

THE ECONOMIC TIMES Wealth



www.etwealth.co | Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, New Delhi, Pune | Volume 14 No. 11 | March 11-17, 2024 | 24 pages | ₹8

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Is your stock broker down?

If you encounter a technical glitch on your broking platform, here's what you should do.



By Sanket Dhanorkar

In December last year, when 21-year-old Jayraj Patil from Kolhapur opened his stock broking app to place an order for Bank Nifty options, he was taken aback. "On 20 December, the broker's app had a glitch when I placed some orders for a Bank Nifty option. The app didn't show anything, whether my orders had been executed or rejected or were pending. My order book and posi-

tion page didn't get updated, nor did the funds page," recounts Patil. Seeing his funds in place, Patil kept punching in his order, but nothing got updated. The order book and position tab got updated only a few minutes later, showing an open position, with a huge loss of ₹37,000. Patil tried to exit that position, but the error kept recurring.

Patil is not alone in his suffering. Today, more individuals are trading than ever before. A record number of investors have opened demat accounts

in the past few years. A staggering 42 lakh new accounts were opened in December alone—50% higher than the previous month—taking the total number of demat accounts to 13.93 crore. The trading volume on stock exchanges has increased over tenfold since 2019-20. However, brokers are finding it tough to handle this frenetic activity. In recent months, users of several broking platforms have been crying foul after facing recurring outages and disruption in services.

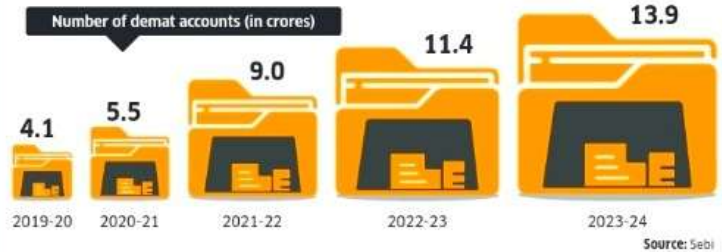
Uphill battle for users

According to the official NSE data, brokers reported 16 outages in January alone. In December last year, 15 incidents were observed. The online outage suggests that all top brokers—Groww, Zerodha, AngelOne, Upstox, ICICI Direct, Kotak Securities, among others—have experienced intermittent disruptions in recent months. Users report a range of issues, including the trading app not loading, log-in errors, significant lag in response time, etc.



Rush to open demat accounts

With the rise in equity culture, the number of demat accounts has grown more than threefold in the past four years, severely testing the brokers' systems.



Technical glitches continue to plague brokers

Reported incidents of outages at brokers have risen in recent months.



tion for the loss on social media. Some have filed formal complaints. However, here is the sobering reality: the chances of getting favourable verdicts are poor.

First, you will be told that you signed documents stating the broker is not responsible for any loss due to technical glitches. You will be told it is not the broker's fault that the problem occurred elsewhere. To be sure, some problems do lie beyond the broker's control. For instance, in early 2021, the NSE suffered an outage that shut all trading on the exchange for nearly four hours. The instability of telecom links from two of its service providers had prompted the exchange to halt operations. Another technical glitch hit MCX this month, suspending trading for four hours.

Brokers, on their part, insist that outages are inevitable in this business. Zerodha Co-founder and CEO Nithin Kamath has categorically stated that no tech platform can guarantee 100% up-time and 0% technical issues, even if they are the world's biggest tech companies. "A stock brokerage, in particular, is an incredibly complex series of real-time systems that interact with each other, carrying immense risk. The tiniest problem can cascade and cause unexpected issues," he previously clarified in a note. Tejas Khoday, Founder, FYERS, points out, "Users must recognise that a broker relies on several external services such as servers managed by vendors, Internet connectivity between the data centre and exchange servers, third-party applications, and more. While the onus is on the broker to maintain high up-time, we

“You have to give at least 2-3 months of your time and effort to get some resolution. This process is very stressful for an individual.”

Some brokers have faced recurring glitches

Exchange records corroborate user outrage against brokers on social media.



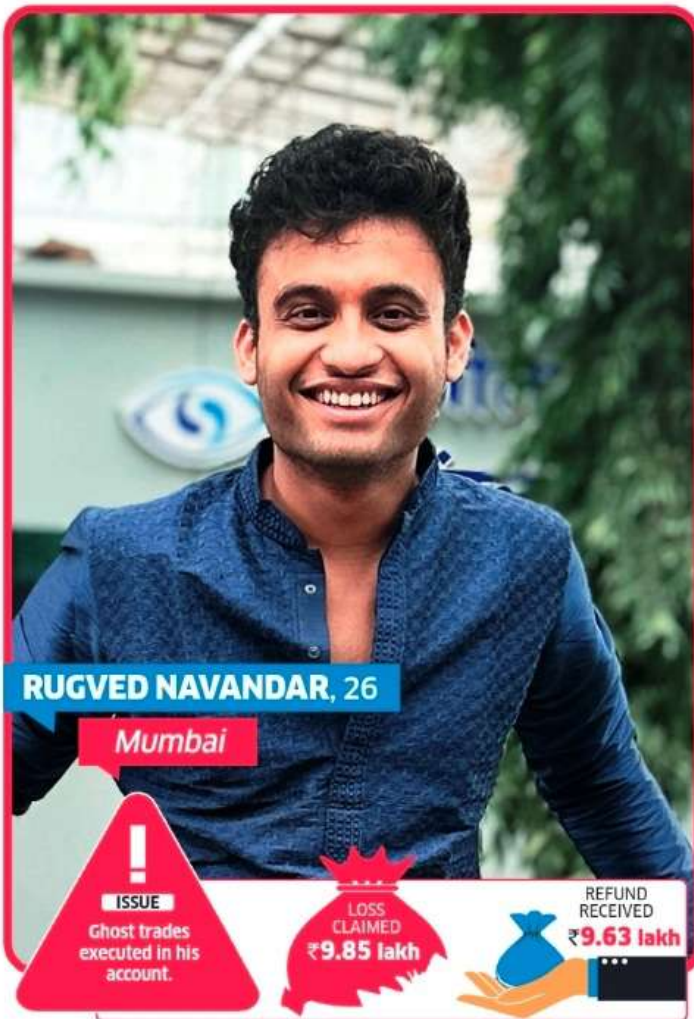
Even a few seconds' delay can put users' money at risk, particularly during intraday trading, where time is of the utmost importance. Many have suffered losses as they have been unable to unwind open positions in time.

As a user, you can do little about the technical issues at your broker's end. Worse, you are unlikely to be able to reach customer support during the outage, as the impacted users far outnumber the available lines. The traders affected by the outages have been asking for compensa-

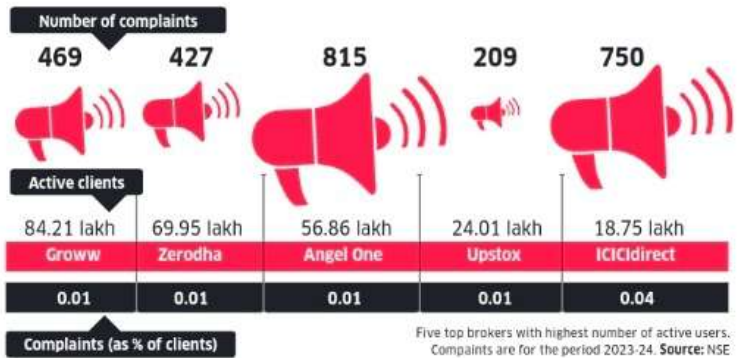
“A broker relies on several external services. Although the onus is on the brokers to maintain high up-time, they have little control on these facets.”



TEJAS KHODAY
FOUNDER, FYERS



Complainants are only a minuscule portion of top brokers' client base



Users escalating complaints have had limited success

Arbitrators have mostly passed verdicts in favour of brokers.

Broker	No. of arbitration filed by clients	Decided by the arbitrators	Decided by arbitrators in favour of clients	Pending for redressal with arbitrators
Groww	0	0	0	0
Zerodha	4	3	1	1
Angel One	7	5	1	2
Upstox	1	1	0	0
ICICIdirect	10	9	2	1

Source: NSE

“The louder the voice you can drum up, the better your chance of getting the broker to play fair.”

have little control over these facets.”

A revised Sebi circular on rights of stockbrokers and clients gives credence to this argument. It states, “The client is aware that trading over the Internet involves many uncertain factors, and that complex hardware, software, systems, communication lines, peripherals, etc. are susceptible to interruptions and dislocations. The stockbroker and the exchange do not make any representation or warranty that the stock broker’s IBT (Internet-based trading) service will be available to the client at all times without any interruption.”

This is codified in broker agreements, which explicitly refute any responsibility for software glitches occurring “for reasons beyond their control”. While the broker claims innocence, it is usually a smoke-screen, insist traders. Last year, Mumbai-based quant research professional Rugved Navandar, 26, incurred a ₹9.85 lakh loss after his trading account saw several ghost trades. He found random open positions that he had never taken, and when he tried to square these off, opposite positions were taken instead. “The broker’s API went completely berserk. It executed trades which typically require margins that are beyond my trading capacity,” Navandar points out. “Most problems occur when market volatility is elevated. Brokers will always try to put the blame on others, including the exchange. Usually, however, the glitch resides at the broker’s end,” points out Aurangabad-based Zubare Khan, 27, another part-time trader, who experienced ghost trades with his broker, incurring a loss of ₹1 lakh.

The law, however, puts the onus on the trader. If investors seek compensation, they must prove that the technical glitch was not beyond the control of the broker or exchange. This provision is a big dampener. “After this revised circular, brokers have the upper hand in such situations and traders’ position

“It is the responsibility of broker to keep the system up and running. If an investor can prove ‘negligence’ or ‘deficiency of service’, he can proceed against the broker.”



YASHOJIT MITRA
PARTNER, ECONOMIC
LAWS PRACTICE

is somewhat watered down,” acknowledges Amit Jajoo, Partner, Indus Law Partners. The burden is now on the trader to show a real loss in his account. He must also prove that his own systems were working fine at the time of the incident, possibly via an expert’s certificate. Yashojit Mitra, Partner, Economic Laws Practice, clarifies, “If the trader or investor can prove that there was ‘negligence’ or ‘deficiency of service’ on the part of the broker, then he will have a cause of action to proceed against the broker.” With such exacting provisions, it is now very

tricky to get compensation for outages and technical glitches at brokers or exchanges.

What you should do

If you fall victim to a software glitch at the broker’s end, all hope is not lost. If the technical problem with the broker is a recurring one, it is usually viewed negatively by the regulator. “It is the broker’s responsibility to keep the systems up and running,” insists Mitra. When you encounter a critical error in your trading app, make sure to document everything. Remember, the onus is on the trader to prove that the problem is at the broker’s end. Take a screenshot of any error thrown up by the app, as well as the order book or open positions, if any. If possible, take a live screen recording of the incident flow. This is critical as it will help you make your case stronger.

Armed with adequate proof, you can file a claim. As a first step, raise a ticket with your broker to claim compensation. It is likely that the broker will fall back on the argument that the technical glitches are not his fault. However, experts insist that this is not binding on the user. Remain firm in your stance and insist on a refund. “If you have strong supporting evidence, it is likely that the broker will offer some settlement amount, which is lower than your actual claim amount,” says Khan. Do not relent if you feel you have a solid case. Escalate the issue with the broker and, if they still refuse a satisfactory settlement,

Stiff penalties are levied on errant brokers

Exchanges have provisions for hefty penalties on brokers for recurring glitches.



Financial disincentives

	SPECIFIED MEMBERS	ALL OTHER MEMBERS
First instance (of glitch occurring for more than 15 minutes)	Observation letter	Observation letter
Second instance	Administrative warning	Administrative warning
Third instance onwards	For every instance ₹50,000 . Progressively increases by ₹25,000 for subsequent instances.	For every instance ₹20,000 . Progressively increases by ₹5,000 for subsequent instances.
More than five technical glitch incidents during the year (lasting over 15 minutes)	In addition to penalties already levied above, no on-boarding of new clients till stock exchange analyses RCA and satisfies itself about corrective measures taken or, 15 days from glitch, whichever is higher.	The relevant authority of the exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on the disciplinary actions.
Failure to restore operations by moving to DR site within Recovery Time Objective.	₹2 lakh	₹20,000
Failure to inform exchange about the incident/glitch within one hour	₹50,000 , plus ₹25,000 per day till failure continues. Additional disciplinary actions on case-to-case basis.	₹20,000 , plus ₹5,000 per day till failure continues. Additional disciplinary actions on case-to-case basis.
Failure to submit the preliminary incident report to the exchange by T+1 day		
Failure to timely submit RCA within 14 days		
Failure to conduct DR drill/live trading from DR site as per the provisions	₹2 lakh , plus ₹1 lakh for every month during which failure continues.	NA

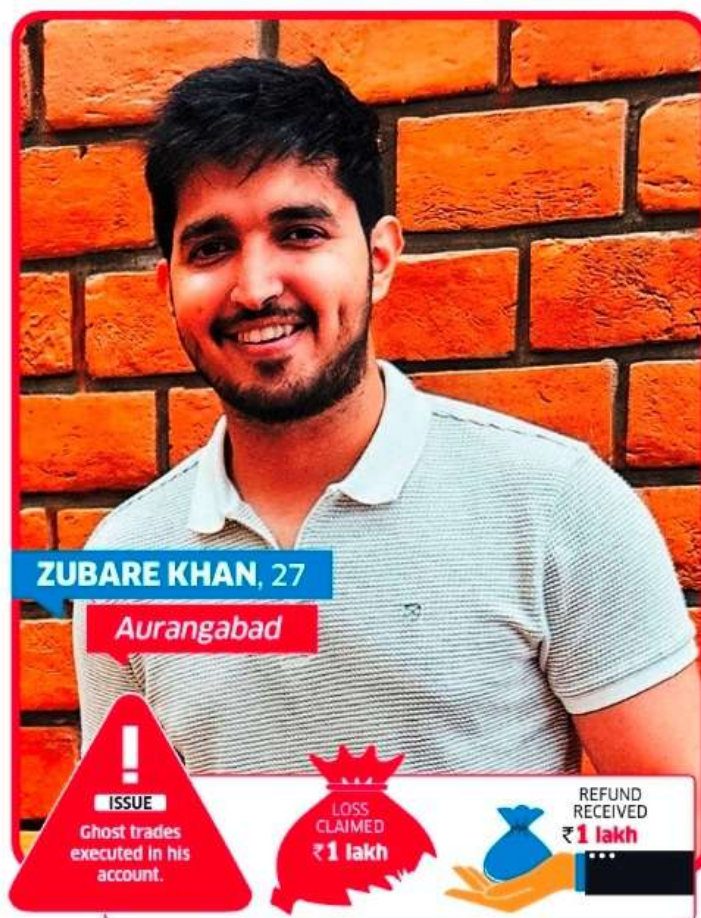
The top 20 members registered with the exchange, having the most Internet and wireless technology-based (IBT/STWT) clients, are classified as 'Specified Members' for this purpose. **Source:** NSE

the next step is to take the complaint to Sebi through the Sebi Complaints Redress System (SCORES) portal at scores.gov.in.

After creating an account to use the portal, you will be directed to a page where you have to write a detailed explanation about your issue. Attach all the relevant proofs to validate your claim. Your complaint will be forwarded to the exchange, which will arrange for a conciliation meeting. Both sides will be given a chance to present their case. If no resolution is achieved at this forum, you can approach the Smart Online Dispute Resolution (ODR) portal, which will arrange a further mediation. If your issue is still not resolved, the last resort is to file for arbitration. This facility is only offered after the payment of a fee that starts from ₹5,400 for claim value up to ₹1 lakh, and rises steadily for higher claim values.

Even after fighting your case for 6-7

months, there is no guarantee that you will win. Affected traders nowadays fall back on another tactic to get the broker to reach a settlement. Many take their grievance to the high-decibel world of social media to put the spotlight on the errant broker. If you amplify your grievance on social media platforms, brokers usually take notice, insist traders. "The louder the voice you can drum up, the better your chance of getting the broker to play fair," observes part-time trader Navandar, who saw ghost trades in his account. His broker never accepted the fault, but finally relented and compensated Navandar after he raked up the issue on Twitter. Patil also took his fight to the social media platform and found support from fellow traders, even as he escalated the complaint to Sebi. Despite all the proofs, his claims were denied by the broker at the conciliation hearings. However, persistent



“Most problems occur when market volatility is high. Brokers will always try to put the blame on others.”

facing recurring issues are a red flag. To be sure, the exchanges have provisions for imposing stiff penalties on errant brokers for recurring outages.

Several brokers are making efforts to improve the level of transparency. Zerodha publishes regulatory reports of glitches on its website, along with the approximate number of customers affected by these. This is to help users better anticipate technological risks associated with trading the

markets. FYERS recently became the first brokerage in India to publicly disclose the up-time/ down-time status of its critical functions on a near real-time basis with the launch of its 'Status Dashboard'. This dashboard also displays previous incident history, highlighting any recurring problems. "Our services affect users in real time. Any disruptions can be problematic and foment panic if users don't know what is happening. Sharing the up-time status in real time keeps us accountable to our users," remarks Khoday.

These are customer-friendly initiatives that other brokers would do well to replicate.

noise on social media finally paid off as his broker agreed to refund the loss. "Overall, you have to give at least 2-3 months of your time and effort to get some resolution. This process is very stressful for an individual, where he has to fight organisations with dedicated staff for it," laments Patil.

While there is no assurance of any broker being glitch-free, it helps to be better informed. Before signing up with a broker, ascertain if it has a good track record. Keep an eye on the downtime reported by brokers. All brokers are required to report any outage (affecting trading for more than five minutes) to the exchange within an hour of occurrence, followed by a preliminary report the next day, and root cause analysis within 14 working days. Such incidents are updated monthly on the NSE website (under Home > Trade > Resources for Members > Member Compliance > Technical Glitches reported by Trading Members). Brokers



Please send your feedback to etwealth@timesgroup.com