



# Seminar on Policy and Regulatory Framework for Algorithm/ High Frequency Trading discusses fair and equitable access

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A seminar on 'Policy and Regulatory Framework for Algorithm/ High Frequency Trading in India' was organised in New Delhi today by the Department of Economic Affairs and the National Institute of Financial Management (NIFM). "Fair access and zero tolerance to manipulative practices is what regulations for algo trading shall strive for" said Secretary Economic Affairs, Shri. S.C. Garg in his Key note address. Speaking on the occasion, Chief Guest Shri Ashok Lavasa, Finance Secretary, pointed out that Stock markets in India have matured and induction of technology as enabler is now inescapable to intrinsic issues of trading. He also highlighted that use of technology could effectively reduce the cost of have-nots accessing the market. The Finance Secretary said that setting up of Fin-Cert - the computer emergency response team in the financial sector to address cyber security is also underway.

A study report on Algo Trading / High Frequency Trading was released during the Seminar. Copy of the report can be accessed at <http://dea.gov.in/sites/default/files/NIFM%20Report%20on%20Algo%20trading.pdf>.

Algorithmic Trading and, particularly, High Frequency Trading and Colocation, are one of the most debated issues impacting the way the securities transactions are being conducted in the world. Speedy execution, accuracy, reduced costs and avoiding the errors of human emotions are some of the reasons for its increasing popularity. At the same time, the development of such technology raises several regulatory challenges, particularly with respect to market manipulation and ensuring equity and integrity of the markets. The seminar was organised in this context. Director NIFM Smt Meena Agrawal welcome the participants to the seminar. Shri Praveen Garg, Joint Secretary, Ministry of Finance introduced the seminar theme by providing a brief background of the evolution of algorithmic trading in India and highlighting some of the major concerns generated by it.

Mr. Muralidhar Rao, Executive Director SEBI informed that SEBI is carrying out simulation exercises to understand the merits and demerits of its proposals unveiled in its Discussion Paper of August 2016, in view of the various public comments received in this regard. SEBI has also setup a panel to evaluate concepts like regulatory sandbox for dealing with the technological challenges posed by algos and fintechs.

The panel consisting of Mr. Ashish Chouhan, MD, BSE, Mr. Vikram Limaye, MD, NSE, Mr. Mrugank Paranjape MD, MCX, Mr. Hector Colon, COO, Citadel Securities, Hong Kong, Mr. Nirav Parikh, Global Head, Electronic Trading Citigroup, Singapore and Mr. Tushar Mahajan, Listed F&O, Nomura Securities debated on relative positioning of Indian markets infrastructure vis a vis global markets, comprehensive risk management and surveillance systems already being put in place, aspects of latency which are hurting the system, Fintech evolution and how current Indian capital markets may co-exist, benefit from, and compete with the Fintech firms, efficacy of penalising based on order to trade ratio, unintended consequences of overhauling the micro structure of markets for controlling HFT, need for recognising and rewarding market making etc. The panel focused on the need for having a regulatory framework specific to the Indian ecosystem with clarity on what needs to be achieved rather than what needs to be controlled.

The seminar was attended by policy makers, regulators, academicians and leading market participants.

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