Annexure-A: Broad Framework for evaluation of MIIs by External Agency

Criteria	Sub-Parameter	Nature of Parameters	Sample KPIs	Rating Metric Scale	Rating Metric Weightage (A)	Metric Rating by Evaluator (B)	Metric Score (A*B)	Sub-Parameter score (C)	Sub-Parameter Weightage (D)	Final Score	Rationale for assigning the rating by the Evaluator	Observations
1. Resilience in technology and processes of MII, in delivery of its core functions (40%)	(I) Operational and process resilience (20%)	Quantitative Parameters (50%)	Timely resolution of high-risk observations from findings of SEBI System Audit	Pending beyond implementation date: 1) No pendency - 4 2) Pendency - 1	50%		0	0	20%	0		
			Technology resilience index score	If the technology resiliance Index Score is: 1) >90% - 4 2) 80 - 90% - 3 3) 70 - 80% - 2 4) <70% - 1	50%		0					
		Qualitative Parameters (50%)	Alignment of enterprise related goals with Information Technology goals.	The rating score shall be based on the judgement of the evaluator	40%		0					
			Maintenance of excess capacity and review of capacity planning.		30%		0					
			Development of techology resources for internal consumption		30%		0					
	(II) Cyber Security (20%)	Quantitative Parameters (50%)	Timely resolution of high-risk observations from Cyber Security Audit, SEBI Cyber Security and Cyber Resiliance Audit.	Pending beyond implementation date: 1) No pendency - 4 2) Pendency - 1	40%		0	0	20%	0		
			Cyber capability index score (including Framework for Cloud Services, Cyber Security Maturity Matrix, etc.)	If the cyber security Index Score is: 1) >90% - 4 2) 80 - 90% - 3 3) 70 - 80% - 2 4) <70% - 1	40%		0					
			High-risk observations from Cyber Security Audit	If number of observations are 1) No observation = 4 2) Obsevations reduced each year and no obervations repeated = 3 3) Obsevations either reduced or increased, but obervations repeated =2 4) Obsevations incresaed and observations repeated =1	20%		0					
		Qualitative Parameters (50%)	Reviewed and updated framework relating to IT and Cyber Security.	The rating score shall be based on the judgement of the evaluator	30%		0					
			Measures taken post a glitch/outage etc.		30%		0					
			Criteria adopted by MII to determine various threshold limits.		10%		0					
			Efficacy of monitoring mechanism to prevent breach.		20%		0					
			Parameters were used to ascertain consistency and reliability of the latency results.		10%		0					
	(III) Resilience of surveillance and supervisory mechanisms (20%)	Quantitative Parameters (50%)	Improvement/maintaining Surveillance Index score	If the surveillance Index Score is: 1) >90% - 4 2) 80 - 90% - 3 3) 70 - 80% - 2 4) <70% - 1	30%		0					
			Instances of non-compliances detected and action taken for the same.	Instances of non-compliance and action taken: None – 4 First Instance - 3 Second Instance - 2 Three or more instances - 1	20%		0					
			SEBI inspection report of Surveillance and Inspection functions of Market Participant	Enforcement action - 1 No enforcement action - 4	30%		0					

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			Algorithmic trades related	Instances of infra malfunction: 1) no. of failures 0 - 4 2) no. of failures 1-3 - 3 3) no. of failures 3-5 - 3 4) no. of failures>5 - 1	10%		0	0	20%	0		
			New cases identified by SEBI but not by MII	1) no. of unique cases >10 - 1 2) no. of unique cases between 5-10 - 2 3) no. of unique cases between 1-5 - 3 4) no. of unique cases 0 - 4	10%		0					
		Qualitative Parameters (50%)	Comprehensiveness of surveillance system.	The rating score shall be based on the judgement of the evaluator	40%		0					
			Methodology to assess redundancy of its IT infra, algos, softwares, platforms, etc.		30%		0					
			Quality of personnel handling surveillance.		20%		0					
			Review of robustness of mechanism to collate information on adverse incidences/ transactions, and incorporated learnings to improve its systems and processes.		10%		0					
	(IV) Resilience of internal risk management framework (20%)	Quantitative Parameters (50%)	Review of the Implementation of Risk Management policy and framework by the SCOT/RMC – Half yearly.	Comprehensiveness of review: 1. Cover all risk areas - 4 2. Partial cover - 1	100%		0	0	20%	0		
		Qualitative Parameters (50%)	Robust business continuity plan (BCP) that addresses events which may pose significant risk of disrupting its operations, temporarily or permanently should be in place.	The rating score shall be based on the judgement of the evaluator	30%		0					
			comprehensiveness of review of coverage based on the past incidence/ breaches and in live environment.		20%		0					
			Mechanism in place (including alerts) to identify potential failure of IT and Cyber security systems.		30%		0					
			Observations on the BCP/DR site usages for live transactions.		20%		0					
	(V) Resilience of & oversight over any outsourced functions (20%)	Quantitative Parameters (50%)	Existance of policy to appoint outsources vendors	1. If Yes and a). No breach in service level agreement - 4 b). Breach observed but no impact on market activities - 3 c). Breach observed and market impacted - 1 2. No - 1	100%		0	0	20%	0		
		Qualitative Parameters (50%)	Annual Review of the Outsourcing Policy	The rating score shall be based on the judgement of the evaluator	40%		0					
			Comments on the measures taken by the MII on the gaps identified through the Audit of outsourced agencs/vendors, their activites, operations, systems, process, etc.		20%		0					
			Parameters considered for formulating outsourcing policy		40%		0					

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2. Investor Education and Protection (17%)	(i)Investor Protection (70%)	Quantative Parameters (50%)	Review of the IPF corpus as per regulatory guidelines and enhancement of the same, if found to be inadequate.	1) Reviewed half-yearly and enahnced the limit, if found inadequate - 4 2) Not reviewed half-yearly - 1	25%		0	0	70%	0		
			Review of IPF claim limits as per regulatory guidelines and progressively increase the amount of compensation available against a single claim from an investor	1) Reviewed once in three year and enhanced compensation amount against single claim - 4 2) Not reviewed - 1	25%		0					
			Meeting the Turn around Time (ToT) for response and closure of grievance	1) Timely resolution of > 95% Complaints - 4 2) Timely resolution of 85% to 95 % of Complaints - 3 3) Timely resolution of 75 % to 85 % Complaints - 2 4) Time Resolution of <75% Complaints - 1	25%		0					
			Compliance to SEBI mandated target of Investor Awareness programs	1) Target met > 95% - 4 2) Target met between 85% to 95% - 3 3) Target met between 80 % to 85% - 2 4) Target met <80% - 1	25%		0					
		Qualitative Parameters (50%)	Efficacy of investor grievance redressal mechanism	The rating score shall be based on the judgement of the evaluator	20%		0					
			assessment of measures taken by MII to reduce complaints		40%		0					
			Adequacy of resources (in terms of manpower) for investor grievances function		20%		0					
			Effectiveness of Investor Education awareness initiatives, from the perspective of reach to investors		20%		0					
	(ii) Cost Effectiveness (30%)	Qualitative Parameters (50%)	Existence of Policies and procedures for Procurement.	Yes- 4 No - 1	20%		0	0	30%	0		
			Cost effectiveness - Capex/Opex - New & Recurring Purchases (without any compromise on quality)	Difference between lowest quote received from all vendors and negotiated cost 1) Greater than 20% - 4 2) >10% and <20% - 3 3) >5% and <10% - 2 4) Less than 5% - 1	20%		0					
			Budget vs Actual Spends for the FY	1) Budget not breached - 4 2) Budge breached less than 5% - 3 3) Budget breached more than 5% but less than 10% -2 4) Budget breached by more than 10% - 1	30%		0					
			Review of fees and charges of the MII	1) Reviewed once a year - 4 2) Reviewed more than one time in the last three years - 3 3) Reviewed once in three years - 2 4) Not reviewed in the last three years - 1	30%		0					
		Qualitative Parameters (50%)	Comments of governing board on goals of MII concerning cost efficiency and product pricing.	The rating score shall be based on the judgement of the evaluator	10%		0					
			Extent of automation of systems, processes and controls, and its impact in achieving cost efficiency/ reducing product cost.		30%		0					
			Reasonability of fees levied for products/ services.		20%		0					

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			Robust mechanism for design of products and services to reduce compliance costs of market participants, and overall costs and risks.		30%		0					
			Impact assessment of increase in operation cost/ product cost on securities market.		10%		0					
3. Efficient discharge of regulatory role by MIIs (15%)	(i) Robust mechanism to identify potential violations (30%)	Quantitative Factors (50%)	Timely completion of Inspections - Both Onsite and Offsite Inspections	1) If 100% inspections are completed within the prescribed time lines - 4 2) if 90% to 99% inspections are completed and disposed within the prescribed time lines - 3 3) If 80% to 89% inspections are completed are disposed within the prescribed time lines -2 4) If below 80% inspections are completed are disposed within the prescribed time lines -1	50%		0	0	30%	0		
			Development of various alerts for supervision of its memebers/participants	1) Alerts on various areas of supervision developed and deployed - 4 2) Only few alerts have been developed & deployed and alerts on other areas of supervision are under development - 3 3) No alerts deployed but alertas on various areas of supervision are under development - 2 4) Alert development is not yet initiated -1	50%		0					
		Qualitative Factors (50%)	Adoption and efficacy of technology by MIIs for supervisory role	The rating score shall be based on the judgement of the evaluator	50%		0					
			Efficacy of mechanism to share alerts/information etc. with SEBI		50%		0					
	(ii) Addressing non-compliances by members/ participants, which are identified by SEBI and/or by MIIs (30%)	Quantitative Factors (50%)	Ensuring prompt addressal of non-compliances by members/participants, which are identified by SEBI and/or by MIIs	Compliance by Members/ Participants: 1) If 100% of the observations are complied within the prescribed time lines - 4 2) If 90% to 99% e of the observations are complied within the prescribed time lines - 3 3) If 80% to 90% of the observations are complied within the prescribed time lines) - 2 4) If below 80% of the observations are complied within the prescribed time lines - 1	50%			0	30%	0		
			Timely enforcement of disciplinary actions against members/participants based on investigation/inspection report.	1) If actions in 100% of the reports are completed within the prescribed time lines - 4 2) If actions in 90% to 99% of the reports are completed within the prescribed time lines - 3 3) If actions in 80% to 90% of the reports are completed within the prescribed time lines - 2 4) If actions completed are below 80% within the prescribed time lines - 1	50%							
		Qualitative Factors (50%)	Biasness observed, if any, while applying penalty to members/ participants	The rating score shall be based on the judgement of the evaluator	50%							

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			Undermining of regulatory principle while applying low penalties		50%							
	(iii) Submission of reports to SEBI, within the timelines prescribed (20%)	Quanitative Factors (50%	Submission of compliance reports, risk officer related reprts by the member/participant	1) If all reports submitted to SEBI are within the prescribed time lines and in the prescribed manner - 4 2) If reports not sebmitted within the timelines or not in the prescribed manner - 1	100%			0	20%	0		
		Qualitative Factor (50%)	Adoption of technologies for aharing of information with SEBI.	The rating score shall be based on the judgement of the evaluator	50%							
			Efficacy of mechanism to share alerts/information etc. with SEBI.		50%							
	(iv) Ease of Doing Business for market participants (20%)	Quanitative Factors (50%	Meetings held to receive regular feedback, inputs, suggestions from market particiapnts.	1) Minimum 4 meetings in a year - 4 2) 3 meetings in a year - 3 3) 2 meetings in a year - 2 4) Less than 2 meetings in a year - 1	50%			0	20%	0		
			% of suggestions for ease of doing business received from market participants and implemented by the MII.	1) > 90% - 4 2) Between 80% to 90% - 3 3) Between 70 % to 80% - 2 4) <70% - 1	50%							
		Qualitative Factor (50%)	Analysis of feedback, inputs, suggestions, etc. received from market particiapnts.	The rating score shall be based on the judgement of the evaluator	50%							
			Adoption of technologies for submissions/interactions with members/participants.		50%							
4. Compliance with regulatory norms (10%)	Efficacy of policies and procedure adopted to ensure compliance of the MII with all regulatory norms. (100%)	Quantitative Factors (50%)	Timely implementation of actionable items arising from change in SEBI Regulations, Circulars, Directives, etc.	Percentage of items implemented within timelines 1) 100% - 4 2) Less than 100% - 1	20%			0	50%	0		
			Timely implementation of remedial action pursuant to SEBI inspection observations, Critical /High risk audit observations and measures to avoid repetition.	Percentage of items implemented within timelines 1) 100% - 4 2) 90-99% - 3 3) 80- 90 - 2 4) <80% - 1	20%							
			Timely Response to enforcement actions/ warning/ deficiency/advisory letters issued by Regulators for non-compliances	Percentage of responses given to SEBI within timelines 1) 100% - 4 2) 90-99% - 3 3) 80- 90 - 2 4) <80% - 1	15%							
			Implementation of actionables related to vertical 1 and 2 arising from meetings of statutory committees/ Governing Board.	Pending beyond implementation date: 1) No pendency - 4 2) Pendency - 1	15%							
			Promptness in reporting material developments or issues concerning operations of MII, to SEBI	1) Reporting of all material developments or issues concerning the MII within the timelines - 4 2) Reporting beyond the timelines - 1	15%							
			Promptness in taking action on material violations	1) Action taken on all material violations within the timelines - 4 2) Action taken beyond the timelines - 1	15%							

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		Qualitative Factors (50%)	Commentary on how the MII has dealt with lapses observed.	The rating score shall be based on the judgement of the evaluator	50%			0	50%	0		
			Parameters on the basis of which the MII monitors and assess the compliance standards.		50%							
5. Evaluation of Governance Practices (8%)	(i) Efficacy of the Governing Board in discharging its fiduciary obligation to ensure the appropriate functioning of the MII as a public infrastructure service provider for securities market. (80%)	Quantitative Factors (50%)	Interventions by Directors during Board meetings are appropriately recorded	1) All interventions recorded - 4 2) Interventions of all Directors not recorded - 1	15%				80%			
			Finalisation of the minutes of the meeting within the prescribed timelines as per the Regulatory requirements	1) Within timelines - 4 2) Delay beyond the timelines - 1	10%							
			Tracking and implementation of ATR emanating from governing board meetings	% of action points implemented: 1) 100% implemented - 4 2) Any action point not implemented - 1	10%							
				Pending beyond implementation date: 1) No pendency - 4 2) Pending for 0-3 months - 3 2) Pending for 3-6 months - 2 3) Pending for >6 months - 1	10%							
			Regular/timely review of Compliance with TOR of Statutory committees	1) All points of TOR covered - 4 2) Any exclusion of TOR points - 1	10%							
			Adherence of Code of Conduct by the MIIs, Governing Board and Directors as per SECC Regulations, 2018	1) 100% compliance - 4 2) Less than 100% - 1	15%							
			Regular Review of the risks impacting the MII	Regular review of risks: 1) All risks covered for review - 4 2) All risks are not covered for review -1	15%							
			No of whistle blower (WB) Complaints received against Board/senior management, MII and KMPs as a whole and its investigation/resolution summary	1)If 100% WB compliants are disposed off within the prescribed time lines - 4 2) If 90% to 99% WB compliants are disposed off within the prescribed time lines -3 3) If 80% to 90% WB compliants are disposed off within the prescribed time lines -2 4) If below 80% WB compliants are disposed off within the prescribed time lines -1	15%							
		Qualitative Factors (50%)	Efficacy of the Board in discharging its fiduciary obligation for the MII as an infrastructure service provider relating to securities market	The rating score shall be based on the judgement of the evaluator	10%							
			Execution of responsibility by the Board members related to Statutory Committees		10%							
			Criteria adopted for board performance evaluation		10%							
			methodology adopted to assess if the skills, expertise and experience of directors are adequate to fulfil their fiduciary obligations		10%							
			Efficiacy of management of conflict of intereest by the board		10%							

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			methodology adopted by the MII to enable the Governing Board to review correctness of the financial performance and the adequacy of internal controls relating to financial reporting		10%							
			Comprehensiveness of mandatory PID meetings		10%							
			Comprehensiveness of whistle blower policy/ Vigil Mechanism and its implementation. Review of the same on periodic basis.		10%							
			Controls and processes to ensure that Directors, IEPs, MD, KMPs follow the Code of Conduct strrictly.		10%							
			Accountability for acts of omission and commission or sharing of confidential and sensitive information to third parties. - Policies in place. - Ability to fix accountability - Analysis of accountability fixed during the evaluation period.		10%							
	(ii) Efficacy of the Governing Board in promoting a culture which encourages proactive, meaningful and constructive deliberations on current and future issues concerning the MII or the securities market. (20%)	Qualitative Factors (100%)	Governance practices and integrity issues concerning the MII	The rating score shall be based on the judgement of the evaluator	40%				20%			
			Whether MII has adopted any Integrity pact and whether the vendors are bound by the same?		30%							
			Anti-bribery and Anti-corruption (ABAC) policy, if any. And review of the same on periodic basis.		30%							
6.Adequacy of resources allocated for performing functions under Vertical 1 and 2 (5%)	(i) Adequacy of resources allocated for performing functions under Vertical 1 and 2	Quantitative Factors (50%)	Mechanism to assess adequacy of financial and human resources for functions under vertical 1 and 2.	1) Yes - 4 2) No - 1	30%				50%			
			Review of Allocation of adequate resources (human, technological, financial, etc.) for functions under Vertical 1 & 2.	1) Higher allocation of resources to Vertical 1 & 2 separately over vertical 3 - 4 2) Allocation of resources either to vertical 1 or to vertical 2 is lesser than vertical 3 - 1	40%							
			Performance evaluation of the Managing Director gives fair amount of weighatge (at least 50%) for functions under Vertical 1 & 2	1) Yes - 4 2) No - 1	30%							
		Qualitative Factors (50%)	Is the resource allocation for Verticals 1 & 2 adequate?	The rating score shall be based on the judgement of the evaluator	30%							

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			Whether the performance of any of the functions under Verticals 1 & 2 are affected due to inadequate resource allocation?		40%				50%			
			Review of parameters adopted and analysis done by the MII for ascertaining adequacy of human, technological and financial resources		30%							
7. Fair access & treatment to all stakeholders and information disclosure (5%)	Non-discriminatory access to services and information for market participants	Quantitative Factors (50%)	Audit/ Assessment of information sharing with market participants (such as Co-location mechanism in case of stock exchanges) to ensure fair and equitable access	No Observation - 4 Obsrvation(s) - 1	30%				50%			
			Timely Dissemination of all required information.	100% compliance- 4 Non compliance - 1	20%							
			Compliance with fair and equal access of information to all CC.	Meeting latency SLA as per InterOp agreement Yes/No - - Yes - 4 - No - 1	25%							
			Fair and equal charges to all CCs	Charges as per InterOp agreement Yes/No - - Yes - 4 - No - 1	25%							
		Qualitative Factors (50%)	Comments on feedback from participants on the fairness and openness of the services/ access and whether their inputs were factored while determining risk related participation requirements.	The rating score shall be based on the judgement of the evaluator	30%				50%			
			Areas that may lead to unfair and inequitable access to certain stakeholders.		40%							
			Efficiency of various steps taken by the MII to ensure fair and equitable access to various stakeholders.		30%							