

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[SETTLEMENT ORDER No. – SO/VV/AS/2023-24/6558]**

**In respect of:**

<b>Applicants</b>	<b>Name of the entities</b>	<b>PAN</b>
Applicant 1	K S Somasundaram	ABAPS0010P
Applicant 2	Ravi Varanasi	AACPV0930C
Applicant 3	Mayur Sindhwad	BQCPS9399P

\*Applicant 1 to Applicant 3 collectively referred as “**Applicants**”

In the matter of Trading halt on the National Stock Exchange of India Ltd

1. On February 24, 2021, National Stock Exchange of India Ltd., (hereinafter referred to as “**NSE**”) took a decision to halt trading in all its segments from 11:40 AM. NSE informed that it has multiple telecom links with two service providers and that it received communication from both the telecom service providers that there are issues with their links due to which there is an adverse impact on NSE system (hereinafter also referred to as the “**glitch**” or “**technical glitch**”). Thereafter, the trading at NSE resumed from 03:45 p.m. after the pre-open session of 15 minutes from 03:30 PM and trading hours were extended from 03:45 PM to 05:00 PM at NSE, the BSE Ltd., and the Metropolitan Stock Exchange of India Ltd., In this regard, NSE/ NSE Clearing Limited (hereinafter referred to as “**NCL**”) submitted its Preliminary Root Cause Analysis (hereinafter referred to as “**RCA**”), Final RCA and correspondences with the relevant telecom service providers, etc.
2. Pursuant to the above, SEBI conducted an investigation in the matter of failure of systems of NSE and NCL upon occurrence of the glitch on February 24, 2021 (hereinafter also referred to as the “**Period of Investigation / IP**”). The focus of the investigation was to ascertain whether the failure of systems of NSE and NCL upon occurrence of the glitch on February 24, 2021 was in violation of provisions of the SECC Regulations, 2018, SEBI Act, 1992 and Securities Contracts

(Regulation) Act, 1956 or any other Rules/ Regulations made or directions or circulars issued by SEBI thereunder.

3. The investigation inter-alia observed that the trades executed on NSE from 10:06 AM to 11:43 AM in respect of equity cash segment and from 10:06 AM to 11:40 AM in respect of all other segments, were not subjected to online real time risk management. It is further observed that on February 24, 2021, 3 Officials of NSE and NCL viz., K S Somasundaram, Chief Enterprise Risk & Information Security Officer, NSE (**Applicant 1**), Ravi Varanasi, Chief Business Development Officer, NSE (**Applicant 2**) and Mayur Sindhwa, Chief Operating Officer, NSE (**Applicant 3**) were forming part of Crisis Management Team (CMT). Thus, it is alleged that the Noticees being the persons responsible for crisis management of NSE and NCL, as elaborated in BCMP being members of CMT, have failed to ensure that NSE is in compliance with SEBI regulatory requirements and accordingly it is alleged that the Noticees have violated the provisions of Clause 1(b) of Schedule II of Regulation 26(2) of SECC Regulations, 2018.
4. In view of the above, it was decided to inquire into and adjudicate upon the alleged violations as aforesaid and accordingly, vide *communique* dated July 01, 2021, Mr. Prasanta Mahapara was appointed as Adjudicating Officer ('**AO**') to conduct the adjudication proceedings in the manner specified under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') and impose such penalty on the Noticees, as deemed fit, in terms of Rule 5 of the Adjudication Rules and Section 15HB of the SEBI Act. Pursuant to transfers and internal re-structuring, Ms Asha Shetty appointed as AO (vide *communique* dated June 07, 2022) and then undersigned has been appointed as the AO vide *communique* dated October 06, 2022. It has been advised that except for the change of the Adjudicating Officer, the other terms and condition of the original orders (whereby the aforesaid Adjudicating Officers was appointed) '*shall remain unchanged and shall be in full force and effect*'. It has also been advised that '*I should proceed in accordance with the terms of reference made in the original orders*'.
5. Pending the instant proceedings commenced by the SCN dated August 31, 2021, Applicant has filed Settlement Applications with SEBI in terms of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as '**Settlement Regulations**'), proposing to settle the pending proceedings, without admitting or denying the findings of fact and conclusions of law, through a

Settlement Order. The details of aforementioned settlement applications have been mentioned below:

Applicant	Name of the Applicant	Settlement Application Bearing No.	Date of the Settlement Application
1	K S Somasundaram	6558/2021	September 14, 2021
2	Ravi Varanasi	6603/2021	October 04, 2021
3	Mayur Sindhwad	6556/2021	September 14, 2021

6. After attending meetings with the Internal Committee of SEBI on May 04, 2022, August 24, 2022 and February 24, 2023 in terms of Settlement Regulations, the Applicants vide letter dated March 19, 2023 proposed revised settlement terms. The settlement applications filed by the Applicants along with revised settlement terms proposed by them, were placed before the High Powered Advisory Committee (hereinafter referred to as "**HPAC**"), during its meeting held on April 13, 2023. The HPAC suggested that the Internal Committee of SEBI to give its observation on the revised settlement terms proposed by the Applicants on March 19, 2023. Thereafter, the Applicants attended the meeting with Internal Committee of SEBI on May 09, 2023 and May 10, 2023 and thereafter, observations of Internal Committee of SEBI on revised settlement terms were placed before HPAC in its meeting held on May 24, 2023. The HPAC recommended that in addition to the combined settlement amount of Rs 72,64,80,000/- (Rupees Seventy-Two Crore Sixty-Four Lakh Eighty Thousand Only) (including the amount for settlement of member proceedings initiated in the instant matter against 5 entities *i.e.* NSE, NCL, Mr. Vikram Limaye, Mr. Vikram Kothari, Mr. Shiv Kumar Bhasin)<sup>1</sup>, the Board may consider other non-monetary settlement terms, as deemed fit.
7. The aforesaid recommendations made by the HPAC, in respect of the settlement applications filed by the Applicants were placed before the Panel of Whole Time Members, in terms of Regulation 14(3) of Settlement Regulations. The Panel of WTMs accepted the recommendation of the HPAC to settle the matter on composite payment by NSE and NCL (for themselves and their employees) of an amount of Rs. 49,76,80,000/- and Rs. 22,88,00,000/-, respectively. As recommended by HPAC, the Panel of WTMs was of the view that the settlement applications may be accepted if the following non-monetary settlement terms, in addition to the aforementioned settlement amount, are undertaken by Applicants.

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<sup>1</sup> Settlement Order in the matter of failure of systems of NSE and NCL upon occurrence of glitch on February 24, 2021 dated June 20, 2023.

- a. Applicants herein commit to and be required to take up and pass specific and appropriate training courses (specified by SEBI), at their own cost, within the next six months and,
  - b. Applicants herein after passing such exams/courses, will commit to pro bono community service of at least 14 days over the next year, furthering the cause of investor education and awareness, by actively contributing to specified programs that are conducted by and monitored under the aegis of SEBI's Office of Investor Assistance and Education.
8. The Applicants were intimated of the afore-mentioned recommendations of the Panel of WTMs on June 09, 2023. Subsequently, the applicants vide email dated June 12, 2023, filed individual undertakings on behalf of individual applicants including the Applicants therein. Thereafter, a notice of demand was issued on June 13, 2023. Vide email dated June 16, 2023, the Applicants informed about the remittance of the settlement amount and the receipt of which has been confirmed.
9. Accordingly, in terms of Regulation 23(1) and Regulation 28 of the Settlement Regulations, it is hereby ordered that the instant adjudication proceedings initiated against the Applicants vide SCN dated August 31, 2021 are disposed of in terms of the above accepted settlement terms.
10. This order is without prejudice to the right of SEBI to take any enforcement action including restoring or initiating the proceedings in respect to which this settlement order is passed, if:
- i. any representations made by the Applicants in the Settlement Proceedings are subsequently found to be untrue; or
  - ii. the Applicants breaches any of the clauses /conditions of undertakings/ waivers filed during the Settlement Proceedings; or
  - iii. there was a discrepancy while arriving at the settlement terms.
11. This settlement order shall come into force with immediate effect. In terms of Regulation 25 of the Settlement Regulations, copy of this order is sent to the Applicants and shall also be published on the website of SEBI.

**Date: June 28, 2023**

**Place: Mumbai**

**Vijayant Kumar Verma**

**Adjudicating Officer**