

CIRCULAR

CIR/MRD/DP/07/2015

May 13, 2015

To,

All Stock Exchanges.

Dear Sir / Madam,

Subject: Co-location / proximity hosting facility offered by stock exchanges

The facility of co-location or proximity hosting (or by whatever name called) is offered by the stock exchanges to stock brokers and data vendors whereby their trading or data-vending systems are allowed to be located within or at close proximity to the premises of the stock exchanges, and are allowed to connect to the trading platform of stock exchanges through direct and private network.

2. Based on the recommendations of SEBI's Technical Advisory Committee (TAC), it has been decided that stock exchanges while facilitating co-location / proximity hosting shall follow the guidelines given below.

3. In order to ensure fair and equitable access to the co-location facility, stock exchanges shall:

3.1. provide co-location / proximity hosting in a fair, transparent and equitable manner.

3.2. ensure that all participants who avail co-location / proximity hosting facility have fair and equal access to facilities and data feeds provided by the stock exchange.

3.3. ensure that all stock brokers and data vendors using co-location / proximity hosting experience similar latency with respect to exchange provided infrastructure.

3.4. ensure that the size of the co-located / proximity hosting space is sufficient to accommodate all the stock brokers and data vendors who are desirous of availing the facility.

3.5. provide the flexibility to avail rack space in the co-location / proximity hosting so as to meet the needs of all stock brokers desirous of availing such facility.

- 3.6. expeditiously decide on the request of the desirous stock brokers / data vendors for availing co-location / proximity hosting and communicate the decision within fifteen working days from the receipt of the request from the stock brokers / data vendors. In case of a rejection, stock exchanges shall also provide reasons in writing to the stock brokers / data vendors.
 - 3.7. facilitate stock brokers to receive data feeds from other recognised stock exchanges at the co-location facilities and allow routing of orders to other recognised stock exchanges from the co-location facilities.
 - 3.8. make available on their websites description of the co-location / proximity hosting, including requirements to be fulfilled by stock brokers / data vendors who avail the facility, details on fees / charges associated with the facility, etc.
 - 3.9. publish on their websites suitable quarterly reports on latencies observed at the exchange.
 - 3.10. be able to identify orders emanating from the co-located servers of stock brokers and the resultant trades. Suitable statistics relating to such orders and trades shall be disseminated by the stock exchanges
4. In order to ensure that the facility of co-location / proximity hosting does not compromise integrity and security of the data and trading systems, stock exchanges shall:
 - 4.1. implement suitable mechanism to protect their systems and systems of stock brokers and data vendors at co-location / proximity hosting from unauthorized access.
 - 4.2. frame guidelines on access and conduct of the personnel of stock brokers / data vendors in the premises of the stock exchange, including in the co-located space.
 - 4.3. not provide access in any form to the personnel of stock brokers / data vendors to the stock exchange's trading platform and databases.
 5. Stock exchanges are directed to:
 - 5.1. take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations, within three months from the date of the circular.
 - 5.2. bring the provisions of this circular to the notice of the stock brokers and also disseminate the same on its website.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

- 5.3. communicate to SEBI the status of implementation of the provisions of this circular.
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 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Maninder Cheema
Deputy General Manager
email: maninderc@sebi.gov.in