भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

HO/47/11/16(2)2025-MRD-POD2/I/4113/2026 **February 04, 2026**

To,

All Recognized Stock Exchanges (except Commodity Derivative Stock Exchanges)

Dear Sir/ Madam,

Sub: Revision of Order-to-Trade Ratio (OTR) framework

1. Para 7.1.2.2, 7.1.2.3, 11.2.14 and 11.2.15 of Chapter 2 of the Master Circular for Stock Exchanges and Clearing Corporations ('Master Circular') dated December 30, 2024, prescribe the framework for placing effective economic disincentive by Stock Exchanges for high order-to-trade ratio (OTR) of Algorithmic orders placed by Trading Members (TMs).

2. Taking into account the representations received from the Stock Exchanges, deliberations held with the various stakeholders and recommendations of the Secondary Market Advisory Committee of SEBI, it is decided to carry out the following modifications in the aforesaid framework:

   2.1. For equity option contracts, orders within ±40% of LTP (premium) or ±INR 20, whichever is higher, shall be exempted from the framework for imposing penalty for high OTR.

   2.2. The Algorithmic orders placed by Designated Market Makers for market making activity shall not be considered towards computation of OTR.

3. Accordingly, para 11.2.14.1 and 11.2.14.2 of Chapter 2 of the Master Circular, are modified as under:

   "11.2.14.1. Orders placed within the range of ±0.75% of the LTP shall be exempted from the framework for imposing penalty for high OTR. However, for equity option contracts, orders placed within the range of ±40% of LTP (premium) or ±INR 20,

whichever is higher, shall be exempted from the framework for imposing penalty for high OTR.

11.2.14.2. OTR framework shall be applicable to the orders placed in the cash segment and the derivative segment, including the orders placed under the liquidity enhancement schemes. However, the algorithmic orders placed by Designated Market Makers for market making activity shall be exempted from the framework for imposing penalty for high OTR".

4. The provisions of this circular shall come into effect from April 06, 2026.

5. The Stock Exchanges are accordingly advised to:

   5.1. Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision, as may be necessary/applicable.

   5.2. Bring the provisions of this circular to the notice of the market participants (including TMs) and to disseminate the same on their website.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with Regulation 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

7. This circular is available on SEBI website at www.sebi.gov.in at "Legal → Circulars".

Yours faithfully,

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