

CONSULTATION PAPER ON DRAFT CIRCULAR FOR TRADING SOFTWARE AND TECHNOLOGY AT STOCK EXCHANGES and DRAFT CONSOLIDATED CIRCULAR ON COMMON INFORMATION TECHNOLOGY (IT) RELATED PROVISIONS FOR MIIs – FOR PUBLIC COMMENTS

Measures for Ease of Doing Business (EODB) for Market Infrastructure Institutions (MIIs) – Modifications to Master Circular for Stock Exchanges and Clearing Corporations (“MSECC”), Master Circular for Commodity Derivatives (“MCCD”) on Trading Software and Technology and to Master Circular for Depositories on Information Technology related provisions

1. OBJECTIVE AND BACKGROUND

- 1.1 The Hon’ble Finance Minister in the budget announcements for FY 2023-24, *inter-alia*, made an announcement to simplify, ease and reduce cost of compliance for participants in the financial sector through a consultative process.
- 1.2 In order to align the process of review of Master Circulars with the budget announcement, SEBI, *inter-alia*, prior to issuing a circular under the Acts or regulations, generally, undertakes public consultation.
- 1.3 Therefore, in compliance with the mandate and procedure envisaged in the aforesaid budget announcement, towards facilitating ease of doing business/compliance for stock exchanges, following Consultation Papers (CPs) have been issued:
 - 1.3.1 CP on Measures for ease of doing business on Administration of Exchanges (with respect to Chapter 6 of MSECC and Chapter 13, 14, 15 of MCCD) has been put up for public comments on October 08, 2025. The link to access the aforesaid consultation paper is https://www.sebi.gov.in/reports-and-statistics/reports/oct-2025/consultation-paper-on-measures-for-ease-of-doing-business-on-administration-of-exchanges_97131.html
 - 1.3.2 CP on Measures for ease of doing business on Trading at Exchanges (with respect to Chapter 1 of MSECC and Chapters 1 and 3 of MCCD) has been put up for public comments on January 09, 2026. The link to access the aforesaid consultation paper is <https://www.sebi.gov.in/reports-and-statistics/reports/jan-2026/consultation-paper-on-circular-for-trading-at-stock-exchanges-99010.html>

- 1.3.3 CP on Measures for ease of doing business on Exchange Traded Derivatives (including Commodity Derivatives) has been put up for public comments on May 14, 2026. The link to access the aforesaid consultation paper is <https://www.sebi.gov.in/reports-and-statistics/reports/may-2026/consultation-paper-on-measures-for-ease-of-doing-business-on-exchange-traded-derivatives-101425.html>
- 1.4 It was proposed in the aforesaid Consultation Papers that the approach to review shall broadly entail the below activities:
- 1.4.1 Chapter-wise review of Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024;
- 1.4.2 Entity-wise review of Master Circular, in terms of having a Master Circular for Exchanges and separate Master Circular for Clearing Corporations;
- 1.4.3 Merger of Master Circulars into a single set of directions for Stock Exchanges and Commodity Derivatives exchanges.
- 1.5 Accordingly, this Consultation Paper is **fourth** in the series of Consultation Papers to be issued in this regard. This Consultation Paper is prepared proposing changes in extant norms and devising:
- 1.5.1 a single consolidated circular on Chapter 2 (Trading Software and Technology) for Exchanges.
- 1.5.2 One consolidated circular for MIIIs (Exchanges, Clearing Corporations and Depositories) w.r.t common IT related provisions on Annual System Audit, Business Continuity Plan and Disaster Recovery (BCPDR), Cyber Security and Cyber Resilience, Capacity Planning and Advisories related to Technology.
- 1.6 Accordingly, the objective of this consultation paper is to seek comments/views/suggestions from public on the modifications to:
- 1.6.1 Chapter 2 (Trading Software and Technology) of MSECC dated December 30, 2024, and
- 1.6.2 Chapter 16 (Trading Software and Technology) of MCCD dated August 04, 2023.

through, *inter-alia*, simplification of regulatory requirements, removal of redundant provisions, discontinuation of duplication, in order to promote ease of doing business (EODB) and reduce the compliance burden on exchanges.

Accordingly, this consultation paper is for combined guidelines for Stock Exchanges on the aforementioned Chapters and consolidated guidelines for MIs on common IT related provisions and shall replace all the applicable provisions till February 28, 2026 in respect of Stock Exchanges (including Commodity Derivatives exchanges) and MIs respectively.

2. SUMMARY OF CHANGES SUGGESTED

The current provisions, proposed changes and rationale for the changes are briefly mentioned as under:

Sr No.	Current Provisions	Proposal	Rationale for change
1.	<p>Paragraph 1.1.1 of Chapter 2 of MSECC pertains to application submitted to exchange for providing Internet Based Trading (IBT) Service.</p> <p>Paragraph 1.1.2.7.3(d) of Chapter 2 of MSECC pertains to similar provision for brokers to seek permission from exchanges before commencement of IBT.</p>	<p>It is proposed that both the provisions may be merged.</p>	<p>Simplification and Rationalization</p>
2.	<p>Paragraph 1.1.2.1. of Chapter 2 of MSECC discusses net worth requirement for brokers to provide IBT.</p>	<p>It is proposed that reference may be given to SEBI (Stock Brokers) Regulations, 2026 for net worth requirement.</p> <p>It is also proposed to remove the details of method of computation prescribed for net worth as the same is already covered in aforesaid regulations.</p>	<p>Rationalization</p> <p>This will avoid repetition of provisions for the same requirement.</p>

3.	<p>Paragraph 1.1.2.2.2 of Chapter 2 of MSECC pertains to System Capacity and alternate arrangements of brokers in case of internet link failure.</p> <p>Paragraph 1.4.1.5 of Chapter 2 of MSECC pertains to similar provision specifying the capabilities of such alternate arrangement.</p>	<p>It is proposed that both the provisions may be merged.</p>	<p>Simplification and Rationalization</p>
4.	<p>Paragraph 1.1.2.3 of Chapter 2 of MSECC discusses details of broker client relationship w.r.t. KYC, broker client agreement, investor information and order/trade confirmation and handling complaints of investors.</p> <p>Paragraph 1.1.2.4 of Chapter 2 of MSECC pertains to Risk Management for internet trading.</p> <p>Paragraphs 1.1.2.5 and 1.1.2.6 of Chapter 2 of MSECC pertain to contract notes and cross trades.</p>	<p>It is proposed that these paragraphs may be deleted from MSECC.</p>	<p>Rationalization: These provisions primarily pertain to brokers and are also present in Master circular for stock brokers. Further, master circular for stock brokers is also addressed to Exchanges i.e. obligation of the exchange wrt to ensuring that brokers meet these criteria will remain intact. Hence, removing these provisions from MSECC.</p> <p>Further, w.r.t Broker client agreement, the same has been replaced by rights and obligations document.</p> <p>W.r.t handling complaints by investors, detailed guidelines have also been prescribed in SEBI circular on Online Resolution of Disputes (ODR) dated July 31, 2023.</p>

5.	Paragraph 1.1.2.7.1 of Chapter 2 of MSECC pertains to Network Security protocols.	<p>It is proposed to update these provisions as under:</p> <ol style="list-style-type: none"> 1. Provision 1.1.2.7.1(ii) of first level password may be expanded to include phrase “with adequate security and encryption features” 2. W.r.t. provision 1.1.2.7.1(v), instead of Secured Socket Level Security for server access through internet, phrase “strong and latest security/cryptographic protocols” may be added for server access through internet. 3. W.r.t. provision 1.1.2.7.1(vi) on suitable firewalls, following may be added: <ol style="list-style-type: none"> a. Practice of whitelisting of ports based on business usage to be implemented b. Network Segmentation between public-facing systems and core trading infrastructure c. Audit of firewall configuration, Web Application Firewall (WAF) and channel identification, Intrusion Detection/Prevention Systems (IDS/IPS) 	<p>Rationalization:</p> <p>Provisions have been updated to make them principle based thus avoiding hard coding of names of protocols etc. such that continuous modification may not be needed in future. Further, as suggested by MIIs, provision on suitable firewalls has been elaborated keeping in view new technologies.</p> <p>W.r.t advanced security products, as suggested by MIIs, products which are not currently relevant have been removed.</p>
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6.	<p>Paragraph 1.2 of Chapter 2 of MSECC discusses provisions on Securities Trading through Wireless medium on Wireless Application Protocol (WAP) platform.</p>	<p>It is proposed to delete these provisions.</p>	<p>Obsolescence</p> <p>This section may be removed as Wireless Application Protocol (WAP) is an obsolete technical standard for accessing information over a mobile cellular network. WAP was designed for early mobile internet access and offered limited bandwidth and slower speeds. As submitted by MIs, all registrations are currently provided to brokers under section 1.3 of Chapter 2 of the MSECC i.e. on "Securities Trading using Wireless Technology".</p> <p>As per submission of MIs and considering that WAP is not used for modern, day-to-day web browsing, having been completely superseded by faster and more capable mobile technologies, these provisions being obsolete, may be removed.</p>
7.	<p>Paragraph 1.3.1 of Chapter 2 of MSECC requires that brokers</p>	<p>It is proposed that permission for providing IBT services may not be mandatory for providing</p>	<p>Rationalization and Flexibility</p>

	<p>who provide Internet Based Trading (IBT) shall be eligible to provide Securities Trading using Wireless Technology (STWT).</p>	<p>STWT services provided that eligibility requirements as applicable for IBT continue to be applicable for STWT providers.</p>	<p>MIIs have submitted that there has been considerable advancement in technology landscape since the provisions for STWT were introduced. Accordingly, the prerequisite of having IBT registration prior to offering STWT may be discontinued and Members shall be allowed to offer only STWT if required, as per their business requirements subject to fulfilment of all provisions by member as applicable for IBT i.e. Operational and System requirements, Network Security Protocol and interface standards, Client Broker Relationship, Risk Management etc. Hence, requirement of pre-IBT registration for STWT may be removed.</p>
8.	<p>Paragraph 1.3.3.8 of Chapter 2 of MSECC discusses provisions on non-storage of session login details for IBT and Securities Trading through Wireless Technology (STWT).</p>	<p>It is proposed to elaborate these provisions and harmonize them with those in Cybersecurity and Cyber Resilience Framework (CSCRF) of SEBI as under: “Sensitive personal/investor authentication information such as user IDs, passwords, keys, hashes, hard coded reference, session login details etc. shall not be stored/retained on devices used for internet based trading and securities trading using wireless technology.”</p>	<p>Rationalization : Updating provisions as per current requirements/standards.</p>
9.	<p>Paragraphs 1.1 and 1.3 pertain to Internet</p>	<p>It is proposed to remove overlapping provisions on</p>	<p>Redundancy and Simplification</p>

	<p>based Trading (IBT) and Securities Trading using Wireless Technology respectively (STWT).</p>	<p>STWT which are already covered in IBT section. Following paragraphs have been deleted/merged:</p> <ol style="list-style-type: none"> 1. Paragraph 1.3.3.2 has been deleted and additional provision has been merged in paragraph in 1.1.2.7.1 on Network Security by adding a point – “Access Control through use of biometric devices or other reliable means”. 2. Paragraph 1.3.3.4 may be merged with paragraph 1.1.2.2.2 on System Capacity. 3. Provision on Order Confirmation in paragraph 1.3.3.7 may be deleted as already prescribed in Master Circular for Stock Brokers. 4. Paragraph 1.3.3.9 pertains to network security protocols and interface standards and may be merged with paragraph 1.1.2.7. 5. Paragraph 1.3.3.12 mandated in initial phase of adoption. Now it is widely adopted. Separate mandate may not be needed given there are other priority areas for IAPs. May be deleted. 	<p>STWT can be provided by an entity only when it meets all the eligibility criteria and other regulatory requirements as prescribed for providing IBT. Hence, those provisions which are broadly covered in IBT section may not be reiterated in STWT section.</p>
10.	<p>Paragraph 1.4.1.8 of Chapter 2 of MSECC pertains to adequacy</p>	<p>It is proposed that this provision may be made</p>	<p>Rationalization: Given the extent to which IBT/STWT is being used in</p>

	of back-up and restore systems.	mandatory instead of being advisable.	securities market presently, it may be mandatory to keep adequate back-up and restore systems at brokers' end for the purpose of business continuity, preventing loss of data etc.
11.	Paragraph 2.1 of Chapter 2 of MSECC pertains to Direct Market Access (DMA) Facility and its advantages.	It is proposed to remove the explanations w.r.t. advantages offered by DMA from the Master Circular.	Simplification : This explanation is generic in nature and may be removed.
12.	Paragraph 2.2.2.2 of Chapter 2 of MSECC pertains to audit trail data for DMA orders.	It is proposed that the period of retention of audit trail data may be linked to the SEBI Stock Broker Regulations, 2026.	Consistency: Maintenance of books of accounts and records and period of such maintenance have been prescribed in Reg. 15 and 16 of the SEBI (Stock Brokers) Regulations, 2026.
13.	Paragraph 2.2.2.7 of Chapter 2 of MSECC pertains to system audit of DMA systems and software to be carried out by broker and submission of certificate in this regard to the exchange.	It is proposed that additional certificate may not be required to be submitted to the exchange.	Ease of Doing Business System Audit report is being received by the stock exchanges, additional certification may not be needed.
14.	Paragraph 2.2.3.1 of Chapter 2 of MSECC discusses provisions on category of investors to whom DMA facility can be extended.	It is proposed that DMA facility can be extended to all category of clients. Accordingly, following line may be deleted: "Currently this facility is available for institutional clients."	Clarification and Flexibility: At present, with technological advancement, benefits arising out of DMA may be passed on to other categories of clients. However, extension of such facility shall be subject to the requisite

			<p>RMS checks as applicable to respective categories of clients.</p> <p>Further, it is understood that exchanges have the flexibility to extend DMA facility to other client categories, however, as suggested by MIIs, for further clarity, the line "Currently this facility is available for institutional clients" is proposed to be removed.</p>
15.	SEBI Circular dated May 10, 2023 has allowed DMA to SEBI registered Foreign Portfolio Investors (FPIs) for participating in Exchange Traded Commodity Derivatives (ETCDs)	It is proposed to extend DMA facility for ETCDs to other categories of investors as specified by exchanges from time to time.	<p>Ease of Doing Business</p> <p>Considering the request of MIIs and towards harmonizing the provisions of DMA facility for commodity derivatives segment with those for other segments, it has been proposed for exchanges to specify from time to time the categories of investors to whom the DMA facility can be extended for ETCDs, as is the present requirement for other segments.</p>
16.	Paragraph 2.2.3.2 of Chapter 2 of MSECC discusses terms and conditions for trading account opening process for the purpose of DMA. Such terms and conditions are prescribed in Annexure I of MSECC and are divided into two parts, part A pertains to the case wherein DMA	It is proposed to merge part A and part B of Annexure I.	<p>Simplification and Rationalization</p> <p>Common provisions have been retained and related provisions have been merged.</p>

	facility is used by the client whereas part B pertains to the case wherein DMA is used by the client through an Investment Manager.		
17.	Paragraph 2.2.7 of Chapter 2 of MSECC pertains to cross trades.	It is proposed that the aforesaid paragraph may be deleted from MSECC.	Rationalization: These provisions primarily pertain to brokers and are also present in Master circular for stock brokers. Further, master circular for stock brokers is also addressed to Exchanges i.e. obligation of the exchange wrt to ensuring that brokers meet these criteria will remain intact. Hence, removing these provisions from MSECC.
18.	Paragraphs 2.2.4.1 and 2.2.4.2 of Chapter 2 of MSECC pertain to use of DMA facility by clients through investment manager. Annexure 1 of Chapter 2 of MSECC pertains to terms and conditions for use of DMA facility by the client/client through an investment manager.	It is proposed that investment manager (IMs) may not necessarily be a SEBI registered entity. As a necessary guardrail, following has been added in Annexure I: <i>“The client shall ensure, including through an agreement with the investment manager appointed by him/her that the investment manager complies with the terms and conditions mentioned hereinabove. The client shall also initiate appropriate independent action including legal action if required, against the investment manager for breach of the terms and conditions notwithstanding any action to be taken by Exchanges/the Board.”</i>	Ease of Doing Business As per feedback received from the market, domestic institutions have increasingly adopted DMA, however adoption has been limited in case of Foreign Portfolio Investors (FPIs). It is understood that the mandatory requirement of their IMs being registered with SEBI has been an impediment towards wider adoption of DMA among FPIs. It may be noted that risk management provisions are agnostic to type of order i.e. DMA or non-DMA. With further advancement of technology, surveillance

		<p><i>Also addition of words in italic in para 2.2.4.2 viz</i></p> <p><i>“The exchange/ broker shall ensure that proper audit trails are available to establish identity of the ultimate client and their investment managers at all times”</i></p>	<p>mechanism of exchanges has also improved over time. Further, non-SEBI registered IM can place non-DMA orders on behalf of FPIs.</p> <p>In view of the above, as an ease of doing business measure and to bring parity in the methods of order placement for DMA and non-DMA orders through IM, it has been proposed that it shall not be mandatory for IMs to be registered with SEBI for using DMA facility.</p> <p>However, given that the present regulatory requirements cast certain responsibilities on the Investment Manager, more specifically brought in Annexure I of Chapter 2 of MSECC, it is important to clarify that the client is fully responsible for the actions of the authorized IMs. Hence, as a necessary guardrail, the provisions in previous column have been included.</p>
19.	<p>Paragraphs 3.1 to 3.3 of Chapter 2 of MSECC pertain to Electronic Contract Note.</p> <p>Paragraph 3.4 of Chapter 2 of MSECC pertains to format for</p>	<p>It is proposed that paragraphs 3.1 to 3.4 may be deleted from MSECC</p>	<p>Rationalization and Consistency:</p> <p><u>Provisions in paragraphs 3.1 to 3.3</u></p> <p>These provisions pertain to broking operations and are already present in Master circular for brokers. Further, MIRSD has issued a subsequent circular SEBI Dealings</p>

	<p>issuance of electronic contract notes.</p>		<p>between a client and a stock broker - trading members included elaborating on these provisions. Moreover, master circular for stock brokers is also addressed to Exchanges i.e. obligation of the exchange wrt to ensuring that brokers follow these provisions will remain intact. Hence, removing these provisions from MSECC.</p> <p><u>Provision in paragraph 3.4</u></p> <p>As contract notes are issued by brokers, it would be rational to keep all the provisions in one place i.e. Master Circular for Stock Brokers which is also addressed to Exchanges. Hence, the provision in paragraph 3.4 may be incorporated in the aforesaid circular.</p>
20.	<p>Paragraph 5.1.2.2.3 of Chapter 2 of MSECC pertains to improving efficacy of the mock trading sessions by ensuring that all user ids approved for Algo trading irrespective of the algorithm having undergone change or not, shall participate in the mock trading sessions.</p>	<p>It is proposed that instead of all user ids approved for Algo trading, <i>all approved algorithms and related application servers</i>, irrespective of the algorithm having undergone change or not, shall be part of the mock trading sessions.</p>	<p>Ease of Doing Business Exchanges have submitted that user ids are for operational purpose. The primary purpose is to test all the algorithm strategies during the mock trading session. These algorithm strategies may be operated through one or multiple user ids approved for algorithm. Further, they have submitted that participation of all the user-ids approved for algorithm trading in mock trading session is not feasible. Considering their request and as an ease of doing business measure, testing may be made mandatory</p>

			for all algorithm strategies and related application servers.
21.	Paragraph 5.1.2.2.5.2 of Chapter 2 of MSECC pertains to availability of test environment for at least two hours after market hours.	It is proposed that the phrase "after market hours" may be removed.	Rationalization Considering that commodities segment is live till 11:30/11:55 on trading days, MIIs have requested that the phrase "after market hours" may be removed.
22.	Paragraph 5.1.2.2.5.5 of Chapter 2 of MSECC pertains to submitting summary report to SEBI on participation of members in Simulated Environment.	It is proposed that aforesaid summary report may be submitted to SCOT instead of SEBI.	Relaxation This report was earlier submitted vide MDR which has been discontinued. Further, to reduce compliance burden on MII, the summary report may be submitted to SCOT instead of SEBI for necessary action, if any.
23.	Paragraph 5.1.3 of Chapter 2 of MSECC pertains to engaging system auditor by stock brokers to examine reports of mock tests and UAT in order to certify that tests were satisfactorily taken.	It is proposed to remove this provision from MSECC as the obligation is on stock brokers.	Rationalization Provision primarily pertains to Stock Brokers/Trading Members and is already part of Master Circular for Stock Brokers dated June 17, 2025 (para 60.2.2). Hence, removing this provision from MSECC.
24.	Paragraph 5.1.6 of Chapter 2 of MSECC pertains to pre-approval/periodic system audit of CTCL or Intermediate Messaging Layer (IML), IBT, DMA etc.	It is proposed to add phrase 'Enhanced Trading Interface' as under: "For pre-approval / periodic system audit of Computer-to-Computer Link ("CTCL") or Intermediate Messaging Layer ("IML") or <i>Enhanced Trading Interface (ETI)</i> , IBT, DMA, STWT, SOR and AT, stock brokers....."	Rationalization MIIs have submitted that IML and ETI are communication framework of Exchange wherein IML is the older framework with its limitation and ETI being newer framework with higher capabilities. Accordingly, ETI may also be added along with IML in the provision.
25.	Paragraph 5.2 of Chapter 2 of MSECC pertains to Standing Committee and reporting instances of hanging/slowdown/br	It is proposed that these provisions may be deleted from MSECC and MCCD.	Redundancy and Simplification These provisions are overlapping with those in paragraph 9 on Business Continuity Plan and

	<p>breakdown etc. to this Committee for consideration.</p> <p>Paragraph 16.1.13 of Chapter 16 of MCCD pertains to immediate reporting of any event leading to slow down or trading halt or any other abnormal development to Integrated Surveillance Department of SEBI with full details.</p>		<p>Disaster Recovery in Chapter 2 of MSECC. It may be noted that paragraph 9 inter alia contains provisions for dealing with disaster, outage and technical glitches. Further, in Annexure XI on SOP for handling technical glitches in Chapter 2 of MSECC, business disruption has been meant as either stoppage or variance in the normal functions/operation of system of MII thereby impacting normal/regular service delivery of the MII. This definition broadly covers the scenarios of hanging/slowdown/breakdown/halting as envisaged currently in proposed deleted provisions. Further, reporting of disruption (business and no business disruption) for technical glitches to SCOT/Governing Board of MII/SEBI is also prescribed in the aforesaid Annexure XI.</p> <p>Moreover, terms of reference of SCOT as prescribed in Chapter VI of MSECC also contain 'overseeing investigations into issues related to computerized trading system, such as hanging, slowdown, breakdown, etc.'</p> <p>In view of all the above, the aforesaid provisions may be deleted as they are overlapping with other provisions.</p>
26.	Paragraph 5.3 of Chapter 2 of MSECC	It is proposed that general requirements, which are applicable to every trade (irrespective of their origin	Redundancy and Rationalization

	pertains to expansion of trading terminals.	through a terminal from any place in the country), may be removed and summarized as under: “adherence to all applicable regulatory requirements pertaining to a trade”	
27.	Paragraph 5.4.4 of Chapter 2 of MSECC pertains to operation of the terminals.	It is proposed to delete following line from the provision: “The service to the clients shall be provided by the broker’s overseas office and its local office”	Rationalization It is a very generic requirement, hence deleting. Every broker is obligated/responsible to provide service to all the clients irrespective of the order being originated from India or abroad.
28.	Paragraph 5.4.6 of Chapter 2 of MSECC pertains to capital adequacy, margin systems & Brokerage for trades through trading terminals in abroad. Paragraph 5.4.8 of Chapter 2 of MSECC pertains to monitoring and surveillance of overseas terminals in order to oversee trades.	It is proposed to simplify the language and merge the provisions.	Simplification All trades through such trading terminals are also subject to the same laws/regulations including those for margin, capital adequacy, brokerage etc.
29.	Paragraph 5.4.7 of Chapter 2 of MSECC pertains to settlement procedure for trades through trading terminals in abroad.	It is proposed to remove these provisions from MSECC and shift it to Circular on Clearing Corporations.	Demerger
30.	Paragraph 5.4.9 of Chapter 2 of MSECC pertains to grievance redressal mechanism for trades through	It is proposed to remove these provisions from Chapter 2 of MSECC.	Rationalization Grievance redressal mechanism is governed by paragraph 5 of Chapter VI of MSECC titled “Arbitration and Investor Grievance Redressal

	trading terminals in abroad.		Mechanism” and SEBI circular on ODR dated July 31, 2023. Hence, removing these provisions from Chapter 2 of MSECC.
31.	Paragraph 6.1.3.1 of Chapter 2 of MSECC pertains to application by stock brokers to respective stock exchanges for providing Smart Order Routing facility.	It is proposed to modify this provision as under: <i>“Stock Brokers interested to offer SOR facility shall make an application through a common portal providing details of all the stock exchanges where they intend to provide SOR facility. The application shall be approved by only one of the exchanges and the allocation of application among exchanges shall be on round robin basis. The aforesaid portal and an SOP for its operationalization shall be developed by Stock Exchanges in consultation with Industry Standard Forum within 3 months.”</i>	Ease of Doing Business To reduce compliance burden and duplication of approval process for brokers and facilitate faster approval of SOR software system.
32.	Paragraph 6.1.3.2 of Chapter 2 of MSECC pertains to system audit of smart order routing system.	It is proposed to clarify that system auditors shall at least possess any of the certification as under: 1. CISA (Certified Information System Auditors) from ISACA; 2. DISA (Post Qualification Certification in Information Systems Audit) from Institute of Chartered Accountants of India (ICAI); 3. CISM (Certified Information Securities Manager) from ISACA; 4. CISSP (Certified Information Systems Security Professional) from International	Clarification Similar list of certifications has also been prescribed as eligibility criteria for system auditors for other provisions in MSECC.

		<p>Information Systems Security Certification Consortium, commonly known as (ISC)²</p> <p>Accordingly, a reference has been given in this provision to the paragraph having same list in Algorithm Trading related provisions.</p>	
33.	<p>Paragraph 6.1.3.7 of Chapter 2 of MSECC pertains to communicating to clients all features, possible risks, rights, responsibilities and liabilities associated with the smart order routing facility.</p>	<p>It is proposed replace the broker client agreement with "Rights and Obligations" document.</p>	<p>Rationalization Broker client agreement has been replaced with Rights and Obligations document as per SEBI circular no. CIR/MIRSD/16/2011 dated August 22, 2011. Accordingly, the text is to be updated.</p>
34.	<p>Paragraph 6.1.3.17 of Chapter 2 of MSECC pertains to strengthening investor grievance cell and sharing of information to facilitate necessary examination.</p>	<p>It is proposed to delete these provision from MSECC.</p>	<p>Simplification These provisions are generic in nature and it is the primary responsibility of the stock exchanges to keep strengthening investor grievance redressal mechanism as required from time to time. Further, sharing of information for resolving complaint is envisaged in paragraph 37 of SEBI circular on ODR dated July 31, 2023. Hence, deleting these provisions from MSECC.</p>
35.	<p>Paragraph 7 of Chapter 2 of MSECC pertains to Algorithm Trading.</p> <p>Paragraph 16.1 of Chapter 16 of MCCD pertains to Algorithm Trading.</p>	<p>It is proposed to merge provisions on Algorithm Trading in MSECC and MCCD.</p>	<p>Merger and Rationalization The relevant provisions have been merged at appropriate places. Best practices have been taken as common provisions for both the segments. Further, few guidelines which are specific to Commodity Derivatives have been put separately.</p>

36.	Paragraphs 7.1.2.4.1 and 7.1.2.4.2 of Chapter 2 of MSECC pertain to specific order level risk controls for algorithm trading, to be ensured by stock exchanges.	It is proposed to delete these provisions.	<p>Removing Redundancy</p> <p>These checks are also mentioned in paragraph 7.1.7 and the stock exchanges shall be guided by them. Further, the responsibility of stock exchanges for putting appropriate multi-layer risk controls remain intact as envisaged in paragraph 7.1.2.4.</p>
37.	Paragraph 7.1.2.6 of Chapter 2 of MSECC pertains to enablement of terminals of the stock broker that are disabled upon exhaustion of collaterals.	<p>It is proposed that following phrase in italics may be added:</p> <p>“..... by stock exchanges <i>in coordination with CCs</i> in accordance with risk management procedures”</p>	<p>Clarification</p>
38.	<p>Paragraph 7.1.2.9 of Chapter 2 of MSECC pertains to submission of a report by stock exchange on algorithm trading inter alia incorporating turnover details of algorithmic trading, algorithmic trading as percentage of total trading, action taken in respect of dysfunctional algos, status of grievances, if any, received and processed etc.</p> <p>Paragraph 16.1.18 of Chapter 16 of MCCD pertains to reporting similar details regarding algorithmic trading to SEBI in Monthly</p>	<p>It is proposed that stock exchanges shall submit report to SCOT and disclose the details on their website instead of submitting it to SEBI.</p>	<p>Ease of Doing Business</p> <p>As an EODB measure, the requirement of submission of report (primarily containing statistical data) to SEBI has been done away with, instead stock exchanges shall submit the report to SCOT and disclose the same on its website. SCOT may take appropriate action on the report, as required.</p> <p>Further, submission of MDR by exchanges has been discontinued.</p>

	Development Report (MDR) of exchange.		
39.	<p>Paragraph 16.1.8 of Chapter 16 of MCCD pertains to relaxation of limit on OPS subject to capacity of trading system of stock exchange remains at least four times the peak order load.</p> <p>SEBI circular dated February 11, 2026 on “Capacity Planning and Real Time Performance Monitoring framework for Commodity Derivatives Segment” prescribes that the installed capacity shall be at least 2 times (2x) of the projected peak load.</p>	It is proposed to harmonize provision on installed capacity for relaxation on limit on OPS in accordance with the new circular dated February 11, 2026.	Rationalization and Consistency.
40.	Paragraph 16.1.4 of Chapter 16 of MCCD pertains to allowing algorithm trading for mini and micro contracts.	It is proposed that the phrase “taking into account liquidity in the contract” may be removed while merging this provision in MSECC.	Rationalization MIIs have submitted that Algorithmic trading as a tool improves the market depth and liquidity in a contract, which includes Market Making under approved Liquidity Enhancement Schemes. Further, MIIs have also submitted that in terms of the SEBI guidelines, there are multiple checks and controls put in place by the Exchange with respect to Order per second, Order to Trade ratio monitoring, restriction of specific type of orders, daily price limits etc. Hence, the condition “only after taking into

			account liquidity” may be removed subject to the condition that allowing algorithm trading in these contracts shall not put small participants in disadvantage.
41.	Paragraph 16.1.10 (V) of Chapter 16 of MCCD pertains to “Net open position check” as an order level risk control for algorithm trading.	It is proposed that this provision may be mentioned separately and not as an order level risk control.	Rationalization MIIIs have submitted that implementing this provision as an order level risk control is difficult. Hence, considering their request, the provision has been mentioned separately and not under order level risk controls.
42.	Paragraph 16.1.17 (III) of Chapter 16 of MCCD pertains to inclusion of system audit report of the algorithmic trading in the annual compliance report submitted by member to the exchange. Paragraph 7.1.4 of Chapter 2 of MSECC pertains to half yearly system audit of the algorithmic trading system by brokers.	It is proposed that provision as mentioned in paragraph 7.1.4 of Chapter 2 of MSECC may be made applicable for all the segments.	Rationalization Uniform provisions may be made applicable for all the segments including Commodity Derivatives Segment.
43.	Paragraph 8.1.3 of Chapter 2 of MSECC pertains to Systems and Network Audit Report submission method and timeline. Points 1(g) and 1(j) of Annexure V of Chapter 2 of MSECC also pertains to the audit report submission.	It is proposed to rationalize the provisions as under: 1. Instead of segregating timelines for audit completion in two months from end of audit period and subsequent submission with comments of Governing Board of MII in next one month, the audit shall be completed, and the	Ease of Doing Business: During discussions, MIIIs have informed that many a times, taking comments of both SCOT and Governing Board may not be feasible within one month of completion of audit. Further, MIIIs have requested that the bifurcation of completion of audit and subsequent reporting may be removed, instead a 3-month timeline

		<p>report shall be submitted to SEBI within 3 months from the end of audit period.</p> <p>2. Instead of comments of Governing Board, the report may be submitted in three months with comments of the Standing Committee on Technology (SCOT) of MII. Additional comment(s), if any, of the Governing Board, if not received within three months, may be submitted at the earliest to SEBI, not later than seven days, after the next meeting of the Governing Board post completion of audit.</p>	<p>may be prescribed for completing audit and submission of report.</p> <p>Considering their request and as an ease of doing business measure, the modifications have been proposed such that MIIs shall complete audit and submit report along with comments of SCOT within three months from end of audit period and later additional comment(s) of Governing Board, if any, may be submitted.</p>
44.	Point 1(k) of Annexure V of Chapter 2 of MSECC pertains to follow on audits for observations in audit report.	<p>It is proposed that the follow-on audit should be completed by next quarter of submission of the audit report. Further, following may also be added in this provision:</p> <p>“The next system audit report shall cover in detail the points not covered in follow on audit, if any.”</p>	<p>Relaxation and Rationalization:</p> <p>MIIs have submitted that corrective actions taken depend upon the nature of observations and may differ from point to point. Thus, it becomes unfeasible to keep having follow on audits based on completion of each observation. Accordingly, the provision has been rationalized.</p>
45.	Point 1(c) of Annexure V of Chapter 2 of MSECC pertains to maximum number of successive audits that can be	<p>It is proposed that an auditor can perform a maximum of 3 successive years of audits.</p> <p>Further, following may be added in “Auditor Selection</p>	<p>Relaxation and Rationalization:</p> <p>MIIs have submitted that the process of changing auditors after every 1.5 years is cumbersome and a time-consuming activity.</p>

	performed by an auditor.	<p>Norms” in System and Network Audit framework:</p> <p>“In order to avoid development of conflict of interest, adequate cooling-off period shall be ensured in case of rotation of auditors for different kinds of audits of MIs.”</p>	<p>Additionally, it is difficult to find a qualified and expert auditor with no conflict of interest. As an ease of doing business measure, it is proposed that an auditor may be allowed to perform audit for maximum 3 successive years.</p> <p>In this regard, a safeguard measure for maintaining adequate cooling-off period has also been included in the auditor selection norms along with the above relaxation. In case, MIs rotate auditors for different kinds of audits, it shall be ensured that conflict of interest may not arise by providing adequate cooling-off period to auditors.</p>
46.	Point 1(f) of Annexure V of Chapter 2 of MSECC pertains to broadening of scope of audit by auditor to inter-alia incorporate any new developments that may arise due to issuance of circulars/ directions/ advice by SEBI from time to time.	<p>It is proposed to add following in this provision:</p> <p><i>“In this regard, MIs shall prepare a detailed SOP on checking of various compliance requirements for the purpose of audit. While framing this SOP, MIs shall adhere to the guidelines prescribed in this Circular as well as directions/ advice / guidance or otherwise issued by SEBI from time to time.”</i></p>	<p>Clarification and Delegation to Exchanges</p> <p>SEBI has issued guidance/advisory etc. to MIs on the manner of carrying out system audit as well as advisories/directions etc. are issued post inspection. The proposed SOP will include all the compliance requirements as prescribed by SEBI for the purpose of audit.</p>
47.	Points 1(h) and 3 of Annexure V of Chapter 2 of MSECC pertains to guidance to auditors on compliance with circulars/directions/a	It is proposed to merge both the points.	Simplification

	devices issued by SEBI.		
48.	Points 1(i) of Annexure V of Chapter 2 of MSECC pertains to corrective action taken by MII for NCs/observations and suggestions made by auditor.	It is proposed to add “at the earliest” phrase for such corrective actions.	Clarification Given the criticality of corrective actions taken by MIIs for NCs/observations and suggestions made by the auditor, the phrase has been proposed to be added.
49.	Paragraph 8.2 and Annexure IX of Chapter 2 of MSECC has provisions pertaining to system audit of stock brokers. Paragraph 16.5 and Annexure ZC of MCCD have provisions pertaining to system audit of stock brokers in commodity derivatives segment.	It is proposed to remove these provisions from MSECC and MCCD. Further, following may be added in TOR of system audit of stock exchanges: <i>“In case of Commodity Derivatives segment, Type I brokers may be exempted from system audit and the development of NEAT / BOLT / Stock Exchange provided terminals and provisions relating to Type I Brokers shall be included in the scope of System Audit of stock exchanges with Commodity Derivatives segment.”</i>	Rationalization The provisions in MSECC primarily pertain to brokers and are also present in Master circular for stock broker dated June 17, 2025 (paragraph 16). Further, master circular for stock brokers is also addressed to Exchanges i.e. obligation of the exchange wrt to ensuring that brokers meet these criteria will remain intact. Hence, removing these provisions from MSECC. The provisions in MCCD also primarily pertain to brokers, hence may be incorporated in Master Circular for stock brokers. As the Master Circular for Stock Brokers is addressed to Stock Exchanges, obligations of stock exchanges shall remain intact. Further, w.r.t Type I Brokers (in case of Commodity Derivatives Segment), as the provisions relating to

			system audit shall form part of TOR of system audit of stock exchanges, a reference has been provided in the TOR of stock exchanges.
50.	Paragraph 8.3 and Annexures IXA to IXD of Chapter 2 of MSECC have provisions pertaining to system audit of Professional Clearing Members (PCMs).	It is proposed that these provisions may be deleted from MSECC.	Rationalization These provisions primarily pertain to professional clearing members and shall be prescribed in Master circular for Stock Brokers.
51.	Paragraph 9.1.2.1 of Chapter 2 of MSECC pertains to one-to-one correspondence between various devices and associated application environments of DRS/NS and PDC. Vide email dated July 29, 2025 on "Action points arising out of meeting of TAC held on March 27, 2025 w.r.t system and network audit reports submitted by MIIs", it was advised to MIIs to maintain one to one correspondence of hardware/software between PDC and Disaster Recovery Site ("DRS") in terms of existing SEBI Circulars at any point of time to ensure seamless and rapid	It is proposed that in case of exceptions wherein one-to-one correspondence can't be maintained by an MII, MII shall seek guidance of Technology Advisory Committee (TAC) of SEBI for such exceptions. Such exceptions may be provided after specifically recommended by TAC and approved by SEBI. Further, advisory on one-to-one correspondence has been merged in paragraph 9.1.2.1 such that provision is read as under: <i>"Hardware, system software, application environment, network and security devices and associated application environments of DRS / NS and PDC shall have one to one correspondence between them at any point of time to ensure seamless and rapid recovery in case of a disaster (defined below). There shall be no exception unless approved by SEBI as per the recommendation of the</i>	Relaxation and Rationalization Such exceptions may be provided after recommendation of TAC and approval by SEBI.

	recovery in case of a disaster.	<i>Technology Advisory Committee (TAC) of SEBI. “</i>	
52.	<p>Paragraph 9.1.3.1 of Chapter 2 of MSECC defines frequency of DR drills to be quarterly.</p> <p>Paragraph 9.1.3.7 of Chapter 2 of MSECC discusses about conducting live trading sessions from DRS for at least two consecutive days in every six months.</p>	<p>It is proposed to consolidate both the requirements such that DR drills as envisaged in paragraph 9.1.3.1 may not be conducted in the quarter when half yearly live trading sessions as envisaged in paragraph 9.1.3.7 is being conducted.</p>	<p>Rationalization and Relaxation</p> <p>Considering request of MIs and as an EODB measure, paragraphs 9.1.3.1 and 9.1.3.7 may be consolidated.</p> <p>MIs have requested that if live trading sessions are conducted for two consecutive days in a quarter, an additional drill may not be required in that quarter. Accordingly, live trading and DR drill may be done in alternate quarters.</p>
53.	<p>Paragraph 9.1.2.3 of Chapter 2 of MSECC pertains to definition of ‘Critical Systems’ for the purpose of declaration of ‘Disaster’.</p>	<p>In order to give clarity, it is proposed to add following to this provision:</p> <ol style="list-style-type: none"> 1. ‘Critical Systems’ for <u>the above purpose</u> for an Exchange / Clearing Corporation shall include – the phrase in italics has been added. 2. Further, MIs may include additional systems as critical systems as per defined policy in this regard. 	<p>Clarification and Rationalization</p>
54.	<p>Paragraph 9.1.2.6 of Chapter 2 of MSECC pertains to reflecting updates in PDC at DRS/NS.</p>	<p>It is proposed that</p> <ol style="list-style-type: none"> 1. For any updates pertaining to critical systems and application releases made at the PDC, the same should get reflected at DRS/ NS before beginning of next day with head 	<p>Rationalization and EODB:</p> <p>MIs have suggested to segregate timelines w.r.t updates for Application releases and those for OS and security patches while relaxing the timeline for application releases and aligning timelines for other</p>

		<p>room flexibility without compromising any of the performance metrics.</p> <p>2. For reflecting other updates at DRS/NS, timeline specified in Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities shall be complied with (timeline specified for DRS to be considered for NS in case timeline is not specified for NS in CSCRF).</p> <p>3. For exceptions, MIIs shall consult SCOT and seek its guidance for relaxation in case of unavoidable reasons.</p>	<p>patches (including OS and security patches) with those in CSCRF.</p> <p>Further, for unavoidable/justifiable reasons, MIIs shall consult SCOT and seek its guidance for relaxation.</p>
55.	Paragraph 9.1.3.4 of Chapter 2 of MSECC pertains to timing diagrams for DR drills.	It is proposed to expand the meaning of timing diagrams to include details of all DR activities with planned timelines.	Clarification
56.	Paragraph 9.1.3.5 of Chapter 2 of MSECC pertains to forwarding the results and observations of the DR drills along with comments of the Governing Board of MII.	It is proposed that results and observations of the drills along with comments of the Standing Committee on Technology (SCOT) of MII shall be forwarded to SEBI within a month of the drill. Additional comment(s) of the Governing Board of MII, if any, shall also be submitted to SEBI at the earliest, not later than seven days, after the next meeting of Governing Board post DR drill.	<p>Rationalization and EODB</p> <p>MIIs have informed that many a times, taking comments of both SCOT and Governing Board may not be feasible within one month of DR drill. Considering their request and as an ease of doing business measure, the modification has been proposed such that MIIs can submit results and observations along with comments of SCOT within one month of drill.</p>

			Additional comments of Governing Board, if any, may be submitted later on after scheduled meeting of Governing Board is conducted post DR drill.
57.	Paragraph 9.1.4.2 of Chapter 2 of MSECC pertains to review of BCP-DR policy document once in six months and after every occurrence of disaster.	It is proposed that: <ol style="list-style-type: none"> 1. BCP-DR policy document may be periodically reviewed at least once in a year and after every occurrence of disaster. 2. Submission of policy document to SEBI may not be required. 	Rationalization and EODB Considering the request of MIIIs, the frequency of review has been modified from once in every six months to at least once in a year. Further, submission of policy document to SEBI may not be needed as it is subject to SEBI annual inspection.
58.	Paragraph 9.4.4.3 of Chapter 2 of MSECC pertains to submission of separate reports to SEBI by CCs and Depositories regarding day wise completion time for pay-in and pay-out activities, details about settlement delays, corrective action(s) taken etc.	It is proposed that the report may be submitted to their respective SCOTs instead of submitting to SEBI.	EODB and Rationalization As an ease of doing measure, the requirement of submitting report to SEBI is proposed to be discontinued. Instead, such report can be submitted by CCs/Depositories to their respective SCOTs which can take necessary action. Further, reporting requirements for business disruption are prescribed in the SOP for handling of technical glitches in MSECC. The same is also applicable for reporting of settlement related delays.
59.	Paragraph 10.3.7 of Chapter 2 of MSECC pertains to implementation of	It is proposed to update the link provided in this provision as the previous link has become outdated.	Rationalization

	principles mentioned in guidelines for Indian Government websites by MIIs. A link to these guidelines has also been provided in this paragraph.	Further, it is also proposed to make this provision generic such that MIIs can keep referring to the updated guidelines. Modified provision is as under: “MII shall refer to the updates to the said guidelines from time to time. The said guidelines are currently available at https://guidelines.india.gov.in/introduction/ ”	
60.	Paragraph 10.4.1.2 of Chapter 2 of MSECC pertains to sharing of public facing IPs of MIIs with Cyber Swachhta Kendra for monitoring purpose.	It is proposed to remove this provision as elaborate provision in this regard has been prescribed in CSCRF.	Redundancy In view of the following CSCRF provision, the aforesaid paragraph is proposed to be removed from MSECC: RS.MA.S5 (pg 123) - REs shall collaborate with Cyber Swachhta Kendra (CSK) operated by CERT-In to trace bots and vulnerable service(s) running on their public IP addresses, and receive alerts regarding the same. The alerts received from CSK shall be closed in a time-bound manner. Observations (from CSK) which require a longer time to close shall be put up to the IT Committee for REs for their guidance and appropriate mitigation/closure.
61.	Paragraph 10.4.1.3 of Chapter 2 of MSECC pertains to quarterly review of Cyber Security Preparedness of respective MIIs by	It is proposed to remove this provision as elaborate provision in this regard has been prescribed in CSCRF.	Redundancy In view of the following CSCRF provisions, the aforesaid paragraph is proposed to be removed from MSECC:

	<p>SCOT of Exchanges/Clearing Corporations and IT Strategy Committee of Depositories.</p>	<p>GV.PO.S1 (pg 54) - A comprehensive cybersecurity and cyber resilience policy shall be documented and implemented after receiving approval from Board/ Partners/ Proprietor.</p> <p>The cybersecurity and cyber resilience policy shall include industry best practices, and encompass standards and guidelines mentioned in this framework.</p> <p>GV.PO.S2 (pg 54) - The cybersecurity and cyber resilience policy shall be reviewed periodically by the REs.</p> <p>GV.PO - Guideline #9 (pg 84) - The Board/ Partners/ Proprietor of the REs shall constitute an IT Committee for REs comprising experts proficient in technology. This IT Committee of REs shall meet on a periodic basis to review the implementation of the cybersecurity and cyber resilience policy approved by their Board/ Partners/ Proprietor, and such review shall include goal setting for a target level of cyber resilience, and establishing a plan to improve and strengthen cybersecurity and cyber resilience. The review shall be placed before the</p>
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			<p>Board/ Partners/ Proprietor of REs for appropriate action.</p> <p>Table 15 - #5 (pg 46) - IT Committee for REs meeting periodicity – Quarterly.</p> <p>IT Committee in case of MIIIs is SCOT. Further, the IT committee has been mandated to meet to review the aforesaid policy periodically and the periodicity has been defined as quarterly. Hence, the provisions are substantially similar.</p>
62.	<p>Paragraph 10.4.1.4 of Chapter 2 of MSECC prescribes as under:</p> <p><i>“MIIIs should place the details of Cyber-threat vectors and Cyber-attack scenarios and the corresponding action plan / steps taken to manage such threat vectors and scenarios, before its SCOT or IT-CS for assessing the adequacy of steps taken / efficacy of plans and further improvements. Thereafter, the MII should place a report in this regard before its Board before</i></p>	<p>It is proposed to remove this provision as elaborate provision in this regard has been prescribed in CSCRF.</p>	<p>Redundancy</p> <p>In view of the following CSCRF provisions, the aforesaid paragraph is proposed to be removed from MSECC:</p> <p>GV.PO - Guideline #9 (pg 84) - The Board/ Partners/ Proprietor of the REs shall constitute an IT Committee for REs comprising experts proficient in technology. This IT Committee of REs shall meet on a periodic basis to review the implementation of the cybersecurity and cyber resilience policy approved by their Board/ Partners/ Proprietor, and such review shall include goal setting for a target level of cyber resilience, and establishing a plan to improve and strengthen</p>

	<p><i>submitting the same to SEBI.”</i></p>	<p>cybersecurity and cyber resilience. The review shall be placed before the Board/ Partners/ Proprietor of REs for appropriate action.</p> <p>GV.PO - Guideline #10 (pg 85) - The aforementioned committee and the senior management of the REs, including the CISO, shall periodically review instances of cybersecurity incidents/ attacks, if any, domestically and globally, and take steps to strengthen cybersecurity and cyber resilience.</p> <p>RS.CO - Guideline #4 (pg 124) - The quarterly reports containing information on cyber-attacks, threats, cybersecurity incidents and breaches experienced by REs and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs/ vulnerabilities, threats that may be useful for other REs and SEBI, shall be submitted to SEBI within 15 days from the quarter ended June, September, December and March of every year.</p> <p>RS.MA - Guideline #2 (pg 122) - CCMP shall be approved by Board/</p>
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			<p>Partners/ Proprietor of REs.</p> <p>RC.RP.S1 - Guidelines #1 (pg 127) - The response and recovery plans of the REs shall include scenario-based classifications. REs shall build their own response and recovery plan as per their business model and include the same in their CCMP.</p>
63.	<p>Paragraph 10.4.1.5 of Chapter 2 of MSECC prescribes as under:</p> <p><i>“In addition to the periodic vulnerability assessment and penetration testing conducted by MIs to evaluate security posture of the MI, the MIs should also conduct periodic table-top exercises, mock drills, etc. to improve its preparedness to handle cyber breach/incident. Such exercises should be followed up with a detailed review before its SCOT or IT-CS.”</i></p>	<p>It is proposed to remove this provision as elaborate provision in this regard has been prescribed in CSCRF.</p>	<p>Redundancy</p> <p>In view of the following CSCRF provisions, the aforesaid paragraph is proposed to be removed from MSECC:</p> <p>RC.RP.S2 - Guideline #2 (pg129) - REs shall conduct comprehensive scenario-based cyber resilience testing at least 2 times in a financial year (periodicity of such testing shall be of 6 months), to validate their ability to recover and resume operations following a cybersecurity incident/ attack within prescribed RTO and RPO defined by SEBI. In this regard, REs shall incorporate extreme plausible cyber-attack scenarios into their cyber response and recovery planning. The said scenarios may be devised by REs in consultation with their respective IT Committee for REs based on the learning from</p>

			<p>various sources such as past cybersecurity incidents, near-miss analysis, data from Security Operations Centre, honeypot logs analysis, etc.</p> <p>RC.RP.S2 - Guideline #5 (pg 129) - The result of the Cyber resilience testing shall be placed before IT Committee for REs. The lessons learned from conducting such cyber resilience testing shall be shared with SEBI within 3 months from the end of the relevant period of conducting cyber resilience testing. Status of the observations found during the cyber resilience testing shall be monitored and tracked by IT Committee for REs.</p> <p>RC.RP.S3 - Guideline #1 (page 129) - All REs shall conduct suitable periodic drills to test the adequacy and effectiveness of the response and recovery plan.</p> <p>and Table 15 - #14 (pg 47) - Quarterly</p>
64.	<p>Paragraph 10.6 of Chapter 2 of MSECC pertains to Cyber Security Operation Center (C-SOC).</p> <p>As per point 3 in guideline DE.CM.S3 of CSCRF, MIIs shall have a cybersecurity</p>	<p>It is proposed to clarify that provisions of the aforesaid Circular dated December 07, 2018 are also applicable to Commodity Derivatives and their Clearing Corporations as already mandated in CSCRF.</p>	<p>Clarification and Rationalization</p>

	<p>Operations Centre (C-SOC) that would be a 24x7x365 set-up manned by dedicated security analysts to identify, respond, recover and protect from cybersecurity incidents. The C-SOC for MIs shall function in accordance with SEBI circular CIR/MRD/CSC/148/2018 dated December 07, 2018. However, the aforesaid SEBI Circular is not addressed to Commodities Derivatives Exchanges and their Clearing Corporations.</p>		
65.	<p>Paragraph 10.6.6.5 of Chapter 2 of MSECC pertains to Cyber Crisis Management Plan (CCMP) and its review.</p>	<p>It is proposed to harmonize the frequency of review of CCMP with respective provision in CSCRF as under: “The CCMP should be reviewed and updated as per frequency defined in CSCRF”.</p>	<p>Harmonization</p> <p>CCMP is mandated in both Chapter 2 and CSCRF. There is an inconsistency in terms of periodicity of review. Chapter 2 of MSECC mandates review to be annual while CSCRF (Guideline RS.IM.S1, page 126) mandates half yearly review for MIs. To remove the inconsistency, the aforesaid has been proposed.</p>
66.	<p>Paragraph 10.9.15 of Chapter 2 of MSECC pertains to crediting the amount realized from the “Financial</p>	<p>It is proposed to update reference to SEBI IPEF Regulations from Reg. 4(1)(j) to Reg. 4(1)(m).</p>	<p>Consistency</p> <p>As per the latest SEBI IPEF regulations, the provision “such other</p>

	<p>Disincentives” to “Investor Protection and Education Fund”.</p> <p>In this provision, Regulation 4(1)(j) of Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009 (“SEBI IPEF Regulations”) is referred.</p>		<p>amount as the Board may specify in the interest of investors” is prescribed in Reg. 4(1)(m).</p>
67.	<p>Paragraph 10.13 of Chapter 2 of MSECC contains advisory on encryption of data-in-motion and data-at-rest.</p>	<p>It is proposed to remove this provision as similar provision in this regard has been prescribed in CSCRF.</p>	<p>Redundancy</p> <p>Provision already prescribed in CSCRF, hence the same may be removed from MSECC. Reference is provided below:</p> <p>PR.DS.S1 / S2 / S3 - Guideline #1 (page 105) - Data shall be encrypted in motion, at rest and in-use by using strong encryption methods.</p>
68.	<p>Paragraph 10.14 of Chapter 2 of MSECC contains advisory on Cyber Security and Cyber Resilience.</p>	<p>It is proposed to remove these provisions (except those in paragraphs 10.14.5 and 10.14.6) from MSECC as they are already covered in CSCRF. For deleted provisions, following broad provision may be added:</p> <p><i>“With regard to the cyber security preparedness, MIIIs shall strictly follow provisions related to SOC Operations, Network Security Management, VAPT (including those in Annexure-</i></p>	<p>Redundancy</p> <p>These provisions except 10.14.5 and 10.14.6 are broadly covered in following CSCRF provisions:</p> <ul style="list-style-type: none"> • DE.CM, DE.DP (SOC operations) • PR.AA.S9 (Network security management) • Clause 4.3, Annexure L -(VAPT) • PR.IP - (Change Management)

		<p><i>L), Change Management, Backup Management, Zero Trust, Physical Security etc. as prescribed in CSCRF.”</i></p>	<ul style="list-style-type: none"> • RC.RP - (Backup Management) • PR.AA.S4 - (Zero Trust) • PR.AA.S10 /S11/S12 - (Physical Security) <p>Therefore, a reference may be given here for adhering to guidelines in CSCRF along with retaining 10.14.5 and 10.14.6 provisions and take actions as required.</p>
69.	<p>Paragraph 10.1 of Chapter 2 of MSECC contains reference to CSCRF for cyber security and cyber resilience framework of MIs.</p> <p>Paragraph 10.5 of Chapter 2 of MSECC contains reference to CSCRF for comprehensive review of cyber security at MIs.</p> <p>Paragraph 10.7 of Chapter 2 of MSECC contains reference to CSCRF for provisions related to Cyber Security Operations Center for SEBI registered intermediaries.</p> <p>Paragraph 10.10 of Chapter 2 of MSECC contains reference to CSCRF for</p>	<p>It is proposed to delete these provisions from MSECC.</p>	<p>Redundancy</p> <p>The provisions are providing reference to CSCRF whose guidelines are applicable to MIs/registered intermediaries. Therefore, the same may not need re-iteration and may be removed from MSECC.</p>

	<p>implementation of Cyber Capability Index.</p> <p>Paragraph 10.12 of Chapter 2 of MSECC contains reference to CSCRF for guidelines for MIs regarding Cyber Security and Cyber Resilience.</p>		
70.	<p>Paragraph 11.2.5 of Chapter 2 of MSECC pertains to managed co-location services provided by vendors.</p>	<p>It is proposed to allow vendors to provide only hardware related rack services also instead of a complete solution encompassing both the necessary hardware infrastructure and the trading-related software applications to the trading members. Accordingly, changes may be made in the aforesaid provision as under:</p> <p>“The vendors shall provide the technical knowhow, hardware <u>or</u> software <u>or both</u> and other associated expertise as services to trading members and shall be responsible for upkeep and maintenance of all infrastructure in the racks provided to them.”</p>	<p>Flexibility</p> <p>MIs have submitted that as per the current interpretation of this provision, the vendor should provide a complete solution encompassing both the necessary hardware infrastructure and the trading-related software applications to the trading members.</p> <p>In order to provide flexibility, choice and cost optimization to trading members, customization in terms of service of a vendor as per need of trading member etc., MIs have suggested to allow such vendors who procure Colocation racks from Exchange and enable their clients to set-up the hardware infrastructure in colo. These clients may install algo software on their own or through any Exchange registered software vendor.</p>

			As an EODB measure, the suggestion may be accepted as vendors remain responsible for upkeep and maintenance of all the infrastructure in the racks provided to them for the services they are offering.
71.	<p>Paragraphs 11.2.14 and 11.2.15 of Chapter 2 of MSECC pertain to Penalty for Order to Trade Ratio (OTR).</p> <p>Paragraphs 11.2.16 and 11.2.17 of Chapter 2 of MSECC pertain to Unique Identifier for Algorithms/Tagging of Algorithms.</p>	<p>It is proposed to shift provisions on OTR to paragraph 7 on Algorithmic Trading in Chapter 2 of MSECC.</p> <p>Further, provisions on unique identifier for algorithms/tagging of algorithms may be merged under paragraph 7.1.7 as a separate point.</p>	<p>Rationalization</p> <p>These provisions are applicable for Algorithm trading and accordingly being proposed to be shifted under Paragraph 7 as applicable for "Algorithmic Trading".</p>
72.	Paragraph 11.2.18 of Chapter 2 of MSECC pertains to testing requirement for software and algorithms.	It is proposed to merge this provision with that in paragraph 5.1.2.2.5.	<p>Rationalization</p> <p>This provision pertains to testing of software/algorithm. Paragraph 5.1.2.2.5 also contains provisions on mock trading and simulated test environment. Hence, merging both the provisions.</p>
73.	Paragraph 11.3 of Chapter 2 of MSECC pertains to review of guidelines for co-location/proximity hosting facility offered by exchanges.	<p>It is proposed to remove explanation wherever not required</p> <p>Further, the quarterly compliance report submitted to SEBI regarding outsourcing services (paragraph 11.3.3.2) after placing before MII board</p>	<p>Simplification and relaxation</p> <p>SCOT is expert body and there is a need to reduce the burden on Board of MII.</p>

		may be relaxed to as after placing before SCOT.	
74.	Paragraph 16.2 of MCCD pertains to co-location/co-hosting etc. facility in commodity derivatives segment.	It is proposed to merge this provision in MSECC while maintaining segment wise requirements.	Merger of provisions of Commodity Derivatives Segment
75.	<p>Paragraph 12 of Chapter 2 of MSECC pertains to provisions on Capacity Planning for Stock Exchanges and Clearing Corporations.</p> <p>Paragraph 4.62 of Master Circular for Depositories prescribes capacity planning framework for Depositories.</p> <p>SEBI Circular dated December 10, 2024 pertains to Revised Guidelines for Capacity Planning and Real Time Performance Monitoring framework of Stock Exchanges, Clearing Corporations (except Commodity Derivatives Segment) and Depositories.</p> <p>SEBI circular dated February 11, 2026 pertains to "Capacity Planning and Real Time Performance Monitoring framework for Commodity</p>	<p>Following are proposed:</p> <ol style="list-style-type: none"> 1. To merge provisions on Capacity Planning for Stock Exchanges, Clearing Corporations and Depositories as envisaged in SEBI Circular dated December 10, 2024. 2. To harmonize provisions for other segments with those for commodity derivatives segment on augmentation of installed capacity if actual capacity utilization of any component of Stock Exchanges and Clearing Corporations exceeds 75% of the installed capacity i.e. paragraph 3.13 of SEBI circular dated December 10, 2024 may be modified as under (as prescribed for Stock Exchanges and Clearing Corporations having commodity derivatives segment in SEBI circular dated February 11, 2026): <p>"In general, if actual capacity utilization of</p>	<p>Rationalization and Consistency.</p> <p>With regard to the instant clause of capacity augmentation immediately once the threshold is breached, considering the suggestions of MIIs and discussion in the advisory committee, it could be considered to have multiple observations of breach of such threshold. In such cases, the Stock Exchanges and Clearing Corporations should take immediate action, such as fine tuning the applications/systems, enhancing the capacity etc. Such incidents should be discussed in the SCOT to oversee the action taken by the MII. Further, if required, capacity augmentation shall be carried out by the MII in case of repeated observations of breach in threshold.</p> <p>In order to have uniform provisions for Stock Exchanges and Clearing Corporations for all the segments, the modification has been proposed.</p>

	Derivatives Segment”.	<p>any component of Stock Exchanges and Clearing Corporations exceeds 75% of the installed capacity, immediate action shall be taken by the MII such as fine tuning the applications/systems or enhancing the capacity. SCOT shall oversee such action taken by the MII. The framework for handling actual capacity utilization exceeding 75% of the installed capacity, including situations that would necessitate augmentation of installed capacity, shall be included in the Capacity Planning and Real Time Performance Monitoring Policy of the MII.</p> <p>For Depositories, if actual capacity utilization of any IT component exceeds 75% of the installed capacity over a period of 15 days on rolling basis, immediate action shall be taken to enhance the capacity.”</p>	
76.	Paragraphs 6.1.3.18, 7.1.2.10 and 13.1.4 pertains to synchronization of system clocks of stock exchanges with the atomic clock	It is proposed to retain this provision at only one place in paragraph 13 on Data feeds.	<p>Redundancy</p> <p>Elaborate provision provided at paragraph 13.1.4, hence, removing the redundant provisions from paragraphs 6.1.3.18 and 7.1.2.10.</p>

	before the start of market.		
77.	<p>Paragraphs 8, 9, 10 12 and 14 of MSECC pertain to Annual System Audit, Business Continuity Plan and Disaster Recovery (BCPDR), Cyber Security and Cyber Resilience, Capacity Planning and Advisories related to Technology respectively.</p> <p>Paragraphs 4.29, 4.29A, 4.30, 4.31, 4.41, 4.60, 4.62, 4.70, 4.71, 4.72, 4.77, 4.78, 4.80, 4.81, 4.82 and 4.84 of Master Circular for Depositories dated December 03, 2024 also pertain to the aforesaid areas.</p>	<p>A consolidated circular for MIs is proposed which will contain common IT related provisions pertaining to Annual System Audit, Business Continuity Plan and Disaster Recovery (BCPDR), Cyber Security and Cyber Resilience, Capacity Planning and Advisories related to Technology.</p>	<p>Simplification and consolidation</p> <p>Accordingly, proposals mentioned in points 43 to 77 (except 70, 71, 72, 73, 74 and 76) of this table shall be part of consolidated circular for MIs on common IT related provisions.</p>

3. PUBLIC COMMENTS

3.1 Kindly provide your comments for the below items along with supporting rationale:

3.1.1 Whether provisions covered under Chapter 2 of Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024 and the Chapter 16 of Master Circular for Commodity Derivatives dated August 04, 2023 be merged?

3.1.2 Whether provisions related to Stock Exchanges and provisions related to Clearing Corporations covered in Chapter 2 of Master Circular dated December 30, 2024, and Chapter 16 of Master Circular dated August 04, 2023 be separated (except those which are proposed to be part of the consolidated circular for MIs on common IT related provisions)?

3.1.3 Wherever the above two is proposed, whether any risks or issues are envisaged? Safeguards to protect against possible risks?

- 3.1.4 Wherever any provisions such as those related to Securities Trading through Wireless medium on Wireless Application Protocol (WAP) platform etc. which are proposed to be removed, result in any risks for the securities market in general, investors in particular? Safeguards to protect against such risks?
- 3.1.5 Circulars/communications etc. issued to Stock Exchanges by SEBI till February 28, 2026 have been incorporated in the revised Chapter on 'Trading Software and Technology' for Stock Exchanges. Whether any other circular/communication needs to be incorporated?
- 3.1.6 Whether provisions from MCCD are adequately covered in merged provisions in Circular for Stock Exchanges?
- 3.1.7 Whether there is any discrepancy w.r.t merged provisions being made applicable to a segment/MII, they are not intended to?
- 3.1.8 Specific comments/suggestion on the detailed provisions in this consultation paper.
- 3.1.9 Any other comments and suggestions.

3.2 Public comments are also invited on the draft circulars annexed to this consultation paper as **Annexure A1 (draft circular on Trading Software & Technology for Stock Exchanges)**, **Annexure A2 (draft consolidated circular for MIIs on common IT related provisions)**, and **Annexure B (in track change mode)**. The comments/suggestions should be submitted latest by **July 13, 2026**, through the online web-based form which can be accessed using the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

3.3 The instructions to submit comments on the consultation paper are as under:

- 3.3.1 *Before initiating the process, please read the instructions given on top left of the web form as "Instructions".*
- 3.3.2 *Select the consultation paper you want to comment upon from the dropdown under the tab – "Consultation Paper" after entering the requisite information in the form.*
- 3.3.3 *All fields in the form are mandatory.*
- 3.3.4 *Email ID and phone number cannot be used more than once for providing comments on a particular consultation paper.*

- 3.3.5 *If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box. vi. There will be a dropdown of Proposals in the form. Please select the proposals one- by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.*
- 3.3.6 *If you want to provide your comments for the selected proposal, please select*
- 3.3.7 *“Yes” from the dropdown under “**Do you want to comment on the proposal**” and use the text boxes provided for the same.*
- 3.3.8 *After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.*
- 3.3.9 *If you do not want to react on any proposal, please select that proposal from the dropdown and click on “**Skip this proposal**” and move to the next proposal.*
- 3.3.10 *After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on “**Check your response before submitting**” just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.*
- 3.3.11 *The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper.*

3.4 In case of any technical issue in submitting your comment through the web based public comments form, you may contact the following through email with the subject: **“Modifications to Master Circular for Stock Exchanges, Master Circular for Commodity Derivatives Segment on Trading Software and Technology for Stock Exchanges and Master Circular for Depositories on Information Technology related provisions”**

a) Shri Lamber Singh, GM (lambers@sebi.gov.in)

b) Shri Pratik Kumar, AGM (pratikk@sebi.gov.in)

c) Shri Sharaffkhana V S Vamsi Kiran, AM (vamsikiransvs@sebi.gov.in)

Encl.: Annexure A1, Annexure A2, Annexure B

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