

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

The Securities and Exchange Board of India (“SEBI”) has issued a consultation paper on September 22, 2025 (“**Consultation Paper**”), seeking public comments on the proposed revision of the framework governing technical glitches in stockbrokers’ electronic trading systems.

A comprehensive framework was earlier introduced on November 25, 2022, followed by detailed guidelines issued by stock exchanges on December 16, 2022. Based on representations from stakeholders and industry forums, SEBI has now proposed revisions to simplify compliance, rationalise the financial disincentive structure, and bring clarity to the scope of constitution of a technical glitch which are discussed in brief below.

Proposed Changes:

▪ Definition of Technical Glitch

- Refined to cover malfunctions in brokers’ electronic systems directly affecting trading and risk management only during market hours.
- Excludes glitches outside trading hours, issues at global/cloud service providers, Market Infrastructure Institutions (MIIs), Know Your Client (KYC) onboarding, back-office functions, bank/payment gateway failures, and analytical tools.

▪ Applicability

- Limited to brokers providing Internet Based Trading (IBT) / Security Trading through Wireless Technology (STWT) trading platforms and having more than 10,000 registered clients as on March 31 of the previous financial year.
- Approximately 457 smaller brokers would be excluded, easing compliance requirements for such entities.

▪ Reporting Requirements

- Brokers must inform stock exchanges and clients within two hours of a glitch. Exchanges will disseminate such incidents on their websites.
- Client intimation may be via website, SMS, email, or pop-ups in trading applications.
- A Preliminary Incident Report is to be filed within T+1 day, and a Root Cause Analysis Report within 14 calendar days.
- All reporting to be made via the “Samuhik Prativedan Manch” (common reporting portal).

▪ Capacity Planning & Software Testing

- Brokers must conduct capacity planning for servers, networks, and applications considering peak loads.
- Exchanges will issue guidelines on capacity thresholds, software testing, traceability, and change management processes.

▪ Monitoring & Disaster Recovery

- Stock exchanges to continue API-based logging and monitoring mechanism (LAMA) and review Business Continuity Planning (BCP) /Disaster Recovery Site (DRS) requirements.

- DRS to be located in different seismic zones and small brokers shall be exempted from BCP/DRS obligations.

▪ Financial Disincentive Structure

- The structure would be rationalized so that minor or non-impact glitches, or those affecting only one trading mode (mobile/web), do not attract penalties.
- Exchanges will revise and disseminate the revised penalty framework.

The circular, once finalised, will come into effect from **November 1, 2025**.



ELP Comments

The revised framework demonstrates SEBI's attempt to balance investor protection with industry concerns. The introduction of a common reporting portal, clear reporting timelines, and mandatory capacity planning and software testing with the involvement of stock exchanges should enhance the resilience of trading systems.

Submission of Comments:

Public comments are invited on the proposals contained in the consultation paper and can be submitted latest by October 12, 2025, through the link available on SEBI's website: [Public Comment Portal](#).

We hope you have found this information useful. For any queries/clarifications please write to us at insights@elp-in.com or write to our authors:

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