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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

Circular to all members of the Exchange

Circular No. : NCDEX/Member Tech Compliance-006/2025

Date : March 28, 2025

Subject : FAQs on Framework to address the 'technical glitches' in Trading Member's Electronic Trading Systems, Revised Financial Disincentives, Penalty Structure and Reporting Formats

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This is with reference to the SEBI circular SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 and Exchange circular ref. no. NCDEX/RISK-010/2022 dated December 16, 2022, regarding 'Framework to address the technical glitches in Trading Member's Electronic Trading Systems'.

Based on the representations received from Members/Broker's ISF, and after consideration of the same by SEBI, Frequently asked questions (FAQs) on Framework to address the 'technical glitches' in Trading Member's Electronic Trading Systems are attached as **Annexure 1**.

Further, the revised financial disincentives and penalty structure for technical glitch incidents at Trading Member's electronic trading system is attached as **Annexure 2** and the revised format of Root Cause Analysis (RCA) report to be submitted by the Trading Member by T+14 days for reporting of technical glitch incidents is attached as **Annexure 3**. The reporting formats of T and T+1 day shall be as per the format attached as **Annexure 4**.

The provisions of this Circular shall come into force with effect from April 01, 2025.

All members are advised to take note of the above and comply.

For and on behalf of

**National Commodity & Derivatives Exchange Limited**

**Ravindra Shetty**

**Senior Vice President – Member Tech Compliance**

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For further information / clarifications, please contact

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## Annexure 1

### Frequently Asked Questions (FAQ) for technical glitch at stock brokers

**1. Would event be treated as a ‘Technical Glitch’ in case alternate modes of order placement are available to clients?**

Yes. Any glitch incident, which falls under the definition of technical glitch, will be considered as glitch irrespective of availability of alternate mode. e.g. In case mobile application is not working but clients are able to place orders from website etc, the same shall be treated as glitch.

**2. Whether determination of an event as glitch depends on number of clients or orders affected?**

No. Any glitch incident, which falls under the definition of technical glitch, will be considered as glitch irrespective of number of clients or orders affected. For e.g., an event will be considered as glitch even if less than 1% of active client are affected.

**3. Whether intermittent issues in any platform of broker be considered as technical glitch?**

Yes. Any glitch event which may lead to either stoppage, slowing down or variance in normal functions/operations/services of system of stock broker for a continuous period of 5 minutes or more shall be reported as technical glitch.

**4. Whether issues in system affected view of holding/portfolio/ledger balance etc., be considered as technical glitch even though order placement is not affected because of system issues?**

Yes. Any event, which falls under the definition of technical glitch, shall be treated as technical glitch irrespective of whether glitch has occurred in trading application or supporting functions.

Following are some of the examples of supporting functions and whether the same will be considered as glitch:

Sr. No.	Supporting Function	Whether to be treated as glitch?
4.1	Issue in Log-in to mobile app or issue in log in to trading website	Yes
4.2	Holding, status of orders not visible to clients	Yes
4.3	Funds or ledger balance not visible to clients	Yes
4.4	Margin related data not visible to clients	Yes
4.5	Data w.r.t open position of the client not visible	Yes
4.6	Incorrect data is visible w.r.t. orders placed/ Executed	Yes
4.7	Incorrect allocation of margin to clients	Yes
4.8	Remittance of funds to/from broker	Yes (if issue is at broker's end) No (if issue at payment service provider's end)
4.9	Issues in updation of price automatically but latest price is available on refreshing the screen	No

4.10	Technical charts, suggestions, news are not Visible	No
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**5. If the glitch has affected order placement on any one of the exchanges or any of the segment, will the same be treated as a ‘Technical Glitch’?**

Yes. Any glitch incident, which falls under definition of technical glitch, will be considered as glitch irrespective of no. of segments affected, e.g. In case client is unable to place order in one Exchange Cash segment due to issues at broker system but able to place order in other Exchange Cash segment, the same will be treated as glitch.

**6. Should Back office/ settlement/ operational issues be reported as ‘Technical Glitch’?**

Yes. Any event which may affect trading, settlement or decision making of the client etc., shall be treated as technical glitch. Eg: Issues affecting BOD and EOD process, ledger balance, contract note, live tick by tick feeds, margin updation etc. shall be reported as technical glitch.

**7. Whether any glitch occurred during non- trading hours be reported as technical glitch?**

Yes. Any glitch incident, which occurred during non-trading hours shall be considered as a glitch. However, such glitch incidents will not be considered for penal provisions mentioned in Part A of the financial disincentives and penalty structure.

**8. Whether glitch incident occurred at stock broker on account of issues at Market Infrastructure Institution, is required to be reported as ‘Technical Glitch’?**

Yes. Any glitch incident, which occurred exclusively on account of issue at Market Infrastructure Institutions shall be considered as glitch. However, such glitch incidents will not be considered for penal provisions mentioned in Part A of the financial disincentives and penalty structure.

**9. Whether glitch incident occurred at stock broker on account of an issue at the third party service provider/front office vendor/back office vendor is required to be considered as a ‘Technical Glitch’?**

Yes. Any glitch incident, which falls under definition of technical glitch, will be considered as glitch even though it is on account of third-party service provider/front office/back office vendors’ issue.

**10. Would a technical issue that occurred in the stock broker’s system while carrying out live DR drill be reportable as ‘Technical Glitch’?**

Yes. Any glitch incident, which falls under definition of technical glitch, will be considered as glitch irrespective of whether glitch has occurred at Primary site/DR site.

**11. What are the technical glitches that will not be considered for levying monetary penalty on stock brokers?**

Any glitches occurred exclusively on account of the following may be exempted from Part A of revised Financial Disincentive and penalty structure for technical glitch incidents:

- 11.1 Global issue with cloud service providers
- 11.2 Technology disruption due to issues at MII (glitch reported by MII to SEBI)
- 11.3 Technological issues in processing of new trading account (KYC process)

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- 11.4 Back-office/Operational issues not impacting trading and settlement of the clients
  - 11.5 Technical Glitch occurred during non-trading hours and not having any impact on trading activities of clients
  - 11.6 Failure of payment gateway application due to issues exist at bank or service provider
  - 11.7 Technical charts not viewable

However, it may be noted that above incidents will continue to be considered as technical glitches and stock brokers are required to comply with reporting, submission of reports within the prescribed timelines and take corrective measures as per glitch framework. In case of non-compliances w.r.t said provisions, penalty mentioned in Part 'B' of revised financial disincentive and penalty structure of technical glitch framework will continue to be applicable.

## **12. What are the exemptions for levying 'no on-boarding of client' penalty?**

As per financial disincentive structure of technical glitch framework, on the occurrence of sixth glitch, restriction of onboarding of new clients would be imposed till stock exchange analyses RCA and satisfies itself about corrective measures taken or, 15 days from the date of receipt of details of number and percentage of clients affected, duly certified by the Auditor, along with the preliminary incident report of the glitch, whichever is higher.

In this regard it may be noted that while levying penalty of no on-boarding of new clients, only those technical glitch incidents will be considered where more than 5% active clients (as on previous trading day of the glitch day) duly certified by the Auditor are affected due to the glitch. Further, the type of glitches mentioned in FAQ no.11 above will also not be considered for levying the said penalty. However, monetary penalty based on number of glitch incidents as mentioned in Part 'A' of revised financial disincentive and penalty structure of technical glitch framework will continue to be applicable.

Further, stock brokers are required to comply with reporting requirement specified in SEBI Circular dated November 25, 2022, and Exchange circular ref no. NCDEX/RISK-010/2022 dated December 16, 2022. In case of non-compliances w.r.t said provisions, penalty mentioned in Part 'B' of revised financial disincentive and penalty structure of technical glitch framework will continue to be applicable.

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**Annexure – 2**
**Financial disincentive and penalty structure for technical glitch incidents at stock brokers'**
**electronic trading system:**

Sr. No.	Instances of technical glitches	Financial disincentives	
		Specified stock brokers	All other stock brokers
<b>A) Technical Glitch continuing for <u>more than 15 minutes</u> during financial year:</b>			
i	First incident	Observation Letter	Observation Letter
ii	Second incident	Administrative warning	Administrative warning
iii	Third incident onwards	For every instance Rs. 50,000/-  It will progressively increase by Rs.25,000/- for subsequent instances.  Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	For every instance Rs. 20,000/-  It will progressively increase by Rs.5,000/- for subsequent instances.  Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.
iv	Fourth and Fifth glitch occurred during financial year: The progressive penal provision will continue.		
v	Sixth incident onwards [excluding glitch incidents where less than 5% active clients (as on previous trading day of the glitch day) are affected]	In addition to the monetary penalty applicable as per the above provisions, on boarding of new clients will not be allowed till stock exchange analyses RCA and satisfies itself about corrective measures taken or, 15 days from glitch whichever is higher.  Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	In addition to the monetary penalty applicable as per the above provisions, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on the disciplinary actions.
<b>B) Other Penalties ( in cases of technical glitches occurred)</b>			
i	Failure to report technical glitch incident to Exchange	Rs.5 lac	Rs.1 lac
ii	Delay in informing Exchange about the glitch incident within 1 hour	Rs. 50,000/-, plus Rs.25,000/- per day till failure continues subject to maximum of Rs.5 lac.	Rs. 20,000/-, plus Rs. 5,000/- per day till failure continues subject to maximum of Rs.1,00,000/-.
iii	Failure to submit the preliminary incident report to the Exchange by T+1 working day	Additionally, the relevant	Additionally, the relevant

Sr. No.	Instances of technical glitches	Financial disincentives	
		Specified stock brokers	All other stock brokers
iv	Failure to timely submit RCA within 14 calendar days [if 14 <sup>th</sup> calendar day falls on a trading holiday submission be done on next working day]	authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.
v	Failure to set up DR site	Rs.2 lac	Rs. 20,000/-
vi	Failure to restore operations by moving to DR site within Recovery Time Objective.	Rs.2 lac	Rs. 20,000/-
vii	Failure to conduct DR drill/live trading from DR site as per the provisions	Rs. 2 lac, plus Rs. 1 lac for every month during which failure continues subject to maximum of Rs.10 lac per instance.  Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	NA
viii	Failure to obtain ISO-27001 certificate within prescribed timeline.	Rs. 2 lac, plus Rs. 1 lac for every month during which failure continues subject to maximum of Rs.5 lac	NA

Note-

1. T Day – indicates date on which the glitch has occurred.
2. Exemptions for certain types of technical glitches as specified at Question/ Para. 11 of the FAQs for Technical glitch at stock brokers will be taken in consideration for penal provisions stated at Part A of this financial disincentive and penalty structure.

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**Annexure – 3**

<b>Root Cause Analysis report (RCA)</b> (on the letterhead of stock broker)	
<b>1. Name of the Member</b>	
Member Code	
<b>2. Reporting Officer details</b>	
Name:	
Designation:	
E-mail:	
Mobile:	
<b>3. Date and time of technical glitch incident</b>	
Date of incident	
Time of Incident	
<b>4. Date and Time of recovery</b>	
Date of recovery	
Time of Recovery	
Duration of the Incident	
<b>5. Incident Description &amp; chronology of events</b> (please use additional sheets if required)	
<b>6. Category of incident</b> (hardware, software application, server, network, bandwidth, vendor related, other-please specify)	
<b>7. Business Impact:</b>	
Number and percentage of clients affected (duly certified by Auditor)	
No. of complaints received	
No. of complaints resolved till RCA date	
Amount of claim made by complainant	
Amount of claim paid to complainant	
<b>8. Immediate action taken</b> (please give full details. Use additional sheets if required)	
<b>9. Root Cause Summary</b> (PI attach the detailed Report separately)	
<b>10. Action taken to prevent such incident in future</b>	
<b>Name and Signature of Compliance Officer/CTO</b>	
<b>Date:</b>	

## Annexure – 4

"Annexure: 4" - INTIMATION & SUBMISSION OF TECHNICAL GLITCH		
	HEADERS	DETAILS
<b>1.</b> <b>Intimation</b> <b>of Incident</b>  <b>(T-day,</b> <b>within 1</b> <b>Hour of the</b> <b>Incident)</b>	<b>1. Letter / Report Subject -</b>	
	<b>Name of the Member --</b>	
	<b>Member Code -</b>	
	<b>2. Designated Officer (Reporting Officer details)</b>	<b>Name:</b>
		<b>Mobile:</b>
		<b>Email ID:</b>
	<b>3. Date &amp; Time of Incident</b>	
	<b>4. Exchanges on which Technical Glitch was encountered (NSE, BSE, MCX, NCDEX, MSEI)</b>	
<b>5. Intimation to clients about the Technical Glitch. (Please attach screenshots of communications to clients)</b>		
<b>6. Additional Details about the Technical Glitch, if Any.</b>		
<b>2.</b> <b>Preliminary</b> <b>Incident</b> <b>Report</b> <b>(T+1 day)</b>	<b>1. Date &amp; Time of Incident &amp; Incident duration (in Minutes)</b>	
	<b>2. Incident Description</b>	
	<b>3. Immediate action taken (provide brief details)</b>	
	<b>4. Business Impact</b> i) Number of Clients Impacted ii) Any other impact	



	<b>5. Were alternate trading channels available for clients (list all the alternate channels)</b> <b>i) Was there a spike in traffic on the alternate channels available to clients? If yes, provide details.</b>	
	<b>6. Was the issue caused or encountered by a third-party vendor or service provider?</b> <b>i) Name of the third-party vendor or service provider and a brief description of the issue.</b> <b>ii) Do you have a back-up vendor for the said services</b>	
	<b>7. Was the issue encountered on the Exchange-provided environment? If Yes, kindly provide details of intimation and communication sent to the Exchange.</b>	
	<b>8. Did you move operations to the Disaster Recover (DR) site? If, Yes, what was the Recovery Time?</b>	
	<b>9. Network Connectivity Issues / Hardware Issues / Software Issues / Human Error / Other (Please Specify (if more than one, please separate with commas))</b>	

