

National Stock Exchange Of India Limited**Department: SURVEILLANCE**

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To All NSE Members

Sub: Order Based Surveillance Measure - Persistent Noise Creators

In continuation to the various surveillance measures in force, SEBI and Exchanges in a joint meeting have decided that, in order to further strengthen the order level surveillance mechanism, there shall be an additional order based surveillance measure to deter persistent noise creators i.e. excessive order modifications/ cancellations with an intent to avoid execution.

The said 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:

- 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
- AND**
- High Percentage of Order modifications leading to a persistent deferred/ lower order execution priority

The instances identified based on the aforesaid 3 conditions shall be considered as "1 instance count".

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

1. Trading disablement of such a Client / Proprietary account for a time period of first 15 minutes of trading (in the normal continuous market) at PAN level 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.
2. 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. In addition to the parameters and surveillance actions, the following may be noted:
- The parameters of the surveillance action are dynamic in nature and shall be reviewed periodically
 - The trading behavior of entities creating undesirable noise in the market shall be monitored
 - Notwithstanding the above, if any entity is found to be repeatedly modifying / cancelling order(s) which results in non-execution of trades and / or creates undesirable noise in the system, such an entity will be liable for action even if the parameters of the surveillance action are not fully met

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.

In case of any further queries, members are requested to contact on +91-22-2659 8129 / 8166 or +91-44-6630 9949 / 9993.

For National Stock Exchange of India Limited

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