "Dummy filters" are too passive. We need active "speed bumps" that mechanically stop a runaway algo before it crashes an illiquid stock.

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			fast in too little time (e.g., 5% in 2 seconds) without volume support, the system must auto-freeze trading in that scrip immediately.	
8	14	-	Mandatory "Safe Mode" for Bad Internet: If data feed latency spikes or the internet drops, the Algo must automatically stop placing new orders and cancel open ones.	Infrastructure Reality: In Tier-2/3 cities, the internet fluctuates. This prevents "blind firing" where an algo keeps placing orders during a disconnect, leading to disaster when the connection is restored.
9	15	-	Ban "Guaranteed Profit" Marketing: Strictly prohibit terms like "Risk-Free," "Guaranteed Returns," or "Money Printing." Any backtest shown to clients must carry a standardised, plain language warning.	Culture Check: "Fin-influencers" often mis-sell algos to retail investors as magic money machines. We must regulate the marketing as strictly as the code.
10	20	-	The "Panic Button" (Kill Switch): Mandate a "Kill All Algos" button on the broker's mobile app and risk desk. This must stop the strategy at the server level, not just the user's terminal.	Emergency Control: If a user's laptop freezes or crashes, they need a way to instantly cut the algo from their phone to prevent massive losses.
11	25 & 26	-	Pragmatic Auditor Rules: 1. Reduce experience requirement from 10 years to 5 years or allow Firm-level experience. 2. Rotate the Lead Partner every 3 years, not the entire Audit Firm.	Feasibility: There is a severe shortage of auditors with 10 years of algorithm experience in India. Rotating the Partner (instead of the Firm) preserves institutional knowledge while ensuring independence.
12	18	-	Waiver for Tech Glitches: Automatically waive "High Order-to-Trade Ratio" (OTR) penalties if the issue is caused by an Exchange outage, system lag, or market-wide technical glitch.	Fairness: Brokers should not be punished for "flooding" orders if the root cause is the Exchange's own system being slow or unresponsive.
13	New Clause (Security)	-	2FA for Algo Activation: Require Two-Factor Authentication (OTP/Biometric) every morning to activate an algo strategy. Link this activation to the audit trail (User + Strategy Version.)	Anti-Mule Measure: This prevents banned entities from "renting" retail accounts ② mule accounts ②. It forces the registered human owner to be physically present to authorise the algorithm daily.

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14	New Clause (Transparency)	-	Standardised "Plain English" Error Codes: Mandate clear rejection messages (e.g., "Blocked by Risk Limit," "Velocity Pause") instead of cryptic numeric error codes.	Crisis Management: During volatility, cryptic errors cause panic and overwhelm support teams. Clear messages help traders understand why their algo stopped so they can react safely.
15	-	We propose to add additional para under "General Responsibilities of the Stock Exchange".	The Stock Exchange shall have the operational flexibility to put in place the necessary measures, procedures and guidelines for approval of Algorithmic Trading systems developed by market participants, including the Terms of Reference for system audit to be submitted by market participants at the time of new system or for any modification	This is to ensure the guidelines are more prescriptive in nature and provide flexibility to Stock Exchanges for managing the algorithmic trading of the market participants
16	8	The stock exchange shall, either on its own or through an independent system auditor/ third-party, subject the systems of the market participant to initial conformance tests to ensure that the risk control checks mentioned below are in place and that the market participant's Algorithmic Trading System facilitates orderly trading and market integrity.	We suggest modifying this clause as per below: The stock exchange shall ensure that the market participants subject their own algorithmic trading systems to initial conformance tests by independent system auditor/third party to ensure that the risk control checks mentioned below are in place and that the market participant's Algorithmic Trading System facilitates orderly trading and market integrity.	Market Participants are required to perform system audit and conformance test for their own algorithmic trading systems. Stock Exchanges should provide the Terms of Reference for the system audit to the market participants, and such system audit report should be referred to at the time of approval by the Stock Exchange.
17	9	For market participants already providing Algorithmic Trading, the stock exchange shall, either on its own or through an independent system auditor/ third-party, subject the Algorithmic Trading Systems of such market participants to initial conformance tests within three months of the date of issuance of this circular	For market participants already providing Algorithmic Trading, the stock exchange shall ensure that the market participants subject their own Algorithmic Trading Systems which are not yet approved by the Stock Exchange to initial conformance tests by independent system auditor within three months of the date of issuance of this circular.	Market Participants are required to perform system audit and conformance test for their own algorithmic trading systems. Stock Exchanges should provide the Terms of Reference for the system audit to the market participants, and such system audit report should be referred to at the time of approval by the Stock Exchange NSEIX already has the framework for approving the algorithmic trading systems of market participants. This clause should be applicable for such algos for which market participants have not yet obtained the approval from Stock Exchange.

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18	10	The stock exchange, if required, shall seek conformance of modified Algorithmic Trading Systems to the requirements specified in these Guidelines.	The stock exchange, if required, shall seek conformance of modified Algorithmic Trading Systems from market participants by the independent system auditor to the requirements specified in these Guidelines.	Stock Exchanges should ensure conformance by independent system auditor appointed by market participant for any modification.
19	11	The stock exchange shall periodically test the Trading Algorithms (in isolation and as together) in simulated market environments, to ascertain: i the behaviour of Trading Algorithms in conditions of market stress, i the dependence of Trading Algorithms on market data feeds and behaviour in case of disruptions/ failure of timely market data feeds, i the kill switch/ triggers for liquidity withdrawal for Trading Algorithms, or i any other behaviour of the Trading Algorithms or Algorithmic Trading Systems relevant for orderly trading and market integrity, and accordingly update its mechanisms for grant of permission for Algorithmic Trading, initial conformance tests, mechanisms of surveillance, etc.	The stock exchange shall ensure that the market participants periodically test the Trading Algorithms (in isolation and as together) in simulated market environments, to ascertain: ii the behaviour of Trading Algorithms in conditions of market stress, ii the dependence of Trading Algorithms on market data feeds and behaviour in case of disruptions/ failure of timely market data feeds, ii the kill switch/ triggers for liquidity withdrawal for Trading Algorithms, or ii any other behaviour of the Trading Algorithms or Algorithmic Trading Systems relevant for orderly trading and market integrity, and accordingly update its mechanisms for grant of permission for Algorithmic Trading, initial conformance tests, mechanisms of surveillance, etc.	Stock Exchanges should ensure that a mock test is arranged at least once a month and market participants should test their algorithmic trading systems at least once in six months mandatorily.
20	33(d)	For market participants that are currently executing orders through Algorithmic Trading, a period of three months is provided to the stock exchanges within which the approval process shall be	For market participants that are currently executing orders through Algorithmic Trading, a period of three months is provided to the stock exchanges within which the approval process shall be required to be completed for such algorithmic	Market Participants are required to perform system audit and conformance test for their own algorithmic trading systems. Stock Exchanges should provide the Terms of Reference for the system audit to the market participants, and such system audit report should be referred to at the time of approval by

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		required to be completed, and minimum risk controls shall be established.	trading systems for which market participants have not yet obtained the approval from Stock Exchanges, and minimum risk controls shall be established.	the Stock Exchange NSEIX already has the framework for approving the algorithmic trading systems of market participants. This clause should be applicable for such algos for which market participants have not yet obtained the approval from Stock Exchange.
21	24-30	System Audit related provisions	A. It is suggested that for RTPs registered with IFSC Exchanges, there should be no additional requirement of System Audit. Alternatively, it is proposed that the requirement of annual system audit should be made mandatory as follows: 1. If the RTP is incorporated in jurisdiction specified under clause 3(i) IFSCA Circular “IFSCA/CMD-MIIT/RTP/2024-25/001” dated February 11, 2025: Such RTPs shall submit system audit report, as may be specified by its home jurisdiction, to the IFSC Exchange, in case the RTP is not a member of any of the stock exchange under Clause 3(ii)(a) of the above mentioned Circular OR 2. Where the RTP entity is a member of any of the stock exchange specified under Clause 3(ii)(a) of IFSCA circular as mentioned in clause 1 above: For such entities submission of system audit report should be made mandatory as specified by that stock exchange of which they are member, and same should be submitted to IFSC exchanges. We further suggest that the System Audit should be carried out by an Independent Systems Auditor who is not related to the Audited Entity in any manner whatsoever.	In order to make IFSC ecosystem more attractive for RTP initiative and reducing additional system audit requirement. Further we understand that in global market, such as Dubai, Singapore, Abu-Dhabi, the remote trading members are required to produce system audit reports as and when asked by their respective stock exchanges.

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			The same is to ensure avoidance of conflict of interest.	
22	18-19	Framework of Economic Disincentives	We suggest that provisions related to Economic Disincentives for developing faulty algos are required to be uniform across the exchanges. Thus, the provisions related to Economic Disincentives may be provided by the regulator.	NA
23	2(a)	“Algorithmic Trading” means trading in securities listed on a stock exchange, where a computer algorithm automatically determines individual parameters of orders such as: i. placement of order, ii. timing, iii. price or iv. quantity of the order or v. any subsequent modification in these parameters, with limited or no human intervention	<u>Comment:</u> Whether simple, user-defined automated tools—such as basic stop-loss or trailing stop-loss features no human intervention at execution of order—constitute "algorithmic trading" requiring pre-approval, given that these are risk management tools rather than complex, high-frequency strategies? Regulators should establish distinct definitions for algorithmic trading to exclude simple automated risk management tools.	To ensure market consistency, investor protection and adherence to rules set by regulatory bodies, which require approval, unique IDs, and proper audit trails for algorithmic strategies.
24	11(iii)	the kill switch/ triggers for liquidity withdrawal for Trading Algorithms,	<u>Suggestion:</u> Propose that while kill switches are mandatory, brokers should have the flexibility to define specific parameters for circuit breakers to avoid unnecessary trade halts during high-volatility, yet legitimate, market movements. We advocate for "principles-based" rather than "rules-based" risk controls, allowing brokers to customize kill switches based on their specific strategies.	Rigid, universal rules often halt trading during high-volatility, legitimate market movements, causing unnecessary losses and liquidity shortages. A "principles-based" approach forces brokers to build robust, tailor-made risk oversight that evolves with technology, rather than merely checking a box on generic rules.
25	16	The stock exchange shall ensure that all Algorithmic Trading Orders are tagged with unique identifiers so as to ensure a comprehensive, clear and verifiable audit trail of orders arriving at its system, up to the level of individual market participant.	<u>Suggestion:</u> Request that the mandated algorithmic order tagging is standardized across all exchanges in the IFSC to avoid fragmented reporting systems for brokers operating on multiple platforms.	Same unique tagging can be use across all exchanges, to enhances market transparency and efficiency, aligning with international standards for high-speed trading compliance.

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26	18	The stock exchange shall have the operational flexibility to implement a framework of financial disincentives with regard to high daily Order-to-Trade Ratio (OTR) of orders placed through Algorithmic Trading Systems. These disincentives may be penalties in the form of 'Charges to be levied per Algorithmic Trading Order' at various levels of daily OTR. The penalty rates specified shall provide sufficient deterrence against order flooding or any other form of market manipulation or disruption.	<u>Suggestion:</u> Propose a fair, tiered penalty structure for "excessive" order-to-trade ratios that accounts for volatility, rather than fixed, high penalties.	The tiered approach ensures that penalties increase proportionally to the disruption caused, rather than applying a blanket high cost that could reduce liquidity.
27	24	The market participants that provide the facility of Algorithmic Trading shall subject their Algorithmic Trading Systems to a system audit annually to ensure that the requirements prescribed by IFSCA/ stock exchange with regards to Algorithmic Trading are effectively implemented.	<u>Comment:</u> Brokers may face increased costs and operational burdens to comply with system audits, periodic monitoring, and reporting requirements. <u>Suggestions:</u> Adopt a RegTech compliance automation platform to handle monitoring, audit evidence collection, and reporting in real time, reducing manual effort.	Adopting RegTech compliance automation platforms directly addresses the high costs and operational burdens of manual monitoring and auditing by automating data collection, transaction screening, and regulatory reporting in real time. These solutions shift compliance from a reactive, labor-intensive process to a proactive, streamlined operation, reducing human error and freeing up staff for strategic tasks.
28	33(a)	The stock exchanges are directed to: Take necessary steps and put in place requisite systems for implementation of these Guidelines within a period of three months from the date of issuance of this circular.	<u>Suggestions:</u> Request a phased implementation, particularly for complex requirements like tagging of existing algorithms, system audits, etc. to avoid operational disruption. Recommend a staged deployment strategy for the new guidelines, allowing at least 12–15 months for upgrading IT infrastructure and complying with new system audit requirements.	A staged approach allows for the necessary, thorough auditing of legacy systems, adequate time for upgrading IT infrastructure, and the development of proper controls. Furthermore, this timeline enables adequate training for teams and proper validation of compliance, minimizing the risk of audit failures and ensuring that new procedures are fully integrated without halting day-to-day business operations.
29	33 (d)	For market participants that are currently executing orders through Algorithmic Trading, a period of three months is provided to the stock exchanges within	<u>Comment:</u> An expedited, automated approval process for minor changes to existing, already-approved algorithms to foster efficiency.	An expedited, automated approval process for minor, low-risk algorithmic changes—such as parameter adjustments—will significantly enhance operational efficiency by reducing administrative bottlenecks, allowing financial institutions to

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		which the approval process shall be required to be completed, and minimum risk controls shall be established.	<u>Suggestions:</u> An "approval-by-exception" or fast-track process for low-risk algorithms, proposing a self-certification framework with simulation testing and post-trade audits instead of pre-approval for minor changes.	stay competitive through rapid, agile deployment. By shifting from time-consuming pre-approvals to a self-certification framework backed by rigorous simulation testing and post-trade audits, firms can ensure high-quality, safe deployment without sacrificing speed.
30	-	<u>Transparency:</u> The traders must mandatorily disclose their trading algorithms to the stock exchanges and get approval for deploying them.	<u>Comments:</u> Exchanges to ensure strict confidentiality of the proprietary trading algorithms submitted to exchanges for approval.	Algos are trade secrets; leaking them destroys competitive advantage.
31	11	The stock exchange shall periodically test the Trading Algorithms (in isolation and as together) in simulated market environments, to ascertain: i the behaviour of Trading Algorithms in conditions of market stress, ii. the dependence of Trading Algorithms on market data feeds and behaviour in case of disruptions/ failure of timely market data feeds, iii. the kill switch/ triggers for liquidity withdrawal for Trading Algorithms, or iv. any other behaviour of the Trading Algorithms or Algorithmic Trading Systems relevant for orderly trading and market integrity, and accordingly update its mechanisms for grant of permission for Algorithmic Trading, initial conformance tests, mechanisms of surveillance, etc.	Broker-dealers should have their trading algorithms tested and approved by DISA/CISA auditors, who can be empanelled with the regulators. The auditors' certification can cover all given points, and the exchange can then approve the strategies based on these certifications.	Monitoring trading algorithms defined by broker-dealers, is indeed a complex task for exchanges due to the diverse classifications and criteria involved. Since these algorithms are typically the intellectual property (IPR) of the broker-dealers, the onus of these trading algorithms should lie with broker dealers.
32	18	The stock exchange shall have the operational flexibility to implement a framework of financial disincentives with	Suggestion: Provisions of order trade ratio penalty may be evaluated after few years in this jurisdiction once	The Order to Trade Ratio (OTR) penalty was introduced by SEBI in 2013 to discourage excessive unexecuted orders in the market, to prevent excessive order placements without

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		regard to high daily Order-to-Trade Ratio (OTR) of orders placed through Algorithmic Trading Systems. These disincentives may be penalties in the form of 'Charges to be levied per Algorithmic Trading Order' at various levels of daily OTR. The penalty rates specified shall provide sufficient deterrence against order flooding or any other form of market manipulation or disruption. To deter persistent Order-to-Trade Ratio (OTR) violations, the stock exchange, if deemed necessary, may suspend a market participant's proprietary trading privileges for the opening hour of the following session. This escalation shall apply if a participant incurs OTR related penalties on more than ten occasions within a rolling thirty-day window.	liquidity picks up. Presently, such impositions of penalty for OTR may deter participants from providing quotes in the market.	actual trades, reducing unnecessary load on exchange systems. At the time introduction of order trade penalty in India, Indian markets were fully liquid with active participation of all kinds of participants. However, GIFT City is emerging jurisdiction, retail participation is almost negligible, this jurisdiction needs more players who can provide two-way quotes for a strong order book so that investors can get an exit all the time.
33	21	The terminals of the market participants that were disabled due to exhaustion of collaterals shall be re-enabled through manual intervention in accordance with the risk management procedures of the stock exchange.	<u>Comment from the better clarification point of view:</u> Trade limit of broker dealers is required to be set by clearing members based on the available collaterals. The terminal of broker dealer will get disabled in case of exhaustion of collaterals limit set by the clearing member. Further, the terminal can be enabled on the Exchange's platform by adding the required collaterals with clearing member.	Trade limit of broker dealers is required to be set by clearing members based on the available collaterals.
34	30	The stock exchange may also consider imposing suitable penalties in case of failure of the market participant to initiate	Revised Paragraph: The stock exchange may also take suitable actions in case of failure of the market participant to	Considering the GIFT IFSC as an emerging jurisdiction, for the better participation of the market participant it is proposed that the market participant may be advised by the Stock

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		satisfactory corrective action to its Algorithmic Trading System within such a time period as may be specified by the stock exchange.	initiate satisfactory corrective action to its Algorithmic Trading System within such a time period as may be specified by the stock exchange.	Exchange for the initial failure to take satisfactory corrective action to its Algorithmic Trading System within the time-period specified by the stock exchange and in case of repetitive instances, the market participant may be penalised by the Stock Exchange for such non-compliance.
35	8, 9, 10	The stock exchange shall, either on its own or through an independent system auditor/ third-party, subject the systems of the market participant to initial conformance tests to ensure that the risk control checks mentioned below are in place and that the market participant's Algorithmic Trading System facilitates orderly trading and market integrity. For market participants already providing Algorithmic Trading, the stock exchange shall, either on its own or through an independent system auditor/ third-party, subject the Algorithmic Trading Systems of such market participants to initial conformance tests within three months of the date of issuance of this circular.	It is suggested that the approval and conformance testing framework for Algorithmic Trading Systems be designed on a risk-based, tiered approach, classifying Trading Algorithms into low-risk, medium-risk and high-risk categories, with differentiated approval, testing and ongoing review requirements.	Applying uniform approval and testing requirements to all Trading Algorithms, irrespective of their complexity, speed or market impact, may inadvertently discourage participation by smaller firms and fintech entities using simple execution algorithms. A tiered framework would enable proportionate regulation, promote innovation and competition, while ensuring that complex, high-frequency or machine-learning based strategies are subject to enhanced scrutiny. Such an approach is aligned with global best practices and preserves overall market integrity.
36	11	Periodic testing of Trading Algorithms in simulated market environments	It is suggested that, in addition to periodic simulated testing, a Regulatory Sandbox / Pilot Regime may be introduced for innovative or new algorithmic trading strategies, allowing deployment under controlled parameters such as restricted order size, volume limits, or monitored participation thresholds.	Regulatory sandbox frameworks are globally adopted to balance innovation with prudent risk management. Introducing a structured pilot regime would encourage responsible innovation, facilitate testing of new algorithmic strategies in a controlled environment, and position GIFT IFSC as an innovation-friendly jurisdiction. Such a framework would help attract global algorithmic and fintech firms while ensuring that appropriate safeguards remain in place to protect market integrity.
37	8, 15	Mandatory disclosure of trading algorithms and undertakings by market participants	It is suggested that the disclosure of trading algorithms by market participants be clearly limited to high-level strategy description,	Trading algorithms constitute core intellectual property of market participants. Explicit safeguards around the scope of disclosure are essential to attract proprietary trading firms,

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			applicable risk parameters and control logic, and should not extend to disclosure of proprietary source code, mathematical models or other intellectual property.	fintech entities and global participants to the IFSC ecosystem. Such clarification would ensure adequate regulatory oversight while protecting commercially sensitive information and preventing unintended exposure of proprietary technologies.
38	18	The stock exchange shall have the operational flexibility to implement a framework of financial disincentives with regard to high daily Order-to-Trade Ratio (OTR) of orders placed through Algorithmic Trading Systems. These disincentives may be penalties in the form of ‘Charges to be levied per Algorithmic Trading Order’ at various levels of daily OTR. The penalty rates specified shall provide sufficient deterrence against order flooding or any other form of market manipulation or disruption. To deter persistent Order-to-Trade Ratio (OTR) violations, the stock exchange, if deemed necessary, may suspend a market participant’s proprietary trading privileges for the opening hour of the following session. This escalation shall apply if a participant incurs OTR related penalties on more than ten occasions within a rolling thirty-day window.	1. It is suggested that the Order-to-Trade Ratio (OTR) thresholds and associated disincentives be calibrated based on factors such as liquidity profile, instrument type and stage of market maturity, and implemented through a glide-path approach. 2. Designated Market Makers (DMMs) or participants formally appointed for liquidity provision obligations be excluded from the applicability of OTR-based financial disincentives, subject to compliance with prescribed market-making norms. 3. The framework may align with the principles laid down in the SEBI Circular dated 4th February, 2026 relating to OTR, particularly with respect to proportional calibration and treatment of liquidity providers. It is suggested that the framework provide for graduated enforcement measures prior to suspension of trading privileges, including issuance of warnings, supervisory communications and requirement of corrective action plans, except in cases of serious or systemic risk.	The IFSC markets are still in an evolving phase, and comparatively higher OTRs may, in certain segments, be indicative of legitimate market-making and liquidity-providing activities rather than manipulative intent. A calibrated and phased approach would help avoid over-penalization, preserve liquidity and market depth, and ensure that disincentives effectively target abusive practices without discouraging genuine trading activity. The SEBI Circular dated 4th February, 2026 relating to OTR recognizes the need for calibrated and proportionate application of OTR thresholds, particularly considering the role of liquidity providers. A similar aligned approach in IFSC would ensure regulatory consistency while safeguarding market development objectives. Excluding Designated Market Makers from OTR penalties, subject to strict adherence to market-making obligations, would preserve liquidity, prevent over-penalization, and ensure that enforcement measures are targeted at abusive practices rather than bona fide trading activity. A proportionate and graduated enforcement approach encourages timely corrective compliance by market participants while avoiding abrupt disruption to legitimate trading activity. Such a framework would enhance regulatory effectiveness, support orderly markets and ensure that suspensions are applied as a measure of last resort where warranted in the interest of market integrity.

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39	14, 15	Risk controls to be implemented by market participants	It is suggested that the guidelines clearly distinguish the responsibilities of broker-dealers providing Algorithmic Trading infrastructure or access from those of clients deploying proprietary Trading Algorithms, particularly with respect to design, logic, and trading behaviour of such algorithms.	In many cases, broker-dealers primarily provide connectivity, infrastructure and risk control mechanisms, while the trading strategies and algorithmic logic are developed and controlled by clients. Clear allocation of responsibilities would reduce legal and regulatory ambiguity, ensure proportionate compliance obligations, and appropriately align accountability with actual control over algorithmic trading activities.
40	24-29	Annual system audit requirements and auditor eligibility	It is suggested that a risk-based approach may be adopted for system audit requirements, including permitting biennial audits for low-risk or low-volume algorithmic trading activities, and allowing group-level system audits for global firms, where appropriate, subject to exchange and IFSCA oversight.	A risk-based and flexible audit framework would reduce compliance burden without compromising regulatory oversight. This would be particularly beneficial for small and medium market participants operating in the IFSC, while still ensuring that high-risk or high-volume algorithmic trading systems remain subject to stringent and frequent audits.
41	33(d)	For market participants that are currently executing orders through Algorithmic Trading, a period of three months is provided to the stock exchanges within which the approval process shall be required to be completed, and minimum risk controls shall be established.	It is suggested that the implementation timeline for market participants currently executing orders through Algorithmic Trading be extended to six months, with phased compliance milestones for completion of approvals and establishment of minimum risk controls.	Conformance testing, system audits, internal approvals and exchange-level permissions are resource-intensive and may require coordinated efforts across multiple stakeholders. An extended and phased implementation timeline would facilitate orderly and effective compliance by existing participants, while minimizing operational disruption and ensuring adherence to the objectives of market integrity and stability.
42	31	The stock exchange may seek details of trading strategies used by the market participants through Algorithmic Trading Systems for such purposes viz. inquiry, surveillance, investigation, etc.	It is suggested that the provision may clarify that requests for details of trading strategies be event-driven, such as in cases of surveillance alerts, inquiries, investigations or market stress events, and not sought on a routine or periodic basis.	Such an approach would prevent over-regulation and safeguard proprietary and commercially sensitive trading strategies of market participants, while fully retaining the supervisory and investigative powers of the stock exchange whenever warranted to ensure market integrity.
43	32	The stock exchange shall include a report on Algorithmic Trading on the stock exchange in the Monthly Development Report (MDR) submitted to IFSCA	It is suggested that the requirement for inclusion of Algorithmic Trading related information in the Monthly Development Report (MDR) be modified from a monthly to a quarterly reporting requirement.	Quarterly reporting would be more proportionate and operationally efficient, while continuing to enable effective regulatory oversight. Most parameters relating to algorithmic trading—such as turnover trends, percentage of algorithmic trading, number of participants, surveillance actions and system testing outcomes—do not typically undergo material

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				changes on a monthly basis. Further, the stock exchange would necessarily be required to seek periodic data and confirmations from broker-dealers and other market participants for compilation of such reports, which may result in avoidable compliance burden and operational overhead. A quarterly framework would therefore ensure meaningful consolidated reporting while reducing administrative burden across the ecosystem without compromising transparency or market integrity.