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Stock exchanges to provide tick by tick data feed free of charge: Sebi

Algo trading includes automated rule-based trading where decision-making is delegated to a computer model

Press Trust of India | Mumbai
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Photo: Reuters

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[Markets](#) regulator [Sebi](#) on Wednesday approved a number of measures to strengthen algo trading framework, including by mandating the exchanges to offer shared co-location facilities and providing some services for free.

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requirement for algo software for strengthening [algorithmic trading](#) framework by mandating stock exchanges to provide a simulated market environment for testing of software used for such high-frequency trades, [Sebi](#) Chairman [Ajay Tyagi](#) told reporters here.

These measures are expected to address the concerns relating to market quality, [market integrity](#) and fairness on account of usage of algo trading and co-location.

Algo trading includes automated rule-based trading where decision-making is delegated to a computer model, while [High Frequency Trading](#) (HFT) is a type of algo which is latency sensitive and is characterised by high daily portfolio turnover and high Order-to-trade ratio (OTR).

Co-location is a facility provided by exchanges to trading members and data vendors whereby their trading or data systems are allowed to be located within or at close proximity to the premises of the bourses.

This facility enables the co-located entities to access the trade/order related data before other non-co-located entities. It also enables co-located members to minimise the time for sending orders to the trading system of the exchange.

[Sebi](#) has taken various steps in the past to frame regulatory guidelines for algo trading, which has been continuing to attract the attention of investors and regulators across the world.

To address concerns, including those regarding unequal access, [Sebi](#) in August 2016 issued a discussion paper to introduce some further measures and also got a simulation exercise done.

Moreover, many small and medium sized members of exchanges find it difficult to avail the [co-location facility services](#) due to high cost.

To address this issue, [Sebi](#) has decided that exchanges would provide these facilities as a shared service in the co-location facility, as opposed to each member setting up a server and individually incurring charges. The move has potential to reduce the co-location access cost substantially by more than 90 per cent.

Besides, lower cost would help more number of trading members to avail the facility, thus reducing the latency for accessing the trading system.

Also, the board approved a proposal for providing tick-by-tick data feed free of charge to all trading members.

Besides, the algo orders placed within 0.75 per cent on either side of the last traded price may be exempted from the framework for imposing penalty for high OTR.

Further, the OTR framework may be extended to orders placed in the equity cash segment and orders placed under liquidity enhancement scheme.

The exchanges may also be asked to allot a unique identifier for each algo. Presently, one specific code is attached to all algo orders to distinguish them from non-algo trades.



[Sebi](#) may also ask the exchanges to publish additional details regarding the latency observed within the [exchange trading infrastructure](#) and also publish a reference latency.

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