

Ease of Compliance Initiative- Review of Framework to address the ‘technical glitches’ in Stock Brokers’ Electronic Trading Systems’

1. SEBI has undertaken a series of measures to create a conducive regulatory environment aimed at enhancing ease of compliance and in turn, facilitating ease of doing business for the market intermediaries. In furtherance of this objective, SEBI carried out review of the extant technical glitch framework for the stock brokers.
2. Pursuant to public consultation and based on the feedback and views obtained from the stakeholders, the extant technical glitch is modified in line with ease of compliance for the stock brokers:
 - ❖ Streamlining eligibility criteria: The eligibility criteria for the applicability of the technical glitch framework has been streamlined to exclude smaller size stock brokers especially those with small size of the business and lower dependency on the technology. The framework is now applicable to stock brokers having more than 10,000 registered clients. As a result of new eligibility criteria approximately, 60% of stock broker would be moving out of this framework and consequently reduce their overall compliance requirement.
 - ❖ Exemptions from applicability of Technical glitches: The revised framework carved out certain exemptions from the glitches and the compliance requirement thereof. The glitches which are taking place 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. This results into immunity to the stock brokers

from the glitches which are out of control of the stock brokers & which do not affect the ability of the stock broker to provide seamless services.

- ❖ Simplifying the reporting requirement: The revised framework simplifies the reporting requirement by providing the extension of time for reporting of technical glitches (from one hour to two hours), consideration to the 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).
- ❖ Rationalised and cost effective based technology requirements: The revised framework rationalised the technology compliance requirement based on the size of the stock brokers & their technology dependency. Such as rationalisation in Capacity planning and DR drill requirement etc.
- ❖ Rationalisation in disincentive structure: The financial disincentive structure in the revised framework has been rationalised considering the applicable exemptions, type of glitches (major or minor) and the frequency of the occurrences etc, the same shall be issued by the stock exchange.

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