

## National Stock Exchange of India Circular

<b>Department: SURVEILLANCE</b>	
<b>Download Ref No:</b> NSE/SURV/ 52992	<b>Date:</b> July 15, 2022
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To All NSE Members

### **Sub: Order Based Surveillance Measure - Persistent Noise Creators - Update**

This is in continuation to circular no 47814 dated March 26,2021 relating to Order Based Surveillance Measure-Persistent Noise Creators.

Exchange continues to observe instances of persistent noise creators i.e excessive order modifications/cancellations with an intent to avoid execution. In view of the same, SEBI and Exchanges in a joint surveillance meeting have decided to revise the parameters, applicable on the daily trading activity at the Client / Proprietary account level in a security / contract as under:

#### **Criteria:**

##### **Noise 1:**

- Persistent order modifications by the Client / Proprietary account leading to maintained / deferred / lowering of order execution priority which has accounted for a considerable percentage of the overall modifications in the respective contract / security

**AND**

- 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

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### **Noise 2:**

- Persistent order modifications by the Client / Proprietary account leading to maintained / deferred / lowering of order execution priority which has accounted for a considerable percentage of his own modifications in the respective contract / security

**AND**

- 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

The instances identified based on either of the aforesaid conditions (Noise 1 or Noise 2) shall be considered as “1 instance count”. Kindly note that whenever both Noise 1 and Noise 2 criteria gets satisfied for a Client / Proprietary account in a security/contract, the same would be considered as single instance count and not multiple instances.

### **Action:**

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.  $N \leq 8$ ).

The count of instances shall be considered on a rolling 20 trading days basis. The PAN shall continue to remain disabled on an incremental basis for the specified duration until the aggregate count of instances does not come to 99 based on rolling 20 trading days. Kindly refer Annexure 1 below for detailed example.

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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 behaviour 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
  
4. The revised criteria shall come into force w.e.f 26<sup>th</sup> August,2022. Further, instances as per the existing as well as revised criteria shall be taken into account for the computation of cumulative instances for a period of rolling 20 trading days, wherever applicable.  
**Example:** For 26<sup>th</sup> August 2022, the instance count for past 20 rolling days will be aggregate of instance count for period 28<sup>th</sup> July 2022 to 25<sup>th</sup> August 2022 (computed as per old thresholds) and instance count of 26<sup>th</sup> August 2022 (computed as per revised thresholds).
  
5. The disablement of shortlisted clients shall be implemented across Exchanges in equity and equity derivatives segment and the duration of disablement shall be uniform.

In case of any further queries, you may write to us at [surveillance@nse.co.in](mailto:surveillance@nse.co.in) or call on +91-22-2659 8129 / 66 or +91-44-6630 9949 / 93.

### For National Stock Exchange of India Limited

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### Annexure 1

Day	Count of Instances on T day	Count of instances on 20 rolling days	Applicable trading disablement period effective T+1 day(Mins)
1	2		
2	0		
3	0		
4	0		
5	6		
6	2		
7	1		
8	0		
9	0		
10	4		
11	0		
12	0		
13	20		
14	0		
15	10		
16	0		
17	30		
18	20		
19	0		

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Day	Count of Instances on T day	Count of instances on 20 rolling days	Applicable trading disablement period effective T+1 day(Mins)
<b>20</b>	45	140	15
<b>21</b>	0	138	30
<b>22</b>	0	138	45
<b>23</b>	0	138	60
<b>24</b>	0	138	75
<b>25</b>	0	132	90
<b>26</b>	0	130	105
<b>27</b>	0	129	120
<b>28</b>	0	129	120
<b>29</b>	0	129	120
<b>30</b>	0	125	120
<b>31</b>	0	125	120
<b>32</b>	0	125	120
<b>33</b>	0	105	120
<b>34</b>	0	105	120
<b>35</b>	0	95	0