


# SEBI ALGO TRADING

## THE RETAIL INVESTOR'S COMPLETE GUIDE

*What changed • What it means for YOU • What you must do • Your questions answered*

Presented by QuantForensic.com

 Every regulatory claim in this document is sourced from SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000013 (the master circular) and its extension circulars. Where a claim is industry analysis, it is labeled as such. This document does not constitute legal or financial advice.


### 01 Why Did SEBI Change the Rules?

*Understanding what changed - and the one real reason it happened*


Before 2025, algo trading in India had a fundamental split. Institutions - mutual funds, foreign investors, proprietary desks - ran sophisticated automated strategies under a supervised, exchange-approved framework that had been in place since 2012. Retail traders had none of that. When brokers started offering API access to retail users, an unregulated shadow ecosystem appeared: strategy vendors with no credentials, platforms promising guaranteed returns, and automated order flow with zero traceability. SEBI's framework is the correction.

#### The Incident That Triggered the Overhaul

In late 2024, SEBI issued show-cause notices to over 120 stock brokers for associating with an unregistered algo platform that offered API-based strategies with promised returns to retail investors. This was the breaking point. SEBI identified the exact problem: retail traders were being exposed to unaccountable, unregulated automation sold as investment solutions. The master circular followed on February 4, 2025.

 **Note: The SEBI master circular is forward-looking and does not name the specific platform. The above incident is widely reported industry context - not text from the circular.**

#### What SEBI Actually Said Its Goal Is

 SEBI Master Circular Para 3 (verbatim): 'In order to facilitate safer participation of retail investors in algo trading, with Stock Brokers and Stock Exchanges playing the required roles in risk management, it has been decided to review and refine the existing regulatory framework to ensure proper checks and balances, to safeguard investor interest as well as integrity of the market.' The word is 'facilitate' - not restrict, not ban.

The Problem Before 2025	What SEBI Did About It
Institutions ran algos under supervised, exchange-approved systems. Retail had no framework at all.	Created a formal registration and approval pathway for retail algo traders for the first time.
Third-party platforms offered strategies with zero exchange approval or accountability.	Mandated exchange empanelment for all algo providers before they can operate.
Anyone could claim to be an algo expert and sell black box strategies with no credentials.	Required SEBI Research Analyst license for anyone distributing non-disclosed (black box) strategies.
Open APIs meant automated orders could not be traced back to their source.	Mandated unique Algo-IDs on every automated order - full traceability chain.
Platforms promised fixed or assured returns - retail traders had no way to verify.	Made such promises explicitly prohibited and unenforceable through the compliance structure.
If something went wrong, responsibility between broker and vendor was unclear.	Made brokers solely and explicitly responsible for all algo trading grievances.

## Frequently Asked Questions - The Big Picture

### Q: Is algo trading banned for me as a retail investor?

A: No - not at all. The SEBI circular's stated goal is to 'facilitate safer participation of retail investors in algo trading' (Para 3). Algo trading is not banned - it now has formal rules. The difference: before 2025, there were no rules specifically for retail. Now there are clear rules, a registration path, and protections. Think of it like driving - not banned, but requires a license and following traffic rules.

### Q: Before this, was I doing something illegal by using a broker's API to automate my trades?

A: No. The previous framework did not have specific retail algo rules, so API-based automation by retail traders existed in a grey area. This new circular creates the framework going forward - it is not retroactively penalizing past behavior. The circle is closing, not punishing.

### Q: Do these rules apply to F&O, commodity, and currency trading too - or just equity?

A: The SEBI master circular is addressed to all recognized stock exchanges - this includes equity, equity derivatives (F&O), and commodity derivatives. It covers NSE, BSE, and MCX. Currency derivatives fall under joint SEBI-RBI oversight, but the same core algo principles apply. If you are automating orders on any Indian exchange, this framework applies to you.

**Q: I only trade occasionally using a script I wrote. Does this really affect me?**

A: Probably not in a major way. If your script places fewer than 10 orders per second, you are not required to register your strategy. But you will need to: get a static IP address and register it with your broker, enable two-factor authentication on your API account, and make sure your session logs out before the next trading day. These are the three changes that affect every API user regardless of volume.

**02 What Exactly Changed? Old World vs New World**

*The 10 most important shifts - explained in plain language for traders*

These are the changes that matter most to you as a retail trader. Broker-side and infrastructure-level changes are noted only where they directly affect your experience.

What Changed	How It Worked Before	How It Works Now - What It Means for You
Strategy Approval	No approval needed. A vendor or you could deploy any algo through a broker API with no exchange review.	Every algo above the 10 OPS threshold needs exchange approval before going live. Your broker handles this process - but you cannot trade on an unapproved strategy.
Strategy Modification	Change your algo's logic, parameters, or speed whenever you want and redeploy immediately.	Any change to an approved algo requires fresh exchange re-approval before the modified version can run. Plan ahead - do not change and deploy same-day.
API Access	Open APIs - connect with basic credentials. Third-party vendors could plug in freely with minimal authentication.	Closed, authenticated APIs only. You must have a static IP registered with your broker, OAuth-based login, and two-factor authentication. Session auto-logs out daily.
Order Traceability	Difficult to tell which algo generated which order. No universal marker on automated orders.	Every automated order carries a unique exchange-assigned Algo-ID. Every order is traceable: you → your API key → your IP → your Algo-ID → exchange.
Who Can Use Your Personal Strategy	No formal rules. You could share access with anyone informally.	Formally limited to yourself, your spouse, your dependent children, and your dependent parents. No one else - including friends, partners, or trading communities.
Subscribing to a Strategy	Any platform could offer strategies. No credentials required to be a vendor.	The platform must be exchange-empowered. For black box (hidden logic) strategies, the provider must hold a SEBI Research Analyst license.
Fee Transparency	Platforms could charge subscriptions with no disclosure of how revenue is split.	Every fee - subscription, brokerage, revenue sharing - must be disclosed to you completely before you subscribe. Hidden fees are prohibited.

What Changed	How It Worked Before	How It Works Now - What It Means for You
When Things Go Wrong	Responsibility between broker and algo vendor was legally unclear.	Your broker is solely responsible for all algo trading grievances - including issues caused by a third-party vendor. You always have one clear party to approach.
Black Box Strategies	Anyone could sell undisclosed strategies with no credentials, reporting, or accountability.	Providers of black box strategies must hold SEBI Research Analyst registration and maintain detailed research reports for every strategy they offer.
Assured Return Claims	Platforms could advertise fixed monthly returns on algo strategies with no checks.	Explicitly prohibited. Any platform promising fixed or assured returns is operating illegally and should be reported to SEBI.

## 03 The 10 OPS Rule - The Most Important Rule for Most Retail Traders

*Understanding your threshold, your obligations, and your protections*

The single most important rule for most retail traders is the Orders Per Second (OPS) threshold. Whether you cross it or not determines whether you need to register your strategy. Almost everything else follows from this.

### What is 10 OPS?

Threshold	What It Means	Does It Apply to You?
Below 10 orders per second per exchange	You are a regular API user. No strategy registration required.	Most retail traders - YES, you are in this category. You only need to comply with security requirements: static IP, 2FA, auto-logout.
10 orders per second or above per exchange	You are classified as an algo trader under SEBI's framework. Strategy registration required.	High-frequency retail traders only. At 10 OPS you would place 600 orders per minute. Very few retail traders reach this naturally.

💡 To put 10 OPS in context: 10 orders per second = 600 per minute = 36,000 per hour. If you are running an options strategy, equity intraday system, or even a momentum algo - placing a few hundred to a few thousand orders a day - you are almost certainly below this threshold. This rule was specifically designed to protect ordinary retail traders from registration burden.

**⚠️ Important: The 10 OPS number was set by exchanges in their implementation standards. The SEBI master circular (Footnote 2) says this threshold 'shall be evolved by the Broker's Industry Standards Forum' - meaning it could technically be revised. Always confirm the current threshold with your broker.**

## Frequently Asked Questions - The OPS Rule

**Q: How do I find out how many orders per second my algo is placing?**

A: Ask your broker's API support team - most brokers with developer API access track order rate per API key and can share this data with you. You can also calculate it yourself: total orders placed in a trading session divided by the number of active trading seconds in that session. If you are running a standard retail strategy - even an active intraday one - you are almost certainly well under 10 OPS.

**Q: My algo places 50 orders in a day. Do I need to register?**

A: No. 50 orders in a day works out to roughly 0.001 orders per second over a 6.5 hour trading day. You are far below the 10 OPS threshold. The only things you need to do are the three security requirements: static IP, 2FA, and auto-logout. No strategy registration required.

**Q: I use a grid trading strategy that places many small orders rapidly. How do I know if I cross 10 OPS?**

A: Grid strategies can burst to high order rates in volatile markets. The threshold is measured per second - so even if you average below 10 OPS over the day, a burst above 10 in any single second may technically cross the threshold. If your strategy architecture could produce bursts above 10 OPS, speak to your broker proactively. They can monitor your order rate and advise whether formal registration is needed. It is always safer to register if you are near the boundary.

**Q: I use a screener or alert tool that shows me signals, and then I manually click to place orders. Is that algo trading?**

A: No. SEBI defines algo trading as 'orders generated using automated execution logic' (Circular Para 2). If you are clicking to place the order - even if a tool helped you decide - that is manual trading, not algo trading. The rules in this document do not apply to manual order placement, regardless of what tools you use to generate ideas.

## 04 White Box vs Black Box - Which Type of Algo Are You Using?

*The classification that determines every compliance requirement*

SEBI has classified all algorithms into two types (Circular Section V). Understanding which type you are using - or which type a platform you subscribe to is offering - determines every compliance requirement that applies.

	White Box (Execution Algo)	Black Box (Non-Disclosed Algo)
SEBI Definition (Circular Footnote 5 & 6)	Logic is fully transparent - the rules, decision-making process, and conditions are accessible and understandable to you.	Logic is not known to you and is not replicable - you cannot see how the algo decides what to do.
Simple Examples	Moving average crossover. RSI-based entry and exit. Price breakout system. Volume-based triggers. Any strategy where the rules are visible and explainable.	A machine learning model. Neural network strategy. A proprietary quant model where the developer keeps the rules secret as their competitive edge.
How do you know which one you have?	You know every rule. If it crosses X, buy. If Y drops below Z, sell. You could explain it to someone in plain language.	You send money to a platform, they run a strategy, and you see results - but you do not know the internal logic. The provider calls it proprietary.
Exchange Registration Speed	Fast-track - quicker approval process	Regular track - longer process
What the platform providing it needs	Exchange empanelment only. No SEBI RA license needed for white box distribution.	Exchange empanelment AND SEBI Research Analyst (RA) license. Mandatory - no exceptions (Circular Section V.a.ii).
Your obligation as a subscriber	Verify the platform is exchange-empanelled.	Verify the platform is exchange-empanelled AND verify they hold a SEBI RA registration number.

## Frequently Asked Questions - White Box vs Black Box

**Q: I subscribe to a strategy on an algo platform. How do I know if it is white box or black box?**

**A:** Ask the platform one direct question: 'Can you show me the exact logic - every entry rule, every exit rule, every condition - for this strategy?' If they can, and they do, it is white box. If they say the logic is proprietary or confidential, it is black box. This is not just an academic distinction - it determines whether the provider is required to hold a SEBI RA license. If it is black box and they do not have an RA license, they are operating illegally.

**Q: I built my own strategy in Python. Is it white box or black box?**

A: Since you built it, you know every rule - that makes it white box by definition. The black box classification applies when the logic is not known to the user. Since you are both the developer and user, your own strategies are always white box from your perspective. This means if you ever want to share it with others (within family limits), you do not need an RA license.

**Q: A platform is offering a 'proprietary AI strategy' with a subscription. What questions should I ask before subscribing?**

A: Four questions you must get answered: (1) Are you exchange-empanelled with the relevant stock exchanges? Ask for the certificate. (2) Since this is a black box strategy, what is your SEBI Research Analyst registration number? (3) Has this specific strategy been approved by the exchange? What is the Algo-ID? (4) What are all the fees - subscription, any brokerage split - and are they disclosed in writing? A legitimate compliant platform will answer all four clearly. Hesitation or deflection on any of these is a serious red flag.

**Q: Can a platform I subscribe to use my data or order flow for their own purposes?**

A: Your order data flows through your broker - not the algo platform. The broker is legally the principal under SEBI rules (Circular Section I.a). Data usage is governed by your broker's terms, not the algo provider's. SEBI's framework does not permit algo providers to independently access or exploit your trading data. If a platform is claiming rights to your order data beyond what is necessary to execute your strategy, that is something to raise with your broker and review carefully.

## 05 Strategy Registration - What It Is, When You Need It, and What Gets Protected

*For retail traders who build their own algos and want to run them legally*


If your algo crosses the 10 OPS threshold, you need to register it with the exchange through your broker. This section answers every question retail traders have about that process - including the strategy confidentiality question almost everyone asks.

### What Happens When You Register Your Strategy

Step	Who Does It	What Happens
You describe your strategy to your broker	You + Your Broker	Your broker submits the strategy for exchange approval. For white box algos, you provide the logic. For black box, the provider handles research documentation.
Exchange reviews	Stock Exchange (NSE/BSE/MCX)	The exchange reviews whether the strategy could cause market disruption, manipulation, or systemic risk. They are NOT evaluating your profitability - they are checking for safety.


Step	Who Does It	What Happens
the strategy		
Exchange assigns an Algo-ID	Stock Exchange	Once approved, every order your strategy places carries this unique ID. This is what makes your orders traceable.
Strategy is live	You	You can now run this strategy legally through your broker's API.
If you modify the strategy	You + Your Broker	Any change - logic, parameters, execution speed - requires going back to Step 1 before the modified version can go live.

## Your Strategy Is Confidential - This Is a SEBI Mandate

 SEBI Circular Section IV.c (verbatim): Exchanges must issue operational modalities covering 'measures to enhance the confidentiality of retail algo strategies including confidentiality clauses, non-disclosure agreements, encrypted submissions etc.' Confidentiality is not just a promise - it is a regulatory requirement placed on the exchange. Your strategy logic cannot be published, shared with other traders, or used commercially.

The exchange's role is surveillance - checking that your algo does not manipulate prices, create artificial volume, or destabilize the market. They are not studying your edge or sharing it with competitors. Think of it like filing your income tax return: the tax authority can see your numbers and audit them - but cannot sell your business model to a competitor.

## Who Can Run Your Registered Strategy

 SEBI Circular Para I.c (verbatim): The registered algo 'shall be permitted to be used by such retail investors for their family (but not for other investors). Family for this purpose would mean self, spouse, dependent children and dependent parents.' These are the only four permitted users - no exceptions in the circular.

## Frequently Asked Questions - Registration

### Q: If I register my strategy, does SEBI or the exchange get to see my full logic?

A: The exchange does see your strategy as part of the approval process - but they are legally required to protect it. SEBI Circular Section IV.c mandates that exchanges implement confidentiality clauses, non-disclosure agreements, and encrypted submission processes specifically to protect retail traders' strategies. This is a hard regulatory requirement on the exchange - not a voluntary assurance. They cannot share it, publish it, or use it.

**Q: I modified my strategy slightly - just adjusted a stop loss parameter. Do I really need to re-register?**

A: Yes. SEBI Circular Section II.b requires re-approval for 'any modification or change to the approved algo.' The circular makes no distinction between major logic changes and minor parameter adjustments. Any change requires re-approval before you can trade the modified version. For white box strategies this is handled on a fast-track basis - the delay should be manageable. The key rule: never change your strategy and deploy it the same day without confirming exchange approval.

**Q: Can I register a strategy with a friend and run it jointly?**

A: No. The permitted users are limited to yourself, your spouse, your dependent children, and your dependent parents (Circular Para I.c). A friend or business partner falls outside this definition entirely. If you want to run a strategy jointly with someone outside this family definition, that requires building a formal licensed commercial structure - with exchange empanelment and potentially an RA license.

**Q: I have two broker accounts. Can I run the same registered strategy on both?**

A: Strategy registration is linked to your broker - you register your strategy through one specific broker. Running the same strategy across multiple broker accounts is a grey area that is not explicitly addressed in the current circular. The safest approach is to check with each broker individually, as the Algo-ID system is broker-specific. Do not assume one registration covers multiple broker accounts.

**Q: My strategy uses a dynamic parameter that changes based on market conditions. Does every parameter change count as a modification?**

A: If the parameter change is built into the strategy's own logic - for example, a volatility-adjusted stop loss that recalculates automatically - that is part of the original approved strategy design and does not require re-registration each time it recalculates. What requires re-approval is you manually changing the strategy's rules or code and redeploying. If your strategy adapts itself within pre-defined rules, that is one registration. If you are editing the code or rules, that is a modification requiring re-approval.

## Frequently Asked Questions - Subscribing to Platforms

**Q: I currently subscribe to a strategy on an algo platform. What do I need to check right now?**

A: Two non-negotiables: (1) Is the platform exchange-empanelled? If not, your broker should not be connecting to them after the enforcement date. (2) If the strategy is black box, does the provider have a SEBI RA registration? These are the two compliance gates that protect you. Ask the platform directly - a compliant platform will answer both questions without hesitation. If they cannot, consider migrating before enforcement kicks in.

**Q: I run a profitable algo and want to share it with my trading community on social media or WhatsApp. What is allowed?**

A: Discussing your strategy - explaining the concept, the logic, the approach - is completely allowed. Teaching others how to build similar strategies is fine. What is not allowed: giving others direct access to run your registered algo on their trading accounts. Even sharing for free, even temporarily, even as a test - if it results in automated order placement on someone else's account outside your immediate family, it crosses the line. Screenshots of your P&L, strategy explanations, and educational content are all fine.

**Q: Can a platform automatically place trades on my account without me clicking?**

A: Yes - that is exactly what an algo trading platform does, and it is legal under the new framework as long as: the platform is exchange-empanelled, the strategy is exchange-approved, and if it is black box, the provider holds an RA license. You consent to automated order placement when you subscribe and connect your trading account. What you are entitled to know: every fee, every rule (for white box), and you have the right to complain to your broker if anything goes wrong.

**Q: A platform is promising 30% monthly returns guaranteed. Is this a red flag?**

A: Yes - this is a major red flag and likely illegal. Promising fixed or assured returns on any investment or trading strategy is prohibited under SEBI regulations. Under the new framework, legitimate platforms cannot make such claims. If a platform is advertising guaranteed algo returns, they are almost certainly unregistered, unempanelled, and operating illegally. Report them to SEBI through the SCORES portal at [scores.sebi.gov.in](https://scores.sebi.gov.in). Do not invest.

## If You Subscribe to an Algo Platform

#	What You Must Check	How to Verify It
1	Is the platform exchange-empanelled?	Ask the platform for their empanelment certificate with NSE and BSE. Check the exchanges' published vendor lists.
2	Is the strategy white box or black box?	Ask: 'Can you show me every rule governing this strategy?' Full disclosure = white box. 'It's proprietary' = black box.
3	If black box: does the provider have a SEBI RA license?	Ask for their SEBI Research Analyst registration number. Verify at <a href="https://sebi.gov.in">sebi.gov.in</a> under Intermediaries.
4	Are all fees disclosed in writing?	Ask for a written fee statement: subscription cost, any brokerage split, any revenue sharing with your broker. If any fee is not disclosed, that is a violation of SEBI Circular Section III.d.
5	Is your broker aware of and connected to this platform?	Your broker must be the one connecting you to the algo provider. If a platform is asking you to connect directly without your broker's involvement, that is a red flag.

## Frequently Asked Questions - Your Personal Compliance

### Q: What happens to my current live strategies when enforcement kicks in?

A: If your strategy is below 10 OPS: it continues running as before - no interruption. You just need the three security requirements in place (static IP, 2FA, auto-logout). If your strategy is above 10 OPS and is not yet registered: your broker should be working on registration through the glide path. Check with your broker about the status of your strategies. Unregistered strategies above 10 OPS cannot run after full enforcement.

### Q: I use multiple brokers and run algos through each. Do I need to comply separately with each?

A: Yes. Compliance is broker-by-broker. Each broker has its own API system, and you need to register your static IP, enable 2FA, and configure auto-logout separately with each broker. If you have strategies above 10 OPS, each broker needs to register the relevant strategy with the exchange independently. There is no cross-broker registration.

## 08 Impact on You - What Gets Better and What Gets Harder

*An honest assessment of the positives and challenges for retail traders*

### What Gets Better for You



#### For the First Time, You Have a Legal Framework

Before 2025, retail algo trading existed in a grey zone with no formal rules. Now there is a clear, legal pathway. You can automate your trading strategy, register it, and operate with the same regulatory standing that institutional traders have had since 2012. The legitimacy is real.



#### Fraudulent Platforms Can No Longer Operate Freely

The combination of mandatory exchange empanelment, RA licensing for black box strategies, required performance reporting, and prohibited assured return claims makes it structurally impossible for unregistered scam vendors to operate at scale. The compliance filter they cannot pass is real.



#### You Always Know Who Is Responsible

Under the old system, when an algo platform caused a problem, responsibility between the platform and your broker was unclear. Now SEBI Circular Section II.c makes your broker solely responsible for all algo trading grievances - including problems caused by third-party platforms. One clear party. One clear escalation path.



#### All Fees Must Be Disclosed to You

Platforms can no longer hide revenue-sharing arrangements with brokers or obscure the true cost of a subscription. Every charge - subscription, brokerage split, referral fees - must be

disclosed prominently before you subscribe. This gives you real information to make informed decisions.

**🔒 Your Strategy's Logic Is Legally Protected**

When you register your strategy, the exchange is legally required to protect its confidentiality through NDAs, encrypted submissions, and access controls (Circular Section IV.c). This is not a promise - it is a regulatory mandate.

**🔴 What Gets Harder or More Complicated**

**⚠️ The following challenges are analytical observations - not stated in the SEBI circular. They reflect real-world friction points acknowledged broadly by the trading community.**

**🕒 Registered Strategy Changes Need Exchange Re-Approval**

If you actively iterate on your algo - adjusting parameters, testing variations, refining entry logic - you will need exchange re-approval each time before going live. White box re-approvals are on a fast-track basis, which helps. But same-day deploy-after-edit is no longer possible.

**🚫 Informal Strategy Sharing Is Over**

If you have been informally sharing your strategy with a trading friend or running it on a few accounts outside your immediate family - even for free - that is no longer permitted. You must either operate within the family definition or build a formal licensed structure.

**📄 Verifying Platform Compliance Is Now Your Responsibility**

Before this framework, you could not even check whether a platform was legitimately compliant - there was no system to verify. Now you can and should check empanelment and RA registration. But this means the due diligence burden falls on you. A platform's marketing claims are not enough - ask for certificates.

**09 Common Misconceptions - What People Get Wrong**

*Things you may have read or heard that are inaccurate, overstated, or missing crucial nuance*

These misconceptions circulate widely in trading communities, social media, and informal commentary. Each one is addressed directly below with the accurate position from the primary SEBI circulars.

What People Say	What the SEBI Circular Actually Says	Why the Distinction Matters to You
'SEBI will see and keep your strategy logic'	SEBI Circular Section IV.c mandates that exchanges	This misconception stops legitimate retail traders from

What People Say	What the SEBI Circular Actually Says	Why the Distinction Matters to You
	implement confidentiality clauses, NDAs, and encrypted submissions specifically to protect your strategy. The exchange reviews it for safety compliance - not to exploit it or share it.	registering. Your strategy IP is legally protected under the framework.
'Algo trading is banned for retail'	SEBI's stated purpose (Circular Para 3) is to 'facilitate safer participation of retail investors.' The word in the circular is facilitate - not restrict.	One of the most damaging and most common misconceptions in the trading community. Algo trading is legal, formal, and explicitly enabled for retail.
'The 10 OPS limit is a permanently fixed rule'	The master circular (Footnote 2) says this threshold 'shall be evolved by the Broker's Industry Standards Forum.' 10 OPS is the current exchange-confirmed number - it was set by exchanges, not fixed in the master circular, and can be revised.	If you are near the threshold, know that it could change. Always verify the current number with your broker.
'All algo providers need a SEBI RA license'	RA registration is required only for black box (non-disclosed logic) strategy providers (Circular Section V.a.ii). White box providers do not require RA registration.	If a white box platform tells you they are not RA-registered, that does not mean they are non-compliant. White box does not require RA.
'You cannot use any API without registering'	Traders below 10 OPS are explicitly exempt from strategy registration (Circular Para I.c). The three security requirements apply - but strategy registration is not required below the threshold.	Most retail traders do not need to register their strategy. Only the security requirements (static IP, 2FA, auto-logout) apply to everyone.
'Once you register, SEBI owns your strategy'	No legal basis for this claim exists in any SEBI circular. The regulatory framework treats your strategy as proprietary intellectual property with mandatory confidentiality protections.	SEBI has zero commercial interest in your trading strategy. Registration does not transfer ownership - it triggers protection obligations on the exchange.
'You need to register even if you use someone else's algo'	If you subscribe to a platform's strategy, that platform registers the strategy - not you. You are a subscriber, not the strategy owner. Your obligation is to verify the platform's compliance status.	Subscriber obligations and provider obligations are separate. Knowing which one you are matters.

## 10 Consequences - What Happens If Rules Are Broken

*Focused on what matters to retail traders and platform subscribers*

SEBI's enforcement under this framework is primarily directed at brokers and algo providers - the entities that operate at scale. However, as a retail trader, there are specific violations that directly affect you.

### What Affects You Directly as a Retail Trader

Your Violation	Consequence
Sharing your registered personal algo with someone outside the permitted family definition (self, spouse, dependent children, dependent parents)	Regulatory notice from SEBI. Potential action for operating as an unregistered algo provider - because sharing access effectively makes you a distributor.
Knowingly continuing to use a platform that has been formally flagged or de-empanelled after receiving public notice	API access suspension on your trading account. Regulatory scrutiny at the account level.
Using your API to place orders designed to manipulate prices - spoofing, layering, creating artificial volume	This is the most serious category. Potential bar from Indian securities markets, significant financial penalties, and possible criminal referral under SEBI Act.

### What Your Platform or Broker Faces - Why It Affects You Too

You do not need to manage broker compliance - but understanding what can happen to your broker affects your account continuity.

What Goes Wrong at Platform or Broker Level	How It Can Affect Your Account
An algo platform you use is not exchange-empanelled and gets shut down	Your strategies running through that platform stop immediately. You may need to find a compliant replacement quickly.
Your broker fails to implement mandatory requirements by the enforcement date	Your broker is barred from onboarding new API clients. Your existing access may be disrupted while they scramble to comply.
An algo platform you use is found to have made assured return claims and faces SEBI enforcement	The platform could be ordered to shut down or refund clients. Strategies stop running. Any returns promised are not legally guaranteed.

What Goes Wrong at Platform or Broker Level	How It Can Affect Your Account
A platform you use changes to a black box model without getting an RA license	This becomes an illegal distribution. Your broker must disconnect from them. Your subscription ends.

💡 Your single most important protection: use only exchange-empanelled platforms, and for black box strategies, only RA-licensed providers. If both are verified, you are insulated from the vast majority of enforcement fallout - it lands on the non-compliant operator, not you.

→ [Visit QuantForensic.com](https://www.quantforensic.com)

→ Follow us for verified SEBI compliance updates, quant insights & platform launch news

*DISCLAIMER: This document is prepared by QuantForensic.com for educational and informational purposes only. It does NOT constitute legal, regulatory, financial, or investment advice. Regulatory claims are sourced from SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000013 (February 4, 2025) and its extension circulars. Analytical observations are clearly labeled as such. Regulations are subject to ongoing change - always refer to the most current official SEBI circulars at [sebi.gov.in](https://sebi.gov.in) and exchange circulars at [nseindia.com](https://nseindia.com) and [bseindia.com](https://bseindia.com). Consult a qualified SEBI-registered legal or compliance professional before taking any action based on this document.*