

# NSE outage

February 26, 2021

**In News:** Sebi seeks explanation from NSE for not migrating to disaster recovery site.

## About NSE outage

- Stocks turned in dramatic gains of nearly 2% in a late surge on Wednesday, capping a turbulent day that saw trading on the National Stock Exchange (NSE), India's largest, disrupted for nearly four hours because of a technical glitch.
- The outage, the longest such in the country, prompted NSE and its main rival BSE to extend trading hours until 5pm on Wednesday to allow investors to close their positions ahead of Thursday's expiry of monthly derivatives contracts.
- Many investors couldn't as brokerages squared off open positions to mitigate risks.

# BOURSE BLAMES IT ON TELCOS

**10:08 am** | The data feed for Nifty and other indices stopped, followed by a glitch in NSE's F&O segments at **11:15am**

**11:40 am** | Trading on NSE suspended. At **11:58am**, NSE said it was working to restore the systems as soon as possible

> NSE said its system failed because both its **telecom service providers faced problems**. But, brokers doubt NSE's reasons

## TRADERS SQUARE OFF IN EXTENDED MKT HOURS

> **Day-traders were stuck** with their buy or short sell positions on cash and F&O segments

> Around 3pm, brokers helped clients to square off their speculative positions on cash segment with **counter trades on BSE's cash segment**



> But due to negligible volume on BSE's F&O segment, similar positions taken on NSE could not be squared off

> Traders got relief when Sebi, NSE & BSE together decided to extend market hours till 5pm. **Trading resumed at 3:45pm**

### REGULATORY MOVES

- 1 Sebi asked NSE to find out reasons for glitch
- 2 Earlier, Sebi had said it was working to put in place a compensation mechanism for investors for losses incurred due to technical glitches

### THIRD TIME IN A YEAR...

- 1 NSE, the first Indian exchange to launch electronic trading in 1994, had faced a similar glitch in 2017, when trading was halted for about 5 hours
- 2 NSE's trade clearing arm was also hit by such glitches in **Sept and Dec 2020**
- 3 In 2020, bourses in Japan, Germany and Mexico too faced system outage

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## CAUGHT OFF GUARD

Technical snags such as the one that hit the National Stock Exchange (NSE), the world's biggest derivatives bourse, have disrupted trading at several global stock exchanges in the past. A look at some major outages:

<b>Euronext</b> 19 Oct 2020	<b>TRADING</b> was stopped in all products due to a technical issue, affecting equities trading in Amsterdam, Brussels, Lisbon and Paris.
<b>Tokyo Stock Exchange</b> 30 Sep 2020	A failed switchover to backups following a hardware breakdown at the bourse forced an unprecedented all-day trading halt.
<b>Nasdaq</b> 3 Jul 2017	A host of Nasdaq-listed stocks were reset at exactly \$23.47 apiece due to a glitch, slashing the value of firms including Amazon and Apple.
<b>Intercontinental Exchange</b> 15 May 2015	<b>ICE</b> suffered a trading interruption of more than an hour in some of its natural gas and power contracts 'due to a system issue'.
<b>NYSE</b> 12 Nov 2012	<b>TRADING</b> was suspended in 216 companies for most of the day, with the bourse blaming the outage on one of its order matching engines.

### WHAT HAPPENED?

NSE halted trading at 11:40am, claiming snags in the data links provided by telecom service providers had hit its systems.

### WHY DOES IT MATTER?

NSE bourse had a 94% share in both the cash market and the derivatives market in 2020.

### WHAT IS THE FALLOUT?

SEBI, the markets regulator, has asked NSE to carry out a detailed root-cause analysis into the disruption in trading.

Source: Financial Times, Bloomberg and Mint Research

SARVESH KUMAR SHARMA/MINT

## National Stock Exchange

- The National Stock Exchange was founded in 1992. It was recognized as a stock exchange by SEBI under the Securities Contracts (Regulation) Act, 1956 and the operation commenced in 1994. Vikram Limaye is the

Managing Director & Chief Executive Officer of National Stock Exchange of India Ltd (NSE).

- It was the first exchange in India to provide fully computerized electronic trading. NSE is one of the pioneers in technology and innovation which ensured the high-end performance of its systems. The exchange supports more than 3,000 VSAT terminals, making the NSE the largest private wide-area network in the country.
- Its automated system makes it more reliable and efficient in comparison to the Bombay Stock Exchange(BSE).