



SEBI planning new regulations for Algo trading via Co-Location

In the News ..

NSE to implement transaction tax cut as of June 1

NSE will reduce the securities transaction tax (STT) on equity futures to 0.01 percent from 0.017 percent from June 1.

MoneyControl, May 26, 2013

India Revises Guidelines for Computer-Based Trading

SEBI revised guidelines for computer-based trading, providing for temporary suspension of brokers and higher fines to curb manipulation. Brokers offering algorithmic trading facilities must get their systems audited

Bloomberg May 22, 2013

Gains or losses on Commexes will not be treated as speculative

Hedgers and punters will now be able to set off losses or gains made in commodity futures against business profit or loss or those made in stock derivatives.

ET May 02, 2013

Sebi is trying to find a way to regulate large investors who place their trading servers within the exchange premises to gain a split second advantage via Co-location.

Since only brokers with deep pockets can afford it, there is a widely shared perception that small intermediaries lose out to them on speed. Co-location also came under attack after the October 5 flash crash which some attributed to highspeed trading systems. Making a note of a growing market perception, Sebi, on Friday, released a discussion paper, proposing that exchanges should provide co-location in a "fair, transparent and equitable manner" to ensure a level playing field for all brokers.

Sebi said that exchanges should ensure that the size of the co-located space is sufficient to accommodate all stock brokers and data vendors that are desirous of availing the facility.

Besides, bourses should also avoid situation of monopolising of rack space by certain stock brokers. While Sebi is silent on whether exchanges should make the service more affordable, it said that brokers who are not co-located must have fair and equitable access to the stock exchange's trading systems. Besides, stock exchanges facilitating co-location should implement an "order handling architecture comprising two separate queues for co-located and non-located orders" so that orders are picked up from each queue alternatively.

[ET May, 2013](#)

But, Market watchers fear that this alternative queuing of orders might impact the speed of trades executed at the Co-location servers.

If the speed of execution drops, the participation from traders will decline as well. It is the arbitrage participation that gives the market its depth and any reduction in arbitrage activity is not good for the market, said a discount broker. Changes in the existing system could also impact volumes. Today, a broker may be placing 100 orders through the co-location facility and getting 15 matches. Once this facility is tweaked, I may get just 7 or 10 matches. This will affect the volumes and brokers may have to do a rethink on the effectiveness of programme-based trading, said a senior broker from a large broking house.

[Financial Express May, 2013](#)