

CIRCULAR

HO/47/12/11(5)2025-MRD-POD3/I/196/2025

December 12, 2025

To

All Recognized Stock Exchanges

All Recognized Clearing Corporations

All Depositories

Sir/Madam,

Subject: Provisions relating to Strengthening Governance of Market Infrastructure Institutions (MIIs)

1. The phenomenal growth in the securities market over recent years, driven by increased market capitalization, trading volumes, technology adoption, investor base and market intermediaries has significantly amplified the role of MIIs (Stock Exchanges, Clearing Corporations and Depositories) to act primarily in public interest. Any lapses in these critical institutions could have an adverse impact on the securities market and the broader economy.
2. Based on the feedback received from various stakeholders, public comments, recommendation of the Secondary Market Advisory Committee of SEBI (SMAC), SEBI Board in its meeting held on September 12, 2025 approved amendments to Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations, 2018) and Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 (D&P Regulations, 2018) regarding roles and responsibilities of the Managing Director (MD); directorship(s) of the MD in other companies; and appointment, roles and responsibilities of Executive

Director (ED), Chief Technology Officer (CTO) and Chief Information Security Officer (CISO) of the MIs. Amendments to both SECC Regulations, 2018 and D&P Regulations, 2018 have been issued vide Gazette Notifications No. SEBI/LAD-NRO/GN/2025/276 and No. SEBI/LAD-NRO/GN/2025/275 dated November 21, 2025. The amended provisions will come into force on 30th day from the date of their publication in the Official Gazette, i.e. 20th December, 2025.

3. With the approval of the Board, the following has been decided:

3.1. Appointment of Executive Directors

- 3.1.1. The EDs of Vertical 1 (Critical Operations) and Vertical 2 (Regulatory, compliance, risk management and investor grievances) shall be members on the Governing Board of the MI.
- 3.1.2. Application for appointment of EDs shall be through open advertisement in all editions of at least one national daily. The applicants shall have adequate experience and qualification relevant to the respective verticals.
- 3.1.3. At least two names for the post of an ED, without any order of preference, shall be forwarded to SEBI for approval. At the time of seeking approval of SEBI, the MI shall also seek approval for the compensation of the EDs. The terms and conditions of the compensation of the EDs shall not be changed without prior approval of the Board.
- 3.1.4. Prior to completion of term of the existing ED, the MI shall forward the names to SEBI at least two months before the last working day of the existing ED.
- 3.1.5. Public Interest Directors (PIDs) shall ensure that the performance of EDs is assessed based on an annual performance evaluation mechanism similar to that of MD.
- 3.1.6. Recognizing the heterogeneous nature of MIs (i.e. size, financial health, growth stage, etc.), MIs facing genuine practical difficulties in complying with the provisions relating to appointment of ED may seek exemption for a certain period of time from SEBI, which shall be evaluated on a case-by-case basis.

3.2. Reporting Structure of Executive Directors

- 3.2.1. EDs of vertical 1 and 2 shall report to the Managing Director (MD) of the MII for all purposes.
- 3.2.2. The Standing Committee on Technology (SCOT) shall hold separate quarterly meetings with the ED of Vertical 1, without the presence of MD and other executives. The SCOT shall independently assess the performance of the ED, and the Nomination and Remuneration Committee (NRC) shall consider inputs of both the SCOT and the MD in finalising the performance appraisal of the ED of Vertical 1.
- 3.2.3. The Regulatory Oversight Committee (ROC) and Risk Management Committee (RMC) shall hold separate quarterly meetings with the ED of Vertical 2, without the presence of MD and other executives. The ROC and RMC shall independently assess the performance of the ED, and the NRC shall consider inputs of the ROC, RMC and the MD in finalising the performance appraisal of the ED of Vertical 2.
- 3.2.4. EDs will be required to report to the Governing Board of the MII on a quarterly basis, on areas concerning their respective verticals. In addition, where deemed necessary and important, EDs may bring matters directly to the attention of SEBI.

3.3. Reporting of Key Management Personnel (KMPs) to EDs

- 3.3.1. All Heads of Department within Vertical 1, including the Chief Technology Officer (CTO) and Chief Information Security Officer (CISO), shall report to the ED of Vertical 1. Similarly, all Heads of Department within Vertical 2, including the Compliance Officer (CO) and Chief Risk Officer (CRiO), shall report to the ED of Vertical 2.
- 3.3.2. As the specific KMPs (CTO, CISO, CO and CRiO) of Verticals 1 & 2 report to the respective EDs, the existing reporting structure of such KMPs stands modified from MD to ED. However, the Statutory Committees shall continue to hold separate meetings with such KMPs at least once a quarter without the presence of the MD and ED. Paragraph 6.2 of SEBI Circular No. SEBI/HO/MRD/PoD-3/P/CIR/2024/162 dated November 22, 2024, stands suitably modified.

3.4. Provisions related to Chief Risk Officer

- 3.4.1. The technology audits of the MII, i.e. the System Audit and Cyber Security Audit shall be handled by the CRiO of the MII.
- 3.4.2. The CRiO shall also be an invitee to the meetings of the SCOT along with CTO and CISO.

4. Applicability:

- 4.1. With reference to paragraph 3.1, in order to ensure smooth implementation of appointment of EDs on the Governing Board of MIIs, a glide path shall be considered by the MIIs wherein:
 - 4.1.1. The 1st ED shall be appointed within 6 months from the date of implementation of the amendments to both SECC Regulations, 2018 and D&P Regulations, 2018, as stated at paragraph 2 above; and
 - 4.1.2. The 2nd ED shall be appointed within 9 months from the date of implementation of the amendments to both SECC Regulations, 2018 and D&P Regulations, 2018, as stated at paragraph 2 above.
- 4.2. The provisions at paragraphs 3.2 and 3.3 shall be applicable from the date of appointment of the EDs.
- 4.3. The provisions at paragraph 3.4 shall be applicable from the 60th day of issuance of the circular.
- 5. All MIIs are advised to:
 - 5.1. take necessary steps and put in place necessary systems for implementation of the above;
 - 5.2. make necessary amendments to the relevant byelaws, rules and regulations, wherever required, for the implementation of the above; and
 - 5.3. bring the provisions of this circular to the notice of the market participants (including investors) and disseminate the same on their website.

6. This circular is issued in exercise of the powers conferred under section 11(1) of the Securities and Exchange Board of India Act 1992 read with regulation 51 of the SECC Regulations, 2018, section 26(3) of the Depositories Act, 1996 and regulation 97 of D&P Regulations, 2018 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
7. This circular is available on SEBI website at www.sebi.gov.in at “Legal Framework - Circulars.”

Yours faithfully,

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