

## **Brief Write up on IT Control with respect to Algo and Non-Algo Orders**

We with respect to IT controls regarding algorithmic (algo) and non-algo orders primarily focus on ensuring proper identification and segregation of order types and implement robust systems to distinguish between algo and non-algo orders, often using unique flags or tags within the order structure, and to monitor for potential risks associated with algorithmic trading activities; this includes pre-trade checks, post-trade surveillance, and strict guidelines for algo development and deployment.

### **Key aspects of IT controls for algo and non-algo orders:**

Order identification:

**Unique flags/tags:** Each order placed through an algorithmic strategy should be clearly identified with a distinct flag or tag within the trading system to differentiate it from a manually placed (non-algo) order.

**API-based orders:** Orders originating through APIs are often considered as potential algo orders and may require additional scrutiny.

### **Algo registration and approval:**

Pre-approval process: Register algorithms with the stock exchange and get approved before deploying them in the live market.

Algorithm testing: Thorough testing of algorithms to ensure their functionality and compliance with regulatory standards.

### **Monitoring and surveillance:**

**Real-time monitoring:** Continuously monitor algo orders for unusual trading patterns, excessive order volume, or potential market manipulation.

**Post-trade analysis:** Detailed analysis of executed algo orders to identify potential issues or deviations from expected behavior.

### **Access control and segregation:**

**User access control:** Strict controls on who can access and modify algo trading parameters, including user authentication and authorization mechanisms.

**Dedicated systems:** Separation of algo trading systems from other trading platforms to minimize potential conflicts or unintended interactions.

### **Risk management:**

**Order limits and thresholds:** Setting maximum order size and frequency limits for algo orders to mitigate potential market impact.

**Stop-loss mechanisms:** Implementing automated stop-loss orders to limit potential losses in case of unexpected market movements.

### **Important considerations:**

**Technology infrastructure:** Reliable and robust trading platforms for smooth execution of algo orders.

**Data quality:** Accurate and timely market data is essential for effective algo execution.

**Compliance with regulations:** Staying updated on the latest SEBI regulations regarding algorithmic trading is vital for market participants.