



CIRCULAR

CIR/MRD/DP/ 36 /2010

December 09, 2010

To

All Stock Exchanges

Dear Sir / Madam,

Sub: Smart Order Routing (SOR) - Clarification

- 1) This is further to the SEBI circular no. CIR/MRD/DP/26/2010 dated August 27, 2010 regarding 'Introduction of Smart Order Routing'. Upon examination of the circulars issued by the stock exchanges having nationwide terminals and representations received from few market participants, it has been decided to modify the aforesaid circular as under:
 - (i) The point 3(vii) of the aforesaid circular is modified as follows:

Stock Broker shall communicate to all clients the features, possible risks, rights, responsibilities and liabilities associated with the smart order routing facility. The client desirous of availing such facility shall do so by entering into a broker-client agreement, as applicable. For the existing clients, the same shall be implemented through an addendum to the existing broker-client agreement, as applicable.
 - (ii) Stock exchange shall permit smart order routing for all orders, without restricting to any specific type of order. The choice on order types shall be left to the client.
 - (iii) If stock exchange desires to advise its brokers to seek re-approval, it may do so only in case of –
 - (a) Inclusion of a new stock exchange for offering SOR facility; and/or,
 - (b) Material changes in the software/system of the smart order routing facility.



- (iv) The point 3(iv) of the SEBI circular no. CIR/MRD/DP/26/2010 dated August 27, 2010 is modified as follows:

Stock exchange shall communicate its decision to the broker within 30 calendar days from the date of receipt of complete application by the stock exchange. Stock exchange shall not consider testing and demonstration of the SOR system/software as a criterion for declaring the application of the broker as 'complete'. Further, testing and demonstration of SOR system/software, if required, shall be suitably scheduled within the aforesaid period of 30 calendar days.

- (v) In case of rejection of the application on smart order routing of a stock broker, the stock exchange shall communicate such reasons of rejections to the stock broker. Further, the decision of the stock exchange on the SOR application of the stock broker and reasons for rejection of the SOR application shall also be communicated to all the other stock exchanges where the broker's SOR facility intends to route orders.
- (vi) In addition to the point 3(xix) of the SEBI circular no. CIR/MRD/DP/26/2010 dated August 27, 2010, stock exchange shall permit SOR approved brokers to offer SOR facility through all their servers irrespective of their location in India.

2) The Stock Exchanges are advised to:

- i. put in place the adequate systems and issue the necessary guidelines for implementing the above decision.
- ii. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above
- iii. bring the provisions of this circular to the notice of the stock brokers and also disseminate the same on their website.
- iv. communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

- 3) 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.

Yours faithfully,

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