

## Sebi seeks explanation from NSE on trading halt

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The Securities and Exchange Board of India (Sebi) has initiated a probe into the National Stock Exchange (NSE) after the country's largest bourse halted trading on Wednesday because of a technical snag, said two people, including a government official, aware of Sebi's decision.

Sebi said it has advised NSE to conduct a detailed root-cause analysis of the "trading halt" and also explain the reasons for trading not migrating to the disaster recovery site, the people said on condition of anonymity.

"The technical advisory committee (TAC) of Sebi is looking into the entire matter and Sebi has asked NSE for clarifications on the disruption. The TAC will be ready with a preliminary report within a week or so," one of the people cited above said.

"Sebi will probe NSE primarily on two counts—adherence to compliance and technology and any potential laxities by the staff. It is also to be probed if there is any deliberate force acting behind such widespread trading disruption for such a long period," the person said.

Sebi may launch an in-depth investigation and initiate adjudication proceedings against NSE if any fault is found at the exchange level, the person said.

"It has to be examined whether the technology employed by NSE is strong enough or not and if it is in line with Sebi's requirements," the person said.

He added that the regulator may also examine if NSE is struggling to handle the load due to the large concentration of trades in all product segments and whether any curtailment in products (traded on NSE) is required.

"The government has asked Sebi for a report on the technical glitch, and the regulator has asked the exchange for a detailed clarification, which will be submitted to the government," the person cited above said.

Sebi has clearly outlined the disaster recovery framework and business continuity plan norms for all exchanges in case of such unforeseen events. The market regulator will probe if NSE is compliant with such regulations.

In March 2019, Sebi came out with guidelines for a business continuity plan (BCP) and maintaining disaster recovery sites (DRS) for market infrastructure institutions, including exchanges and clearing corporations.

In June 2012, the watchdog prescribed a framework for BCP and DRS for stock exchanges and depositories.

To ensure zero data loss, stock exchanges and clearing corporations are required to have a 'Near Site' in addition to DRS. The DRS should preferably be set up in different seismic zones and there should be a minimum distance of 500km between the near-site and the DRS so that both the systems are not affected by the same disaster. Additionally, the institutions are required to have recovery time objective (RTO) and recovery point objective (RPO) of not more than 4 hours and 30 minutes, respectively.

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“Sebi will be able to take appropriate steps or amend its policies only if exchanges submit a clear and detailed report, along with suggested solutions,” said the second person.

NSE has faced technical glitches on earlier occasions as well. In June 2020, its bank option segment prices failed to reflect on the terminal linked to the exchange.

In September 2019 too, the bourse’s system faced a trading outage as investors were unable to place orders in the final minutes of the trade.

Spokespeople for Sebi and NSE didn’t respond to emails seeking comments about the investigation.