

Frequently Asked Questions (FAQs) - Safer participation of Retail investors in Algorithmic trading

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Frequently Asked Questions (FAQs)

1) What are the Empanelment criteria for Algo Provider?

The detailed criteria for empanelment of Algo Provider have been mentioned in NSE circular no. NSE/INVG/70309 dated September 19, 2025 - 'Corrigendum to "*Safer participation of Retail investors in Algorithmic trading – Detailed Operational Modalities*" – Update")

2) As per criteria mentioned in para 4.2 in NSE circular NSE/INVG/70309 dated September 19, 2025 (Corrigendum to "*Safer participation of Retail investors in Algorithmic trading – Detailed Operational Modalities*" – Update), who has to provide the declaration of cyber / adverse technical incident for the previous 3 years

As per the empanelment criteria, the Algo Provider shall provide a **self**-declaration of any cyber / adverse technical incident for the previous 3 years. This declaration is not required from any auditor and shall be provided by the Algo Providers on their letterhead.

3) Will static IP be required for retail customers coming via algo vendors?

Client static IP will be required only in case of Tech savvy Investor using API for placing orders.

4) Whether a Research Analyst (RA) wishing to deploy any black box algo will first need to become an Algo Provider? Further, can an Algo Provider host black box algos of multiple third-party RAs?

As per SEBI circular SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000013 dated February 04, 2025, in case of Black Box Algos, "*the Algo Provider shall Register as a Research Analyst and maintain a detailed research report for each such algo and confirm to the exchanges that such report has been maintained*".

Thus, any RA wishing to deploy any Black Box Algo shall be required to become an Algo Provider before being able to provide a Black Box Algo.

Further, as per para 14 of NSE circular NSE/INVG/69255 dated July 22, 2025, all Algos developed by Algo Providers need to be hosted on the Trading Member's server. Hence, the Algo Provider hosting black box algos of multiple third-party RAs is not possible.

5) What are the hosting requirements for retail algorithmic trading strategies?

As per Exchange Circular NSE/INVG/69255 dated July 22, 2025 (Annexure I, Para 14), it is mandated that "all the strategies shall be run on the brokers servers. The order messages shall be originated from brokers server." This requirement is central to ensuring the broker's control over risk management and data confidentiality. However, Tech Savvy client is required to host the Algo using a static IP at their end

where Algo logic resides instead of hosting the Algo on Trading Member's cloud server.

6) Is a static IP address mandatory for all individual retail clients using an API?

Client static IP is required only in case of Tech savvy Investor using API.

7) How should algorithmic orders from Internet Based Trading (IBT) and Securities Trading through Wireless Technology (STWT) platforms be tagged?

Retail investors are allowed to trade using Algorithmic Trading through Client Direct API which is provided by broker to its clients to send the order messages through API and Member frontend for retail algo i.e. Internet or Mobile based applications. In such cases, the tagging shall be - first 12 digits would be "444444444444" and the 13th digit would be "0", or "2", or "4".

8) Is it permissible for clients to place basket orders for unregistered algos through client APIs?

As per the framework (refer Annexure I, Para 2.8 of Exchange Circular NSE/INVG/69255 dated July 22, 2025), all orders received via API from clients are considered Algo orders and require appropriate tagging including standardised tagging for cases where the OPS is within the threshold of 10 OPS.

9) Whether Tech Savy client is required to participate in monthly mandatory mock as per SEBI guidelines

As the responsibility of outcome (Profit/Loss) is with the Tach-savvy client itself since the Algo logic is of the Tech savvy client and the RMS is the responsibility of the Trading Member, individual Tech savvy client is not required to participate in the monthly mock trading sessions, rest all the entities are required to participate in mandatory mock sessions as per SEBI circular SEBI/HO/MRD1/DSAP/CIR/P/2020/234 dated November 24, 2020 and NSE circular NSE/MSD/67753 dated April 29, 2025

10) An Algo platform developed by empanelled Algo vendor is hosted on Trading Member's infrastructure. Whose static IP shall be required in case Retail clients are trading through the Trading Member using such Algo platform developed by the Algo Provider.

With reference to NSE circular NSE/INVG/67858 dated May 05, 2025, it would be the static IP of the Trading Member's server.

11) Are Market orders and IOC orders allowed through Algo?

As per point 8.1.1.12 of NSE circular NSE/MSD/67753 dated April 29, 2025, "*Algo orders with order type as Market Order are not permitted*" and as per point 8.1.2.1 of NSE circular NSE/MSD/67753 dated April 29, 2025, "*Immediate Or Cancel (IOC) and Market orders shall not be allowed to be placed using algorithmic trading*" in the Commodity segment.