

Frequently Asked Questions (FAQs)

1) What is the purpose for introduction of Order Based Surveillance Measure - Persistent Noise Creators?

Over the years, Exchanges and SEBI have issued various guidelines to regulate Algo based trading in the securities market. One metric to gauge the algo related activity of a trading member is the “Order to Trade Ratio (OTR)” which was implemented in 2012. Further, tagging of orders with their corresponding algo id has been made mandatory in the year 2019. Proactive surveillance measures on possible algo based manipulations such as “Surveillance measure on Order Spoofing” was implemented in May 2019.

The excessive order messages may be attributed as “noise” in the market with prima facie no intention to execute trade by modifying or cancelling them. This results in an increase in the overall “Information Asymmetry” for other algos / players in the market.

The exchange has issued a notice regarding the same and the weblink of the notice issued is given as under :

[Order Based Surveillance Measure: Persistent Noise Creators](#)

2) What are the criteria for shortlisting clients under Persistent Noise Creators and what are the applicable surveillance actions on the shortlisted Clients?

The surveillance measure shall be applicable on the daily trading activity at the Client / Proprietary account level in a security / contract and shall be based on the following parameters:

Criteria:

Noise 1:

- Persistent order modifications by the Client / Proprietary account leading to maintained / deferred / lowering of order execution priority which has accounted for a considerable percentage of the overall modifications in the respective contract / security

AND

- High Order to Trade Ratio (OTR) in value terms (i.e. Value of all Orders Entered / Modified / Cancelled in a Security / Contract by a Client / Proprietary account vis-à-vis Value of all Trades in the Security / Contract by a Client / Proprietary account

AND

- High Number / Instances of Order modifications

Noise 2:

- Persistent order modifications by the Client / Proprietary account leading to maintained / deferred / lowering of order execution priority which has accounted for

a considerable percentage of his own modifications in the respective contract / security

AND

- High Order to Trade Ratio (OTR) in value terms (i.e. Value of all Orders Entered / Modified / Cancelled in a Security / Contract by a Client / Proprietary account vis-à-vis Value of all Trades in the Security / Contract by a Client / Proprietary account

AND

- High Number / Instances of Order modifications

The instances identified based on either of the aforesaid conditions (Noise 1 or Noise 2) shall be considered as “1 instance count”. Kindly note that whenever both Noise 1 and Noise 2 criteria gets satisfied for a Client / Proprietary account in a security/contract, the same would be considered as single instance count and not multiple instances.

The penal action based on count of instances over a period of **rolling 20 trading days** is as under:

- i. Trading disablement of such a Client / Proprietary account for a time period of first 15 minutes of trading across the Exchanges in the Equity and Equity Derivatives segments simultaneously provided number of instances identified as above exceed 99 on a rolling 20 trading days basis. The disablement shall be carried out on the next trading day.
- ii. Any additional instance of repetitive violation on consecutive trading days by a Client / Proprietary account (say N times) on a rolling 20 trading days basis will lead to trading disablement for a period of ‘N’ instances X 15 mins, subject to a Maximum Disablement of 2 Hours (i.e. $N \leq 8$)

Example: -

No of repetitive consecutive instances of violation (N)	Applicable trading disablement period
1	15 Mins
2	30 Mins
4	60 Mins
6	90 Mins
8	120 Mins / 2 Hrs
10	120 Mins / 2 Hrs

3) When has the Surveillance measure come into force?

The aforesaid surveillance measure shall be effective from April 05, 2021 and the first surveillance action on such Persistent Noise Creators shall be on May 05, 2021 based on 20 trading days window.

Note: The surveillance measure shall be independent to the extant framework of High Order to Trade Ratio (OTR).

4) What types of orders shall be considered for computation?

All Algo and Non Algo orders shall be considered for computation. All market orders and spread orders shall be excluded.

5) In which segments will the surveillance measure be applicable?

The said surveillance measure shall be applicable in the Equity and Equity Derivatives segments.

6) Is the client level disablement applicable to all segments?

Trading disablement of the shortlisted Client / Proprietary account for a time period of first 15 minutes / specified duration of trading across the Exchanges in the Equity and Equity Derivatives segments.

Please find below, an illustration on various scenarios of client level disablement.

- Applicable trading disablement period: 15 Minutes
Equity segment : 09:00 a.m. to 09:30 a.m.
Equity Derivatives segment: 09:15 a.m. to 09:30 a.m.
- Applicable trading disablement period: 45 Minutes
Equity segment : 09:00 a.m. to 10:00 a.m.
Equity Derivatives segment : 09:15 a.m. to 10:00 a.m.

*Note: Trading shall be permitted in segments other than Equity and Equity Derivatives segments as applicable. The first trade shall be allowed after expiry of N * 15 minutes (as applicable as per point 2(ii) above) in the normal (continuous) market of the Equity and Equity Derivatives segments.*

7) Will the client be allowed to square off the open positions during the disablement period?

The PAN shall be completely disabled for the specified duration and shall not be allowed to square off the open positions during the disablement period.

8) For how many days shall the PAN remain disabled?

The count of instances shall be considered on a rolling 20 trading days basis. The PAN shall continue to remain disabled on an incremental basis for the specified duration until the aggregate count of instances does not come to ≤ 99 based on rolling 20 trading days.

9) Will the disablement be carried out across Exchanges?

The disablement of shortlisted clients shall be implemented across Exchanges and the duration of disablement shall be uniform (i.e. duration of disablement whichever is higher across the Exchanges)

10) Where do I get the details of client shortlisted under the Surveillance measure?

Exchange shall be sending Intraday as well as EOD alerts on daily basis to those trading members. Intra-day alert will be based on daily activities which member has to download on Intra-day basis. EOD alerts shall be sent to those Trading members who will be having instances/cumulative greater \geq 1 on daily basis. The said alerts will be available in Member eBOSS login.

The details of such Alerts are as under:

- Intraday - Value Based Order Trade Ratio For Client – EQUITY
- Intraday - Value Based Order Trade Ratio For Client – EQTFUT
- Intraday - Value Based Order Trade Ratio For Client – EQTOPT
- Eod - Value Based Order Trade Ratio For Client - EQUITY
- Eod - Value Based Order Trade Ratio For Client – EQTFUT
- Eod - Value Based Order Trade Ratio For Client - EQTOPT

11) How will the Trading member through whom such a Client, qualifying for trading disablement, be informed about Client level trading disablement by the Exchanges?

Trading Member through whom such a Client, qualifying for trading disablement, can download the details of client/s and duration of disablement from the report 'OBSM PNC Trade Disablement as per BSE' made available in Eboss under the menu " Member Mis " .

12) How will the other TRADING MEMBERS be made aware of the PAN level disablement of such clients by the Exchanges?

Other Trading Members where such disabled PAN is registered AS A CLIENT, will get message as 'CLIENT IS SUSPENDED' at the time of order entry.

13) Will the circular be applicable to Market Makers?

The criteria mentioned under FAQ 2 - Noise 1 is not applicable to Market Makers registered with the exchange only for the respective securities/contracts.

14) Is the circular applicable for order activity in pre-open segment?

Yes, the circular is applicable for order activity in pre-open segment for cash market.

15) If a UCC has 25 instances in cash segment, 35 instances in futures and 35 instances in options. Will the cumulative instances be 95?

No, the instance count is separate for cash segment, futures segment and options segment. The same will not be aggregated as 95.