

SEBI revises Order-to-Trade ratio (OTR) framework and enhanced exemptions for Equity Options and Market Makers effective April 2026

The Securities & Exchange Board of India (SEBI) vide its Circular No. HO/47/11/16(2)2025-MRD-POD2/I/4113/2026 dated February 04, 2026, has issued directions to all recognized stock exchanges (excluding commodity derivative stock exchanges), concerning the revision of the Order-to-Trade Ratio (OTR) framework as prescribed in the Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024. The OTR framework is intended to place effective economic disincentives on Trading Members (TMs) for maintaining a high order-to-trade ratio in Algorithmic orders.

The Circular notes that, after considering representations from stock exchanges, stakeholder deliberations, and recommendations from the Secondary Market Advisory Committee, certain modifications to the framework have been decided upon.

The modifications include, firstly, that for equity option contracts, orders placed within $\pm 40\%$ of the Last Traded Price (LTP) (premium) or $\pm \text{INR } 20$, whichever is higher, shall be exempted from the penalty framework for high OTR. Secondly, Algorithmic orders placed by Designated Market Makers for market making activity shall not be considered towards the computation of OTR.

Specifically, orders placed within the range of $\pm 0.75\%$ of the LTP are exempted from the penalty framework for high OTR, but for equity option contracts, the exemption applies to orders within $\pm 40\%$ of LTP (premium) or $\pm \text{INR } 20$, whichever is higher. The OTR framework remains applicable to orders in the cash and derivative segments, including those under liquidity enhancement schemes, except for algorithmic orders by Designated Market Makers for market making activity, which are exempted.

The Circular further stipulates that its provisions will come into effect from April 06, 2026. Stock exchanges are directed to make necessary amendments to their bye-laws, rules, and regulations to implement these decisions, and to inform market participants, including TMs, by disseminating the circular on their websites.

[Click here to read/ download the original circular](#)