



**CIRCULAR**

CIR/MRD/DP/02/2015

January 12, 2015

To,

All Stock Exchanges.

Dear Sir / Madam,

**Subject: Index based market-wide circuit breaker mechanism**

SEBI had issued circulars SMDRPD/Policy/Cir-37/2001 dated June 28, 2001 and CIR/MRD/DP/25/2013 dated September 03, 2013 advising stock exchanges to implement an index based market wide circuit breaker system to bring about a coordinated trading halt in all equity and equity derivative markets nationwide on 10%, 15% and 20% movement either way of BSE SENSEX or NSE NIFTY.

2. The mechanism implemented by the stock exchanges for 'Index based market-wide circuit breakers' was discussed with SEBI's Technical Advisory Committee (TAC) and Secondary Market Advisory Committee (SMAC). Based on the recommendations of TAC and SMAC, it has been decided to further strengthen the mechanism of index based market-wide circuit breaker as under:

(a) NSE and BSE shall compute their market-wide index (NIFTY and SENSEX respectively) after every trade in the index constituent stocks and shall check for breach of market-wide circuit breaker limits after every such computation of the market-wide index.

(b) In the event of breach of market-wide circuit breaker limit, stock exchange shall stop matching of orders in order to bring about a trading halt as mandated vide SEBI circular dated June 28, 2001. All unmatched orders present in the system shall thereupon be purged by the stock exchange.

(c) BSE and NSE shall implement suitable mechanism to ensure that all messages related to market-wide index circuit breakers are given higher priority over other messages. Further, the systems (including the network) for computation of market-wide index, checking for breach of circuit breaker limits and initiating message to stop matching of executable order and acceptance of fresh orders, shall not be used for any other purposes.



**भारतीय प्रतिभूति और विनियम बोर्ड**  
**Securities and Exchange Board of India**

- (d) BSE and NSE shall include in the scope of their annual system audit a review of its index based market-wide circuit breaker mechanism with the view to identify improvements.
3. All other conditions shall be as per SEBI circular SMDRPD/Policy/Cir-37/2001 dated June 28, 2001 and SEBI circular dated CIR/MRD/DP/25/2013 dated September 03, 2013.
4. BSE and NSE are directed to make necessary amendments to the relevant bye-laws, rules and regulations and take necessary steps to put in place necessary systems for implementation of the provisions of this circular. All stock exchanges are directed to bring provisions of this circular to the notice of their stock brokers and also disseminate the same on their website.
5. 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,

**Maninder Cheema**  
**Deputy General Manager**  
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