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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

Circular to all members of the Exchange

Circular No. : NCDEX/TRADING-025/2025

Date : July 24, 2025

Subject : SOP for implementation of Safer participation of retail investors in Algorithmic trading

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This is with reference to SEBI Circular Ref. no. SEBI/HO/MIRSD/MIRSD-PoD/P/2025/0000013 dated February 04, 2025, NCDEX Circular no. NCDEX/TRADING-003/2025 dated 05-Feb-2025 regarding 'Safer participation of retail investors in Algorithmic trading' and NCDEX/TRADING-016/2025 dated May 06, 2025 regarding the 'Implementation Standards on Safer Participation of Retail Investors in Algorithmic trading'.

As per the directives of aforesaid SEBI circular, detailed Operational modalities for participation of Retail investors in Algorithmic trading along with the documentation required for registration are provided in Annexure I. The implementation of the above framework shall be effective from Friday, August 01, 2025.

For and on behalf of

**National Commodity & Derivatives Exchange Limited**

Jigar Bhatia

Senior Vice President

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## **Annexure I**

### **Detailed operational modalities for empanelment of Algo Providers and registration of Retail Algo**

#### **1. Background:**

- 1.1. SEBI, vide circular no. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000013 dated February 4, 2025 issued a circular '*Safer participation of retail investors in Algorithmic trading*. Exchange vide NCDEX circular NCDEX/TRADING-016/2025 dated May 06, 2025 has issued "Implementation Standards for safer participation of retail investors in Algorithmic trading".
- 1.2. Definition of an Algo order - As per the above SEBI circular "Algo orders" are orders generated using automated execution logic.
- 1.3. The above circular requires Exchanges to issue necessary guidelines regarding the following.
  - 1.3.1. Clause 5 III (a) - any Algo Provider, providing the facility to place algo orders with Brokers through API, shall require to be empanelled with Exchanges in a manner as stipulated by Exchanges
  - 1.3.2. Clause 5 III (b) Exchanges shall specify the empanelment criteria for the algo providers.
  - 1.3.3. Clause 5 IV (a) (i) Exchanges to put in place a comprehensive Standard Operating Procedure (SOP) for testing of Algos
  - 1.3.4. Clause 5 IV (a) (iv) defining the roles and responsibilities of brokers
  - 1.3.5. Clause 5 IV (a) (v) defining the roles, criteria and process of empanelment of algo providers
  - 1.3.6. Clause 5 IV (c) The detailed operational modalities, covering the following aspects, shall be issued by stock exchanges, in consultation with SEBI,
    - 1.3.6.1. Roles and responsibilities of the brokers including risk management system of brokers for orders through API, roles of algo providers along with the criteria and process of empanelment of algo providers.
    - 1.3.6.2. Registration process for algos and the scenarios in which a re-registration is required
    - 1.3.6.3. Measures to enhance the confidentiality of retail algo strategies including confidentiality clauses, non-disclosure agreements, encrypted submissions etc.
    - 1.3.6.4. Data flow between the algo provider, broker and the Exchange, while ensuring that the broker remains responsible for compliance with the outsourcing guidelines specified by SEBI from time to time.
    - 1.3.6.5. Clause 5 IV (d) Exchanges shall specify the turnaround time (TAT) to register certain types of algos (e.g. Execution algos) on a fast track basis while registering

other types of algos on a normal basis. For both these scenarios, TAT shall be decided by the stock exchanges and mentioned in their SOP, disclosed on their website.

## 2. Revised Framework for identification of the following

**2.1. Revised Identification for 12-digits CTCL ID** – Provisions with respect to reporting of the CTCL ID as defined in Exchange circular NCDEX/TECHNOLOGY-009/2018/029 dated January 29, 2018 is revised as under to incorporate identification of Algo orders from client Direct API.

Sr.No	Platform	Algo Allowed	CTCL id (12 digit)
1	CTCL (should be only operated by Dealer of TM)	Yes	Last 6 digits PIN of dealer location
2	IBT (Should be with front end of the TM which captures only manual order entry of all order attributes such as date, order qty, order limit price, symbol, contract etc.)	No	111111111111
3	STWT (Should be with front end of the TM which captures only manual order entry of all order attributes such as date, order qty, order limit price, symbol, contract etc.)	No	333333333333
4	Client Direct API (Facility provided by TM to Clients, to send order messages through API, other than the above options)	Yes	444444444444

**2.2.** The existing categorization for Algo registered with CTCL id will remain unchanged.

**2.3.** New categorization for client direct API “444444444444” will be as under. Retail Algo ID registration with NNF id “IBT – “111111111111” or STWT – “333333333333” will NOT be permitted / allowed. In cases of IBT and STWT, the front end should be only with TMs own front

end which captures manual order entry of all order attributes such as date, order qty, order limit price, symbol, contract etc.

- 2.4. For Tech savvy client category, TM needs to disclose - PAN and UCC as reported by member in NCFE portal to the Exchange.
- 2.5. In case of a Black Box Algo, the Algo provider needs to be registered as RA with SEBI.
- 2.6. As per Implementation standards published vide Exchange circular no NCDEX/TRADING-016/2025 dated May 06, 2025, all orders received via API from clients / Algo Provider's platform shall be considered as Algo and will be required to be tagged as per process defined in this document.

### 3. Definition of Algo Provider:

As per definition provided in the SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000013 (Para 5 I a), 'Algo Provider' can be any fintech / vendor providing algo facility through the usage of API. For the purpose of provision of algo trading through Client Direct API – "444444444444", brokers shall be the Principal while Algo provider shall act as its Agent, while using the API provided by the broker. It is further emphasized that for all other categories, as per extant Bye-laws / Rules / Regulations, TM is responsible for all orders messages sent to Exchange through their terminals.

### 4. Chronology to be followed for registration of an Algo:

#### 4.1. Empanelment of Vendor

- 4.1.1. Already Empanelled Vendor of Exchange – Empanelment not required
- 4.1.2. New Algo provider empanelment (including "Algo provider") - Process to be followed is similar as mentioned in Exchange circular NCDEX/TRADING-014/2025 dated April 23, 2025 (Section XVI. CTCL Software Empanelment and Testing of Software). Further details are in subsequent paragraphs.
- 4.1.3. Trading Member (In-house) – Empanelment not required

#### 4.2. Registration of Algo product

- 4.3. Application and Registration of Algo strategy through a Trading Member and grant of Algo ID by Exchange.

### 5. Turnaround Time (TAT) –

As per the SEBI circular, "Exchanges shall specify the turnaround time (TAT) to register certain types of algos (e.g. Execution algos) on a fast-track basis while registering other types of algos on a normal basis. For both these scenarios, TAT shall be decided by the stock exchanges and mentioned in their SOP, disclosed on their website".

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- 5.1.** For empanelment of “Algo Provider” with the Exchange – The proposed TAT for empanelment of Algo providers with the Exchange is T + 30 working days from receipt of complete application as per formats communicated from time to time and communicate the status as Empanelled / Rejected with appropriate reasons to the applicant.
- 5.2.** For processing of application for registration of Algo from “Algo Provider” / Empanelled Vendors / Trading Members.
- 5.2.1.** Each activity has a defined TAT as per the criticality and operational functions. Accordingly, TAT is defined as T+10 working days for Algo registration requests being submitted to Exchange.
- 5.2.2.** In case of Execution algos, a faster TAT of T+7 working days will be applicable.
- 5.2.3.** TAT shall mean the maximum timeline within which Exchange officials shall take expected course of action upon the receipt of complete application / documents / request and communicate the status as registered / Rejected with appropriate reason to the applicant.
- 5.2.4.** The TAT may be reviewed at a later date based on experience gained on execution of process or feedback from internal / external stake holders.

## **6. Empanelment process of ‘Algo Providers’**

- 6.1.** As stipulated in the SEBI circular, the Algo Provider should get empanelled with the Exchange. Accordingly, the Algo provider shall be required to follow the below empanelment process:
- 6.2.** Document submission for Empanelment – Algo Provider shall make an application to the Exchange for empanelment as per format specified by the Exchange from time to time and shall execute an undertaking in favour of the Exchange.
- 6.2.1.** Refer Criteria for Empanelment of Algo Provider
- 6.2.2.** Algo Provider Undertaking
- 6.2.3.** Evidence indicating 2 years of Securities / Commodity Market experience for the Proprietor / Directors (Any 1) /Partners (Any 1)
- 6.2.4.** Registration for algorithmic trading software to be provided by vendor is a separate process. Accordingly, Algo Providers are required to apply separately for registration of the same.
- 6.3.** Allotment of vendor (including Algo provider) code by the Exchange to the Algo Providers
- 6.3.1.** Upon processing of empanelment application along with strategy detailing, once all the documents / requirements are found to be satisfactory, the Algo Provider shall be registered, and a unique Vendor code shall be allotted.
- 6.3.2.** Circular shall be issued to market announcing the empanelment as a “Algo Provider”
- 6.3.3.** Algo Provider list shall be updated on Exchange website.
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#### **6.4. Independent Commercial Arrangement**

- 6.4.1.** The empanelled Algo Provider will enter into an independent commercial arrangement with the members and shall execute relevant contracts with them.
- 6.4.2.** The Exchange shall not be liable for any payment due to the Algo Provider for provision of services to the Members/Clients or for the provision, non-provision, failure or glitch in the provision of services to the Members/Clients by the Algo Provider.
- 6.4.3.** Termination: Any breach of the terms and conditions of this empanelment, including its annexures, will entitle the Exchange to terminate the empanelment immediately.

### **7. Product registration**

#### **7.1. Algo Provider -**

- 7.1.1.** As part of Product registration, Algo provider shall submit User Interface document and Algo product registration requests to the Exchange
- 7.1.2.** User Interface registration
  - 7.1.2.1.** Product name with frontend write-up including password policy, version, segments, exe / browser based etc.
  - 7.1.2.2.** URL (details of portal) via which service will be provided to investors
  - 7.1.2.3.** Write-up on the basic Risk Management System (RMS) implemented
  - 7.1.2.4.** Auditor certificate applicable for Algo Provider
- 7.1.3.** Registration of Algo product:
  - 7.1.3.1.** Type of Algo to be provided by Algo Provider – White box or Black box
    - 7.1.3.1.1.** In case of White box, following documents to be submitted by Algo Provider
      - 7.1.3.1.1.1.** Write-up on the basic Risk Management System (RMS) implemented
      - 7.1.3.1.1.2.** Auditor certificate applicable for Algo Provider
    - 7.1.3.1.2.** In case of Black box algo, following documents to be submitted by Algo Provider
      - 7.1.3.1.2.1.** Registration certificate as a Research Analyst in name of the Algo Provider
      - 7.1.3.1.2.2.** Write-up on the basic Risk Management System (RMS) implemented
      - 7.1.3.1.2.3.** Auditor certificate applicable for Algo Provider
      - 7.1.3.1.2.4.** Undertaking that detailed report of trades generated by the black box algo has been maintained and will be reproduced to the Exchange / regulator as and when requested

- 7.1.3.1.2.5.** Undertaking that they shall renew their RA certificate prior to expiry and communicate the updated certificate to the Exchange else the Algo registered under “Black box” category shall be considered as “Deemed Surrendered” by the Exchange upon expiry
- 7.1.3.1.2.6.** Undertaking that in case there are any changes made to the Algo post registration, there will be a requirement of re-registration of the Algo

## **7.2. Existing empanelled vendors –**

- 7.2.1.** Existing empanelled vendors desirous of extending their API to Members of the Exchange shall be required to submit registration request with following documents:
  - 7.2.1.1.** Product name with write-up including the following features and functionality
    - 7.2.1.1.1.** Password policy and identification of user
    - 7.2.1.1.2.** Version
    - 7.2.1.1.3.** Segments supported
    - 7.2.1.1.4.** Market data dissemination
    - 7.2.1.1.5.** Orders and trade management features supported via API including logs / history
    - 7.2.1.1.6.** Reports for limits, margins, holdings, positions etc.
    - 7.2.1.1.7.** Any other features
  - 7.2.1.2.** Write-up on the basic Risk Management System (RMS) implemented
  - 7.2.1.3.** Write-up of maintenance of audit trail / transaction logs
  - 7.2.1.4.** Auditor certificate API-User interface applicable for Algo Trading
- 7.2.2.** Registration of Algo product:
  - 7.2.2.1.** Type of Algo to be provided by the empanelled vendor – White box or Black box
    - 7.2.2.1.1.** In case of White box, following documents to be submitted by the empanelled vendor
      - 7.2.2.1.1.1.** Write-up on the basic Risk Management System (RMS) implemented
      - 7.2.2.1.1.2.** Auditor certificate applicable for empanelled vendor
    - 7.2.2.1.2.** In case of Black box algo, following documents to be submitted by empanelled vendor
      - 7.2.2.1.2.1.** Registration certificate as a Research Analyst in name of the empanelled vendor



- 7.2.2.1.2.2.** Write-up on the basic Risk Management System (RMS) implemented
- 7.2.2.1.2.3.** Auditor certificate applicable for empanelled vendor
- 7.2.2.1.2.4.** Undertaking that detailed report of trades generated by the black box algo has been maintained and will be reproduced to the Exchange / regulator as and when requested
- 7.2.2.1.2.5.** Undertaking that they shall renew their RA certificate prior to expiry and communicate the updated certificate to the Exchange else the Algo registered under “Black box” category shall be considered as “Deemed Surrendered” by the Exchange upon expiry
- 7.2.2.1.2.6.** Undertaking that in case there are any changes made to the Algo post registration, there will be a requirement of re-registration of the Algo

### **7.3. Trading Members –**

#### **7.3.1. Algo product and “API” product registration process**

- 7.3.1.1.** Brokers desirous of providing API services to Investors shall be required to submit request for “API” registration for products developed “In-house” / Empanelled Vendor. This would identify that the member is using an API interface for providing the facility to client. Existing Members already exposing API to its client shall also be required to register with the Exchange.
- 7.3.1.2.** For market data provisioned to Registered Broking Clients via APIs, members will need to ensure that the following controls are implemented:
  - 7.3.1.2.1.** Clients being provided real-time or near-real-time data as permitted will use the same strictly for their trading purposes and shall not be permitted to or redistribute the data as per terms and conditions being covered in the broking agreement
- 7.3.1.3.** Following documents shall be submitted by the Trading Member –
  - 7.3.1.3.1.** Undertaking
  - 7.3.1.3.2.** Detailed RMS document/product write-up and Algo Audit certificate
  - 7.3.1.3.3.** System Audit for API

#### **7.3.2. Registration of Algo product:**

- 7.3.2.1.** Type of Algo to be provided by the Trading Member – White box or Black box
  - 7.3.2.1.1.** In case of White box, following documents to be submitted by the Trading Member

- Undertaking that in case there are any changes made to the Algo post registration, there will be a requirement of re-registration of the Algo.

**8.1.** For all Algo strategy registrations, whether the Algo strategy is developed by Trading Member (In-house), Algo strategy developed by Algo Providers or empanelled vendors, the Trading Member has to submit a registration application with the Exchange.

**8.2.1.** Algo registration is applicable only through CTCL in order to implement SEBI circular for providing access to algo to retail investors, members will be allowed to provide algorithmic trading to clients through a new category “Client Direct API” and members will need to register each algo with the Exchange.

- 8.2.1.1.** Member shall apply for registration of Algos giving details of Algo categorization disclosure to the Exchange.
- 8.2.1.2.** For Tech savvy client category, TM needs to disclose in the application form - PAN and UCC as reported by member in NCFE portal to the Exchange.
- 8.2.1.3.** For members applying registration of client Algos on “Client Direct API” category, following shall be made mandatory to be submitted by the member as per respective product:

**8.2.1.3.1.** “API” set up Name using which the algorithm orders shall be released to the Exchange

**8.2.1.3.2.** “API” Version number using which the algorithm orders shall be released to the Exchange

**8.2.1.3.3.** “API” Registration Date using which the algorithm orders shall be released to the Exchange.

## **8.2.2. Allotment of Algo ID to Trading Member**

Upon processing of the algo strategy registration application, if all the above documents / requirements are found to be satisfactory, unique Algo Id will be allotted for the registered algo strategy as per TAT defined above. TM will be provided algo ID for the application and it will also be tagged with a specific algo Provider. If the Algo provider wants to get the same algo ID operationalized through another TM, the application of that TM should contain the algo ID already provided by the Exchange.

**8.2.3.** For orders being sent beyond 10 OPS, members are required to register the algos developed by clients as per process detailed above, for which unique algo id shall be assigned by the Exchange.

**8.2.4.** As per implementation guidelines, point A.4. Trading Members need to ensure that non-registered algos (within 10 orders per second i.e. OPS) developed by clients are run only through one of the predefined API keys, in such case, members shall be required to send the value in the Vendor code field as “999” in the first 3 digit of the 15 digit NNF ID.

**8.2.5.** Algo strategy Registration documents to be submitted by Trading Member

**8.2.5.1.** For Empanelled vendor / Algo Provider:

**8.2.5.1.1.** Auditor report (applicable for empanelled vendor)

**8.2.5.1.2.** Auditor certificate

**8.2.5.1.3.** Vendor confirmation letter

**8.2.5.2.** For Algo provided by Trading Member, developed In-House:

**8.2.5.2.1.** Auditor report

**8.2.5.2.2.** Auditor certificate

**8.2.5.2.3.** Strategy write-up

**8.2.5.2.4.** RMS write-up

**8.2.5.3.** Algo developed by client:

**8.2.5.3.1.** Auditor certificate

**8.2.5.3.2.** Strategy write-up

**8.2.5.3.3.** RMS write-up

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Note: Members desirous of providing Services through Algo Provider or API shall be required to fulfil the BMC requirement as applicable for “All trading members with Algo trading Facility”

**9. Circumstances in which re-registration shall be required by the Trading Members for using Algos by Algo Provider:**

- 9.1.** In case of any change in logic governing the algos
- 9.2.** Any change in OMS and/or RMS pertaining to the algos (Applicable only if it results in a code change in the algo)
- 9.3.** Addition of segment/ Version change
- 9.4.** Exchange mandated changes as applicable
- 9.5.** Implementation of new SEBI circular as applicable
- 9.6.** Changes in policy of login and/ or password management
- 9.7.** Changes in URL for providing algos by the Algo Provider
- 9.8.** Change in API provided by the Member

Note: No modification shall be allowed for registered Black box algos. Algo Provider shall be required to apply for fresh registration in case of any change in logic governing the algos

**10. Operational Specifications for providing API /Algo Provider including roles and responsibilities of brokers:**

- 10.1.** Trading members providing API /Algo Provider facility for routing client orders shall not be allowed to cross trades of their clients with each other. All orders must be offered to the market for matching.
- 10.2.** All API orders shall be routed to the exchange trading system through the members trading system. The broker's server routing API /Algo Provider orders to the exchange trading system shall be located in India.
- 10.3.** The trading member should ensure sound audit trail for all API /Algo Provider orders and trades and be able to provide identification of actual user-id for all such orders and trades. The audit trail data should be available for at least 5 years.
- 10.4.** The trading member should ensure that their API's /Algo Provider's do not permit clients to place orders for order types and/or contract/securities which are restricted by the Exchange / SEBI from time to time.
- 10.5.** Trading member shall be required to have systems and procedures in place to detect / identify and categorize all orders as algo orders.

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- 10.6.** Trading member shall have suitable system in place to identify orders being sent by the client are below or above the defined threshold and appropriately tag the algo id in the orders being sent to the Exchange.
  - 10.7.** The API /Algo Provider system shall have sufficient security features including password protection for the user ID, automatic expiry of passwords at the end of a reasonable duration, and re-initialisation of access on entering fresh passwords. System shall authenticate client access to API /Algo Provider through two factor authentication.
  - 10.8.** Trading members shall be required to put in place system, processes and policies to ensure that open API are not permitted, and access is being provided only through a unique client specific API key and static IP whitelisted by the broker to ensure identification and traceability the end user i.e. investor.
  - 10.9.** Trading members shall be required to have OAuth (Open Authentication) / SEBI mandated 2FA based authentication only or any authentication mechanism allowed / communicated by the Exchange / SEBI from time to time. All other authentication mechanisms shall be discontinued.
  - 10.10.** Trading members should maintain all activities/ alerts log with audit trail facility. The API /Algo Provider Server should have internally generated unique numbering for all such client order/trades.
  - 10.11.** A systems audit of the API /Algo Provider systems and software shall be periodically carried out by the broker as may be specified by the exchange and certificate in this regard shall be submitted to the exchange.
  - 10.12.** The trading members should provide for adequate systems and procedures to handle the API orders.
  - 10.13.** The broker shall be fully responsible and liable for all orders emanating through their API /Algo Provider systems. It shall be the responsibility of the broker to ensure that only clients who fulfil the eligibility criteria are permitted to use the API /Algo Provider facility.
  - 10.14.** The “Terms and Conditions” shall be provided to the client for availing the API /Algo Provider facility.
  - 10.15.** Members may take such other measures and implement such other safeguards as they deem fit to ensure security and integrity of transactions conducted via API /Algo Provider facility.
  - 10.16.** Trading members, while submitting the application for API /Algo Provider with the Exchange are required to confirm compliance of the above.
  - 10.17.** Trading Member to ensure that they have systems and procedures in place to detect/identify and categorize all orders above the specified threshold as algo orders.
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- 10.18. Trading Member shall not permit open APIs and allow access only through a unique vendor client specific API key and static IP whitelisted by the broker to ensure identification and traceability of the algo provider and the end user (i.e. investor).
- 10.19. Trading Member to authenticate access to API through two factor authentication.
- 10.20. Trading Member to deal with only empanelled algo providers only and handle all related complaints, as such algo providers are agents of such broker.
- 10.21. The facility of algo trading shall be provided by the broker only after obtaining requisite permission of the stock exchange for each algo.
- 10.22. All algo orders shall be tagged with a unique identifier provided by the Exchange in order to establish audit trail and the broker shall seek prior re-registration from the Exchange for any modification or change to the registered algos.
- 10.23. Brokers shall be solely responsible for handling investor grievances related to algo trading and the monitoring of APIs for prohibited activities.
- 10.24. Before onboarding an empaneled algo provider/vendor on its platform, the broker shall also do the necessary due diligence.
- 10.25. Algo providers and brokers may share the subscription charges and brokerage collected from the client. However, prominent and complete disclosures of all the charges shall be made to the client. The broker shall also ensure that such arrangements do not result in any conflict of interest.

## 11. Risk Management:

- 11.1. Following RMS checks are compulsory

Sr. No.	Pre Trade Risk Control	Requirement
<b>At individual order level</b>		
1	Price Check	Algo orders shall not be released in breach of the price bands as defined by the Exchange in respective contract.
2	Quantity Check	Algo Orders shall not be released in breach of order quantity limit per order as defined by the Exchange. Quantity Limit check is also applicable for Spread Order being placed.
3.	Order Value Check	Algo Orders should not exceed the limit specified by the by Member-User. Order value check is also applicable for Spread Order being placed.
<b>At client level</b>		
4	Cumulative Open Order Value Check	Algo orders shall not be released in breach of Individual client level cumulative open order value check at the client level. Open order value for a client is the total value of its unexecuted orders released from trading member's system. System shall not permit the user to set "Unlimited values"

Sr. No.	Pre Trade Risk Control	Requirement
5.	Automated Execution Check	Algo shall account for all executed, unexecuted, and unconfirmed orders placed by the system before releasing further orders. Algo system shall have pre-defined parameters for an automatic stoppage in event of Algo execution leading to a loop or a runaway situation.
6.	Net Position Vs. available margin	Algo orders shall not be released in breach of Net positions as against the available margin defined by the trading member for the client.
7.	MWPL violation check	Algo orders shall not be released in breach of market wide position limit as defined by the Exchange.
8.	Position Limit Check	Algo orders shall not be released in breach of position limit as defined by the Exchange / trading member for the client. (In case of commodity derivatives, the net positions of the client / member are not in violation of the position limits prescribed for the respective commodity.)
9.	Trading Limit Check	Algo orders shall not be released in breach of overall trading limits as defined by the trading member for the client.
10.	Exposure Limit check at individual client level and at overall level for all clients	Algo orders shall not be released in breach of exposure limit as defined by the trading member for the client.
11.	Turnover Limit Check	Orders shall not be released in breach of turnover limit as defined by the trading member for the client.
12.	Security Wise Limit Check	Orders shall not be released in breach of security-wise value limit as defined by the trading member for individual security.
13.	Efficient Price Discovery and Fair Play Check	The algorithm strategy/ies are conducive to efficient price discovery and fair play and shall not take liquidity away from the market (applicable to algorithm strategy/ies in the Commodity Derivative segment).

**11.2.** The broker shall ensure that trading limits/ exposure limits/ position limits are set for all API clients based on risk assessment, and available margins of the client. The broker system shall have appropriate authority levels to ensure that the limits can be set up only by persons authorized by the risk / compliance manager.

**11.3.** The broker shall ensure that all orders received from API are routed through electronic/automated risk management systems of the broker to carry out appropriate validations of all risk parameters including Quantity Limits, Price Range Checks, Order Value etc. before the orders are released to the Exchange.

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**11.4.** All orders received from API shall be subjected to the following limits:

- 11.4.1.** Order quantity / order value limit in terms of price and quantity specified for the client.
- 11.4.2.** All the position limits which are specified in the derivatives segment as applicable.
- 11.4.3.** The net position of the clients / members is not in violation of the position limits prescribed for the respective commodity
- 11.4.4.** Net position that can be outstanding so as to fully cover the risk emanating from the trades with the available margins of the specific client.
- 11.4.5.** The broker may provide for additional risk management parameters as they may consider appropriate.
- 11.4.6.** Market Orders and IOC orders shall not be allowed to place Algo orders in Commodity Segment.
- 11.4.7.** System shall have provision to restrict Algo order placement in Mini and Micro contract as defined by the Exchange from time to time as per the Broad Algo guidelines applicable for Commodity Segment.

**12. Testing of software**

- 12.1.** All registered retail algos are required to participate in mock on a Periodic basis, as prescribed by the Exchanges / SEBI from time to time.
- 12.2.** Trading Members can avail Test Environment as detailed in Exchange Circular NCDEX/TRADING-014/2025 dated April 23, 2025

**13. Confidentiality of retail algo strategies including confidentiality clauses, non-disclosure agreements, encrypted submissions etc.**

- 13.1.** Retail algo strategies may be of following types
  - 13.1.1.** Algo is developed by trading Member, Algo Provider or Vendor
    - 13.1.1.1.** As per SEBI circular Algos shall be categorized into two categories:
    - 13.1.1.2.** Algos where logic is disclosed and replicable i.e. Execution Algos or White box Algos;
    - 13.1.1.3.** Algos where the logic is not known to the user and is not replicable, i.e. Black box Algos –
  - 13.1.2.** For Black box Algos, the algo provider shall:



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- 13.1.2.1.** 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.
- 13.1.2.2.** In case of any change in the logic governing the algo, register such algo as a fresh algo and maintain a detailed research report.
- 13.1.3.** Algo is developed by tech-savvy client – The entire responsibility of the logic of the strategy and RMS requirement as per SEBI/NCDEX circular will be ensured by the Tech Savvy client.
- 13.1.4.** In all the above cases, a detailed agreement with respect to confidentiality clauses, non-disclosure agreements, encrypted submissions etc. needs to be entered between the concerned parties i.e. Broker, Vendor and Tech Savvy client wherever applicable.
- 14.** Data flow between the algo provider, broker and the Exchange –  
TM shall be responsible for the orders placed through any algo or otherwise. NCDEX circular NCDEX/TRADING-016/2025 dated May 06, 2025 (Annexure to the circular Para (I) (h)) states that all the strategies shall be run on the brokers servers. The order messages shall be originated from brokers server. Broker will be responsible to ensure that the data of clients do not flow beyond their servers so that confidentiality can be ensured. Brokers shall thus be responsible for the outsourcing guidelines specified by SEBI from time to time.
- 15.** All the provisions of system audit, cyber security, VAPT and inspection related requirements would be applicable to all algos including Retail algos.
- 16.** Member / Client / Algo Vendor shall ensure compliance to Algorithmic Trading guidelines applicable for the Commodity Segment as issued from time to time.
- 17.** Additional documents related to the registration process are as follows.
- 17.1.** Change description – reason / description for change in the software
  - 17.2.** Checklist – For registration process
  - 17.3.** Common Undertaking
  - 17.4.** No change letter – Supporting document for modification request
  - 17.5.** Vendor confirmation letter – to be provided by Algo Provider

Format related to the registration process shall be available on NCDEX website on following path:  
NCDEX Website → Technology → Retail Algo.