

CIRCULAR**HO/38/44/12(1)2026-MIRSD-TPD1****January 09, 2026****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. Based on the representation received and the analysis of the technical glitch data, a public consultation paper was prepared and disseminated on SEBI website to obtain views from all the stakeholders. A views/feedback obtained on a consultation paper was analysed and discussed with stakeholders.

3. The extant technical glitch framework for the stock brokers is thus modified. The modification is carried out based on the following broad principles:

3.1 Ease of compliance: The eligibility criteria has been streamlined to exclude smaller size stock brokers from the technical glitch framework to reduce overall compliance of such stock brokers.

3.2 Exemptions from applicability: The technical glitches which are outside the stock brokers' trading architecture, glitches that don't directly affect the

trading functionality and those which have negligible impact have been exempted from the technical glitch framework.

3.3 Simplifying the reporting requirement: Extension of time for reporting of technical glitches (*from one hour to two hours*), consideration of trading holiday's while submitting reports and streamlining the reporting requirement from reporting to all the exchanges to a single reporting platform (i.e. *Common Reporting Platform*)

3.4 Rationalised and cost effective based technology requirements: The requirements for the capacity planning, software testing and DR drill have been rationalised based on the size of the stock brokers & their technology dependency.

3.5 Rationalisation in disincentive structure: The financial disincentive structure has been rationalised considering the exemptions, type of glitches (major or minor) and the frequency of the occurrences.

4. The revised framework for Technical glitch is as under.

5. Definition of Technical Glitch:

5.1 *“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.”*

5.2 The above definition of technical glitches is subject to the condition that the following types of technical issues in the system of stock brokers shall not be considered as technical glitches irrespective of the 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 or any technical issue causing widespread disruption
- ii. Technology disruption due to technical issues at MII
- 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.”

5.3 Exchanges have introduced financial disincentive structure for occurrence of technical glitches. In this context, 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 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 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.

6. Applicability of framework:

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

6.2 Stock exchange shall issue detailed guidelines in this regard and disseminate the list of applicable stock brokers.

7. Reporting Requirements:

7.1 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.

7.2 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.

7.3 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.

7.4 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 working days from the date of the incident.

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

7.6 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.

8. Capacity Planning:

8.1 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.

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

8.3 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. The extant guidelines shall be rationalised based on the size of the stock brokers & their technology dependency.

9. Software testing and change management

9.1 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.

9.2 Stock exchanges shall issue detailed guidelines with regard to testing of software, traceability matrix, change management process and periodic updation of assets etc. The extant guidelines shall be rationalised based on the size of the stock brokers & their technology dependency.

10. Monitoring mechanism:

10.1 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.

10.2 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.

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

11.1 Stock Exchanges shall review the current guidelines for the applicability of the BCP and DRS. The current guidelines shall be rationalised based on the size of the stock brokers & their technology dependency 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.

12. Stock exchanges shall rationalise and revise the current structure of the financial disincentives considering the applicable exemption for technical glitches, type of glitches (major or minor) and the frequency of occurrences of the glitches.

13. Stock exchanges shall disseminate on their websites the instances of technical glitches occurred in the trading system of stock brokers.
14. This circular shall supersede earlier SEBI circular no SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022.
15. 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.
16. 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 50 of SEBI (Stock Brokers) Regulations 2026, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
17. This circular is available on SEBI website at www.sebi.gov.in under the categories “Legal Framework” and “Circulars”.
18. This circular shall come into effect from January 09, 2026.

Yours faithfully,

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