

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/177

December 30, 2022

To,

All recognized stock exchanges and clearing corporations

Madam / Sir,

Sub: Introduction of Investor Risk Reduction Access (IRRA) platform in case of disruption of trading services provided by the Trading Member (TM)

1. In recent times, with increasing dependence on technology in securities market, there is a rise in instances of glitches in trading members' systems, some of which lead to disruption of trading services and investor complaints. In such instances, investors with open positions are at risk of non-availability of avenues to close their positions, particularly if markets are volatile.
2. To address the issue, SEBI had extensive consultations with stock exchanges, clearing corporations (CCs) and TMs. As the respective business continuity plans, if any, of the TMs, may not be able to prevent disruption in some cases like TM being unable to move to Disaster Recovery Site within stipulated time, cyber-attacks etc., it has been decided that a contingency service shall be provided by the stock exchanges in the event of such disruption.
3. In this regard, the following has been decided:

Development of the service:

- 3.1. A joint platform to provide Investor Risk Reduction Access (IRRA) service shall be developed by the exchanges to provide the investors an opportunity to square off/close the open positions and/or cancel pending orders in case of disruption of trading services provided by the Trading Member.
- 3.2. The IRRA service shall support multiple segments across multiple exchanges.

Enablement of IRRA service:

3.3. TMs, upon facing technical glitches which lead to disruption of trading services, can request for enablement of the IRRA service as per the procedures specified by the stock exchanges from time to time and IRRA shall be enabled on receipt of such requests.

3.4. In addition, stock exchanges shall also monitor the parameters like connectivity, order flow, social media posts etc. and *suo moto* initiate the enablement of the service, if needed, irrespective of any such request by the TM.

3.5. This service shall be enabled by the exchanges, *suo moto*, only in case of disruption of trading services of TM across all the exchanges, where the TM is member. In case of disruption of trading services of TM with one/some of the exchanges, where the TM is member, TM may request the enablement, in which case TM shall use the service for all the exchanges.

Access to Investors:

3.6. Once the service is enabled, all the investors of the TM shall be informed by the exchange of the availability of the service through email/SMS and a public notice on exchanges' website. TMs shall also communicate the same by displaying on their website.

3.7. Investors can login to the service using either the Unique Client Code (UCC) or the PAN number and they shall be authorized by a One Time Password (OTP) to be sent to their registered mobile numbers and email ids.

Actions on IRRA service:

3.8. Once successfully authorized, the investors can-

3.8.1. square off/close the open positions across segments and exchange/s and/or

3.8.2. cancel the orders across segments which are pending at the exchange/s.

3.9. The IRRA service shall not permit any action that increases the risk of the investor.

3.10. Further, IRRA service shall also provide the TM with access to an Admin Terminal, through which the TM can monitor the actions of investors and also carry out the actions as mentioned at clause 3.8 above, on instructions of investors. The TM shall maintain evidence of such instructions. The form of such evidence shall be as specified by SEBI/stock exchanges, through various circulars, from time to time.

3.11. In case of enablement of IRRA due to cyber-attacks, such Admin Terminal shall be on a network other than the network, which was subjected to the attack, to protect the other critical infrastructure.

3.12. The TM shall continue to be responsible for all the activities on the IRRA with respect to all obligations including settlement and margin requirements.

Reverse Migration to the TM's systems:

3.13. Stock exchanges shall design a detailed framework for reverse migration from IRRA system to the TM's trading system, as and when the TM's trading system is revived successfully and a request is made in this regard.

3.14. Upon revival of the TM's trading system, TM shall update their systems taking data from the exchanges thus ensuring that latest status of orders and trades is available to the investors.

3.15. Stock exchanges shall decide on the reverse migration based on various parameters including the size of the broker, time required for reverse migration and remaining time of the trading session.

4. Exchanges shall ensure that credible and periodic testing of the IRRA platform is carried out from time to time for smooth functioning of the service.

5. Stock exchanges shall issue guidelines in this regard giving details like cut-off times for enablement of IRRA service, handling of various scenarios of open positions, framework for reverse migration etc.
6. In case of disruptions after the cut off time for enablement of IRRA service, exchanges, based on their assessment and in consultation with SEBI, may extend the market hours, if needed.
7. Stock exchanges and CCs shall put in place appropriate systems to ensure compliance of the provisions of this circular on or before October 01, 2023.
8. Stock exchanges are directed to:
 - 8.1. set up the platform;
 - 8.2. bring the provisions of this circular to the notice of their members / participants and also disseminate the same on their websites;
 - 8.3. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision;
 - 8.4. communicate to SEBI, monthly milestones as per the implementation plan and status against the milestones including, in their monthly development reports;
 - 8.5. publish detailed guidelines/ Frequently Asked Questions (FAQs).
9. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully,

Aradhana Verma
Deputy General Manager
Market Intermediaries Regulation and Supervision Department
Tel. No: +91-022 26449633