

**CIRCULAR**

**SEBI/HO/MRD/POD-III/CIR/P/2025/12**

**January 30, 2025**

To,

**All Recognized Stock Exchanges  
All Recognized Clearing Corporations  
All Depositories**

Sir/ Madam,

**Subject:**

**(1) Parameters for external evaluation of Performance of Statutory Committees of Market Infrastructure Institutions (MIIs); and**

**(2) Mechanism for internal evaluation of Performance of MIIs and its Statutory Committees**

1. Regulation 29 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (hereafter referred to as “SECC Regulations, 2018”) and Regulation 30 of the SEBI (Depositories and Participants Regulations, 2018 (hereafter referred to as “D&P Regulations, 2018”) provides for the constitution of following statutory committees by every recognised Stock Exchange, recognised Clearing Corporation and Depository (collectively referred as Market Infrastructure Institutions (MIIs)):

1.1. Functional Committees

1.1.1. Member Committee

1.1.2. Nomination and Remuneration Committee

1.2. Oversight Committees

1.2.1. Standing Committee on Technology

1.2.2. Regulatory Oversight Committee

1.2.3. Risk Management Committee

1.3. Investment Committee

2. Regulation 33(6) of the SECC Regulations, 2018 and Regulation 31(6) of the D&P Regulations, 2018 states that every MIIs shall appoint an independent external agency to evaluate its performance and the performance of its statutory

committees within such periodicity and in such a manner as may be specified by the Board.

3. The guidelines on “*Parameters for Performance Evaluation of Market Infrastructure Institutions*” have been issued vide SEBI Circular No. SEBI/HO/MRD/POD-III/CIR/P/2024/127 dated September 24, 2024.
4. In order to bring consistency and uniformity with respect to evaluations to be done by the external agency, the matter with regard to broad criteria, the weightage for each criterion, sub-parameters under each criterion, etc. was discussed at the Industry Standards Forum (ISF) of MIs. Further, for each sub-parameter, sample Key Performance Indicators (KPIs), both quantitative and qualitative in nature, were identified in consultation with the ISF.
5. The minimum criteria for the independent external evaluation of performance of Statutory Committees of MIs and their weightages are as under:

S.N.	Criteria	Weightage
(i)	Roles, Responsibilities and Duties of Statutory Committees	40%
(ii)	Effectiveness of meetings of Statutory Committees	30%
(iii)	Governance aspect of Statutory Committees	30%

The above criteria may be reviewed, depending upon the evolving regulatory and operating context.

6. The broad framework in this regard, developed in consultation with ISF of MIs is provided at [Annexure A](#).

## 7. **Rating Framework**

- 7.1. In order to ensure consistency in the manner of assessment and outcomes across Statutory Committees of similar MIs, compare performance of such Committees and monitor trends over time, a rating framework has been developed which would be assigned after evaluation of Statutory Committees of MIs. The rating would reflect the Independent External Agency’s judgment on the performance of the Statutory Committees of an MI in respect of expected outcomes. The rating framework is provided at [Annexure-B](#).

8. **Principles for appointment of Independent External Agency**: The following principles shall be adhered to by the MIs for selection of an independent external agency:

- 8.1. The Independent External Agency shall be appointed with prior No Objection Certificate (NOC) from SEBI and on such terms and conditions, including fees, timelines, etc. as may be approved by the Governing Board of the MII. Thus, the MII shall forward the details of the external agency to SEBI for prior NOC before appointment.
- 8.2. The Independent External Agency shall have requisite domain knowledge, experience and expertise on matters concerning the securities market and/or the functioning of the Statutory Committees of MIIs.
- 8.3. MII shall ensure that there is no conflict of interest in the appointment of the Independent External Agency and the Agency had not been employed/hired by the MII for the evaluation period and till submission of the report. However, the MII can hire the services of the same Independent External Agency appointed for external evaluation of the MII, for external evaluation of its Statutory Committees, subject to compliance with the requirements stated at paragraph 8.2 above.

## 9. **Timelines for External Evaluation**

- 9.1. The independent external evaluation of Statutory Committees shall take place once in three years for each MII. In this regard, the following shall be ensured:
  - 9.1.1. The first independent external evaluation shall be only for the Financial Year (FY) 2024-2025. The report of the same shall be submitted to the Governing Board of the MII and SEBI by September 30, 2025.
  - 9.1.2. The subsequent independent external evaluation(s) shall be for a block of next three FYs and so on. Upon completion, a report in this regard shall be submitted to the Governing Board of the MII and SEBI within 6 months from the end of the 3<sup>rd</sup> FY to be evaluated.

## 10. **Internal Evaluation of Performance of MIIs and its Statutory Committees**

- 10.1. Regulation 33(5) of SECC Regulations, 2018 and Regulation 31(5) of D&P Regulations, 2018 stated that every recognised stock exchange, recognised clearing corporation and depositories shall internally conduct annual evaluation of its performance and the performance of its statutory committees in such a manner as may be specified by the Board.

- 10.2. The MIs shall develop the set of criteria for comprehensive internal evaluation of performance of the MI and its Statutory Committees.
- 10.3. The report of the internal evaluation of the MI and its Statutory Committees shall be submitted to the Governing Board of the MI within 3 months from the end of each FY. The first report shall be for the FY 2024-25.
11. **Applicability:** The provisions of this Circular shall come into force from **30<sup>th</sup>** day of its issuance.
12. The MIs are directed to:
- 12.1. take necessary steps and put in place necessary systems for the implementation of the above;
- 12.2. make necessary amendments to the relevant bye-laws, rules and regulations, wherever applicable, for the implementation of the above; and
- 12.3. bring the provisions of this circular to the notice of market participants (including investors) and also disseminate the same on their website.
13. 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 Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, Section 26(3) of the Depositories Act, 1996 and Regulation 97 of Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
14. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in).

Yours faithfully,

**Hruda Ranjan Sahoo**  
**Deputy General Manager**  
**Tel. No. 022-26449586**  
**Email: hrsahoo@sebi.gov.in**