

Name of the person/entity proposing comments		Indian Association of Investment Professionals (CFA Society India)	
		Key Contributors : Satpal Saini, Ashish	
Category (Listed Entity / MII / Market Intermediary / Professional)		Association of Investment Professionals	
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Sr. No.	Proposal	Confirmity to Proposal	Comments
1	Participation of retail investors in algorithmic trading	Strongly Agree	We strongly support the proposal to enable retail traders to participate in algorithmic trading. Additionally, we would like to present the following comments and observations for consideration:
			<p>1). A significant portion of retail traders already engages in algorithmic trading systems, albeit in an unregulated manner, highlighting the need for formal regulation by SEBI to structure their participation. Regulating both structured and unstructured algo systems will help mitigate potential systemic risks and reduce market volatility caused by unchecked trading practices. SEBI's defined risk management responsibilities for brokers will ensure better monitoring and control, while the introduction of timestamping will foster transparency by clearly distinguishing algo trades from non-algo trades. By implementing a structured framework, these measures aim to impose systematic checks, enhance market stability, and integrate retail traders into a regulated algorithmic trading ecosystem that balances innovation with market safety.</p> <p>2). Certain black box algorithms are also made available to retail traders through algorithmic strategy companies that offer trading and execution services. As per SEBI's circular, entities providing black box algorithms must register as Research Analysts (RAs), submit comprehensive research reports detailing the algorithm's logic, and follow a rigorous registration process for any modifications, treating them as new algorithms. This process involves securing registration through brokers and obtaining necessary permissions from exchanges, thereby extending the lead time from development to implementation. While retail traders may experience minimal direct impact, these procedural requirements pose operational challenges for service providers, such as research analysts.</p> <p>3). Safeguarding data and intellectual property is critical, particularly in light of vulnerabilities to leaks, as evidenced by incidents involving sensitive information like Aadhaar card data. Exchanges and brokers must establish and enforce robust mechanisms to ensure data security and protect the intellectual property associated with algorithms.</p> <p>4). It is essential to establish clear accountability when a malfunction occurs. A well-defined delineation of responsibility among exchanges, brokers, and other relevant stakeholders is necessary to effectively address such scenarios and ensure a swift resolution.</p>
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