



Market Infrastructure Institutions

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Why in News

The **Securities & Exchange Board of India (SEBI)** has **asked Market Infrastructure Institutions (MIIs)** to begin **operations from disaster recovery sites within 45 minutes** of a disruption to critical systems, including trading.

The directive comes against the backdrop of a technical glitch at the **National Stock Exchange (NSE)** on **24th February** that halted trading for nearly four hours.

Key Points

- **SEBI's Latest Directive:**
 - **New Framework for MIIs:**
 - SEBI has come out with a new framework for **Business Continuity Plan (BCP) and Disaster Recovery (DR) of Market Infrastructure Institutions (MIIs) - stock exchanges, clearing corporations and depositories.**
 - Business Continuity (BC) and Disaster Recovery (DR) are closely related practices that **support an organization's ability to remain operational after an adverse event.**
 - **Guidelines:**
 - In the event of **disruption of any one or more of the 'critical systems'**, the MII would, **within 30 minutes** of the incident, **declare that incident as 'disaster'.**
 - **Critical systems for an exchange or clearing corporation** would include **trading, risk management, collateral management, clearing and settlement and index computation.**
 - **Critical systems' for a depository** shall include **systems supporting settlement process and inter-depository transfer systems.**
 - MIIs have been directed **to move to disaster recovery sites within 45 minutes** of declaring an incident a 'disaster'.
 - A **disaster recovery site** is a place that a company can temporarily relocate to following a security breach or natural disaster.
 - It ensures that **a company can continue operations until it becomes safe to resume work at its usual location** or a new permanent location.
 - **Mobile- and cloud-based disaster recovery sites** are becoming increasingly popular.
 - The **new guidelines should be implemented within 90 days.**

- **Market Infrastructure Institutions (MIIs):**
 - **Stock exchanges, depositories and clearing corporations** are collectively referred to as securities Market Infrastructure Institutions (MIIs).
 - According to the **Bimal Jalan Committee (2010)**, these institutions are systemically important for the country's financial development and serve as the infrastructure necessary for the securities market.
 - The **stock exchange** in India serves as **a market where financial instruments like stocks, bonds and commodities are traded.**
 - **Depositories** may be organizations, banks, or institutions that hold securities and **assist in the trading of securities.**
 - A **clearing corporation is an organisation/entity affiliated with a stock exchange** whose primary objective is to oversee the handling of confirmation, settlement, and delivery of transactions.

SEBI

- The **Securities and Exchange Board of India** was established on 12th April, 1992 in accordance with the provisions of the **Securities and Exchange Board of India Act, 1992.**
- Major Function:
 - To protect the interests of investors in securities.
 - To regulate the securities market.

NSE

- The **National Stock Exchange of India Limited (NSE)** is **India's largest financial market.**
- **Incorporated in 1992**, the NSE has developed into a sophisticated, electronic market, which ranked fourth in the world by **equity** trading volume.
 - NSE was the first exchange in India to provide modern, fully automated electronic trading.
 - The NSE is the largest private wide-area network in India.
- The **NIFTY 50 is the flagship index on the National Stock Exchange of India Ltd. (NSE).** The Index tracks the behavior of a portfolio of blue chip companies, the largest and most liquid Indian securities. It includes 50 of the approximately 1600 companies listed on the NSE.

Source: TH