



CIRCULAR

CIR/MRD/DP/ 06 /2014

February 07, 2014

To,

All Stock Exchanges.

Dear Sir / Madam,

Subject: Testing of software used in or related to Trading and Risk Management

SEBI issued circular No. CIR/MRD/DP/24/2013 dated August 19, 2013 on 'Testing of software used in or related to Trading and Risk Management'. Subsequently, SEBI has received various suggestions with regard to the requirement of software testing prescribed through the aforementioned circular.

2. After due examination of the suggestions in consultation with the Technical Advisory Committee, it has been decided to partially revise the requirements as follows:

2.1. With respect to testing of software related to (a) fixes to bugs in the software, (b) changes undertaken to the stock brokers' software / systems pursuant to a change to any stock exchange's trading system, and (c) software purchased from a software vendor that has already been tested in the mock environment by certain number of stock brokers, stock exchanges may prescribe a faster approval process to make the process of approval expeditious.

2.2. Stock exchanges may suitably schedule the requirements of mock testing, certification of test reports by system auditor(s) and the software approval process, so as to facilitate a speedy approval and a smooth transition of the stock brokers to the new / upgraded software.

2.3. With regard to changes / updates to stock broker's trading software that intend to modify the 'look and feel' and do not affect the risk management system of the stock broker or the connectivity of the trading software with stock exchange's trading system, it is clarified that mock testing and consequent system audit may not be insisted upon by the stock exchanges.

2.4. Stock exchanges shall direct their stock brokers to put in place adequate mechanism to restore their trading systems to 'production state' at



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the end of testing session so as to ensure integrity of stock brokers' trading system.

2.5. In order to ensure that stock brokers are not using software without requisite approval of the stock exchanges, stock exchanges are advised to put in place suitable mechanism to prevent any unauthorized change to the approved software.

3. Stock exchanges are directed to:

3.1. take necessary steps and put in place necessary systems for implementation of the above.

3.2. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.

3.3. bring the provisions of this circular to the notice of the stock brokers / trading members of the stock exchange and also disseminate the same on their website.

4. This circular is being 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 market.

Yours faithfully,

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