SEBI CONSULTATION PAPER ON "APPLICABILITY OF IT & CYBER SECURITY FRAMEWORK OF MIIS TO THEIR SUBSIDIARIES"

INTRODUCTION

SEBI has issued a Consultation Paper dated September 11, 2026, on "Applicability of IT & Cyber Security Framework of MIIs to their Subsidiaries", seeking public comments on the proposal to extend the IT and Cyber Security framework applicable to Market Infrastructure Institutions (**MIIs**) to specified subsidiaries of MIIs.

BACKGROUND AND NEED TO REVIEW

SEBI has prescribed the IT and Cyber Security framework for MIIs to ensure uninterrupted securities market operations, protect market data and address cyber security risks. Given the increasing reliance on digital ecosystems, SEBI has also prescribed the Cybersecurity and Cyber Resilience Framework (**CSCRF**) for SEBI-regulated entities. As MIIs increasingly undertake technology-driven and market-related activities through subsidiaries, such subsidiaries may use shared technology infrastructure, applications, market data and other critical IT resources. However, the applicability of the IT and Cyber Security framework to such subsidiaries is not expressly defined, and the said concern was deliberated in SEBI's Technical Advisory Committee at its meeting held on December 09, 2025.

PROPOSED CHANGES

- ***Applicability of IT and Cyber Security framework to subsidiaries:*** The IT and Cyber Security framework applicable to an MII is proposed to also apply to its subsidiary where the subsidiary: (i) undertakes an activity that directly contributes to the domain pertaining to the MII, i.e., an activity that the MII is required to undertake; (ii) handles data that the MII is required to handle; or (iii) shares infrastructure with the MII. Such subsidiaries would be required to comply with applicable requirements relating to cyber security, system audits, incident reporting, Business Continuity Planning and Disaster Recovery (**BCP-DR**) and technology governance, among others.
- ***Subsidiaries outside the framework****:* The framework would not apply to a subsidiary that does not satisfy any of the above criteria. Annexure A to the Consultation Paper provides non-exhaustive illustrations of subsidiaries to which the framework would and would not apply.
- ***Exemption for shared infrastructure:*** Where a subsidiary falls within the framework solely on account of sharing IT infrastructure with the MII, the MII may seek an exemption from SEBI if it considers that the framework need not be extended to such subsidiary. The request would be required to include details of compensatory controls implemented or proposed to ensure that the cyber and IT resilience of the MII is not affected, along with the views of the Standing Committee on Technology (**SCOT**) and the Board of the MII.

ELP Comments

The proposed framework seeks to address the existing lack of clarity on the applicability of the IT and Cyber Security framework to subsidiaries of MIIs, particularly where such subsidiaries undertake activities relating to the MII's functions, handle MII data or share IT infrastructure with the MII. Extending the framework to such subsidiaries would ensure that the relevant activities and systems are subject to requirements relating to cyber security, system audits, incident reporting, BCP-DR and technology governance. The proposed criteria, together with the illustrative scenarios in Annexure A, should provide greater clarity to MIIs in determining the applicability of the framework to their subsidiaries. The proposed exemption mechanism for subsidiaries that only share IT infrastructure also provides for consideration of compensatory controls, subject to SEBI's approval.

SUBMISSION OF COMMENTS

Public comments, along with the rationale for such comments or suggestions, may be submitted to SEBI at the latest by October 02, 2026.

A copy of the Consultation Paper is available here.

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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