

Consultation Paper
on
Review of Framework to address the ‘technical
glitches’ in Stock Brokers’ Electronic Trading
Systems’



Contents

1. Objective.....	3
2. Background.....	3
3. Proposed framework.....	3
4. Public Comments.....	4
5. Draft Revision of framework to address technical glitches in stock brokers' electronic trading systems	6



1. Objective

The objective of this consultation paper is to seek comments from public on the proposed changes in the framework for technical glitches in the stock brokers' online trading systems.

2. Background

2.1 A comprehensive framework to address the technical glitches in stock brokers' electronic trading systems was issued on November 25, 2022. Subsequently, Stock Exchanges issued detailed guidelines in this regard on December 16, 2022.

2.2 SEBI received several representations from the various stakeholders and Industry forum regarding need to review the present framework on technical glitches. The feedback received from the stakeholders, stock exchanges and data on the technical glitches were discussed in Stock brokers ISF and their recommendations were analysed. Based on the feedback and the analysis of data, it has been decided to review extant framework of technical glitches at stock broke systems.

2.3 The proposed framework placed below is relooked at considering the ease of compliance by streamlining eligibility criteria to exclude smaller size stock brokers, simplifying reporting requirement, bringing specific clarity in the definition of technical glitch and the rationalising financial disincentive structure etc.

3. Proposed Framework

The broad summary of the proposed consultation paper is as under:

3.1 The definition of technical glitch is proposed to be modified to exclude the technical glitches occurring after trading hours and technical glitches which are not under the control of stock brokers.



3.2 The framework would be made applicable to the stock brokers providing IBT/STWT trading platforms and having more than 10,000 registered clients as on 31st March of previous financial year. As a result, around 457 smaller stock brokers would move out of this framework. This will result in ease of compliance for such stock brokers considering their low clientele base and relatively less of technology dominance in their trading services.

3.3 Rationalization of reporting of technical glitch to Stock Exchange is proposed to be eased considering reasonable time require to report and considering trading holidays etc. Further, reporting is proposed to be done at the Common Reporting platform to avoid the multiple reporting by stock brokers.

The detailed proposal is provided in the **Annexure A**.

4. Applicability of the provisions:

The framework will be applicable to the stock brokers providing IBT/STWT trading platforms and having more than 10,000 registered clients as on 31st March of previous financial year. As a result, the framework would be made applicable to stock brokers who have sizable clientele base and technology dominance in their trading services.

5. Public Comments

4.1 The comments are invited on the proposals mentioned in the consultation paper. The comments/ suggestions should be submitted latest by October 12, 2025, through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

4.2 In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationMIRSD@sebi.gov.in with

the subject: "Public comments on Review of Framework to address the 'technical glitches' in Stock Brokers' Electronic Trading Systems".

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Annexure A

DRAFT CIRCULAR

SEBI/HO/MIRSD/TPD-1/P/CIR/2025/XXX

October XX, 2025

To

All recognized Stock Exchanges

All Registered Stock Brokers through Recognized Stock Exchanges

Dear Sir/ Madam,

Sub: - Review of Framework to address the 'technical glitches' in Stock Brokers' Electronic Trading Systems'

1. SEBI vide Circular No. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 laid down a comprehensive framework to address the technical glitches in stock brokers' electronic trading systems. Subsequently, Stock Exchanges also issued detailed guidelines in this regard on December 16, 2022.

2. SEBI received several representations from the various stakeholders and Industry forum regarding need to review the present framework on Technical glitches. The feedback received from the stakeholders, stock exchanges and data on the technical glitches were analysed. The Technical glitch framework for the stock brokers is thus proposed to be revised considering the ease of compliance by streamlining eligibility criteria to exclude smaller size stock brokers, simplifying reporting requirement, bringing specific clarity in the definition of technical glitch and the rationalising financial disincentive structure etc.

The revised framework for Technical glitch is as under.

3. Definition of Technical Glitch:

3.1 *"Technical glitch shall mean any malfunction in the electronic system of stock broker, including malfunction in its hardware, software, networks/bandwidth, processes or products or services, directly or indirectly related to trading and risk management, occurred during trading session of stock exchange. The*



malfunction in the systems of stock brokers or the one outsourced from any third parties, which may lead to either stoppage, slowing down or variance in the trading and risk management functions such as log-in, order placement (including modification, cancelation, execution, confirmation, status), allocation and viewing of margin/ collateral/ funds etc., for a contiguous period of five minutes or more.”

3.2 *“Provided that following type of technical issues in the system of stock brokers shall not be considered as technical glitches irrespective of time of occurrence and accordingly need not be reported to Exchanges;*

- i. Technical glitches occurred due to global issues such as malfunction or technical disruption at the cloud service providers or any other global technology provider.*
- ii. Technology disruption due to technical issues at MII (glitch reported by MII to SEBI)*
- iii. Technological glitches observed while processing of new trading account (KYC process)*
- iv. Technical issues at the Back-office which does not impact the trading and settlement of the clients*
- v. The failure of payment gateway applications due to technical issues exist at banks or at the service provider or at payment aggregators end.*
- vi. Technical issues observed in the decision support tools such as technical charts, profit and loss statements, back office reports etc.”*

3.3 Financial disincentive structure shall not be applicable for the technical glitches which do not affect the stock broker's ability to provide seamless services to their clients. In case of the following types of technical glitches, the financial disincentive structure shall not be applicable:



- A technical glitch that occurred in one of two modes of trading (*i.e. either in the mobile-based trading application or in the web-based trading application*) while other mode of the trading is functioning in a proper manner.
- A technical glitch that is minor in nature or has a minor impact on the seamless operations of the stock brokers.

Stock exchanges shall issue detailed guidelines in this regard in consultation with SEBI.

4. Applicability of framework:

4.1 The framework shall be applicable to the stock brokers providing IBT/STWT trading platforms and having more than 10,000 registered clients as on 31st March of previous financial year.

5. Reporting Requirements:

5.1 Stock brokers shall inform regarding the technical glitch to the stock exchanges and also to their clients within 2 hours from the time of occurrence of the glitch. Exchanges in turn shall disseminate the technical glitch incidents on their website.

5.2 Stock brokers shall inform their clients regarding the occurrence of technical glitch by disseminating information on their website and any other mode such as SMS/email/pop-up in mobile based/ web based trading application etc.

5.3 Stock brokers shall submit a Preliminary Incident Report (*as per the format prescribed by stock exchanges*) to the stock exchange within T+1 day of the incident (T being the date of the incident). However, if T+1 day falls on a trading holiday; submission may be done on next trading day.



5.4 Stock brokers shall submit a Root Cause Analysis Report (RCA) (*as per the format prescribed by stock exchanges*) of the technical glitch to stock exchange, within 14 calendar days from the date of the incident. If 14th calendar day falls on a trading holiday; submission may be done on next trading day.

5.5 Stock brokers shall submit information/reports mentioned above, on 'Samuhik Prativedan Manch' i.e. common portal for submissions by stock brokers.

5.6 All technical glitches reported by stock brokers as well as independently monitored by stock exchanges, shall be examined by the stock exchanges for suitable actions.

6. Capacity Planning:

6.1 Increasing number of investors create additional burden on the trading system of the stock broker and hence, adequate capacity planning is prerequisite for stock brokers to provide continuity of services to their clients. Stock brokers shall do capacity planning for entire trading infrastructure i.e. server capacities, network availability, and the serving capacity of trading applications.

6.2 Stock brokers shall monitor peak load in their trading applications, servers and network architecture.

6.3 Stock exchanges shall issue detailed guidelines with regard to capacity planning, peak load, and new capacity required to tackle future load on the system of the stock brokers.

7. Software testing and change management



7.1 Software applications are prone to updates/changes and hence, it is imperative for the stock brokers to ensure that all software changes that are taking place in their applications are rigorously tested before they are used in production systems. Software changes could impact the functioning of the software if adequate testing is not carried out resulting technical glitches in such software.

7.2 Stock exchanges shall issue detailed guidelines with regard to testing of software, traceability matrix, change management process and periodic updation of assets etc.

8. Monitoring mechanism:

8.1 Proactively and independently monitoring technical glitches shall be one of the approaches in mitigating the impact of such glitches. In this context, Stock Exchanges have deployed API based Logging and Monitoring Mechanism (LAMA). Stock exchanges shall continue to monitor the trading systems of the stock brokers through this mechanism.

8.2 Stock exchanges shall review the applicable provisions of LAMA and issue detailed guidelines with regard to applicability, key monitoring parameters and preservation of logs etc.

9. Business Continuity Planning (BCP) and Disaster Recovery Site (DRS):

9.1 Stock Exchanges shall review the current guidelines for the applicability of the BCP and DRS ensuring the following

- i BCP and DRS shall not be applicable to small size stock brokers.
- ii Setting up of DR site in different seismic zones
- iii Frequency of DR drill and trading from DR site



- iv Defining Recovery Time Objective (RTO) and Recovery Point Objective (RPO) and defining the term “Disaster” for the implementation of the DR.
 - v Requirement for the coverage of BCP-DR during the System Audit and ISO certification requirements.
10. Stock exchanges shall rationalise and revise the current structure of the financial disincentives.
11. Stock exchanges shall disseminate on their websites the instances of technical glitches occurred in the trading system of stock brokers.
12. Stock exchanges shall build necessary systems for implementation of the provisions of this circular and issue appropriate guidelines to the stock brokers for the compliance with the provisions of this circular.
13. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992 and Regulation 30 of SEBI (Stock Brokers) Regulations 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
14. This circular is available on SEBI website at www.sebi.gov.in under the categories “Legal Framework” and “Circulars”.
15. This circular shall come into effect from November 1st, 2025.

Yours faithfully,

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