

**CIRCULAR**

**SEBI/HO/MRD/MRD-PoD-3/P/CIR/2025/75**

**May 26, 2025**

**To**

**All Recognized Stock Exchanges**

**All Recognized Clearing Corporations**

**All Depositories**

Sir/Madam,

**Subject:**

- i. **Process for appointment, re-appointment, termination or acceptance of resignation of specific Key Management Personnel (KMPs) of a Market Infrastructure Institution (MII); and**
- ii. **Cooling-off period for KMPs of an MII joining a competing MII**
- iii. **Provision relating to re-appointment of Public Interest Directors (PIDs)**

**A. Process for appointment, re-appointment, termination or acceptance of resignation of specific KMPs of an MII**

1. To strengthen the governance framework of Stock Exchanges, Clearing Corporations and Depositories (collectively referred as Market Infrastructure Institutions (MIIs)), it is required that the Key Management Personnel (KMPs) of MIIs in the crucial areas of operations such as compliance, risk management, technology and information security are of appropriate stature and independence. These KMPs namely the Compliance Officer (CO), Chief Risk Officer (CRiO), Chief Technology Officer (CTO) and Chief Information Security Officer (CISO) are crucial for any MII to deliver on its core public

interest mandate of giving primacy to compliance, risk management, technological resilience and market integrity, over commercial considerations.

2. While the Governing Board of the MII sets the overall tone, a culture of prioritizing efficient discharge of responsibilities towards public interest falling under Verticals 1 and 2, over commercial interest under Vertical 3 must be ingrained at the operating level as well.
3. Along with having a capable and efficient Managing Director (MD), there is a need for KMPs of appropriate stature and ability in Vertical 1 and 2 to ensure that the MII delivers its primary mandate as a public utility infrastructure institution and a first line regulator.
4. Based on the feedback received from various stakeholders through public consultation, recommendations of Secondary Market Advisory Committee of SEBI (SMAC) and approval of the Board, it has been decided that the process for appointment, re-appointment, termination or acceptance of resignation of specific KMPs of Verticals 1 & 2 of an MII shall be as under:
  - 4.1. **For Appointment:** The process for appointment shall be as under:
    - 4.1.1. The MII shall engage an independent external agency to identify and recommend suitable candidates for appointment as CO, CRiO, CTO and CISO or by whatever designations called. The Agency shall submit its recommendations to the Nomination and Remuneration Committee (NRC) of the MII.
    - 4.1.2. The NRC will evaluate the recommendations of the agency and after discussion with the management of the MII, submit its recommendations for appointment of such KMPs to the Governing Board of the MII.
    - 4.1.3. The Governing Board shall take the final decision for appointment of such KMPs.

4.2. **For Re-appointment, Termination or acceptance of Resignation:** The process for re-appointment, termination or acceptance of resignation shall be as under:

4.2.1. The NRC shall evaluate the cases of re-appointment, termination or acceptance of resignation of CO, CRiO, CTO and CISO or by whatever designations called and after discussion with the management of the MII, submit its recommendations to the Governing Board of the MII.

4.2.2. The Governing Board shall take the final decision for re-appointment, termination or acceptance of resignation of such KMPs. Provided that no such KMPs shall be terminated unless he/she has been given a reasonable opportunity of being heard by the Governing Board.

4.3. The above provisions will be applicable to all appointments, re-appointments, terminations or acceptance of resignations on or after the date of implementation of this circular.

4.4. The appointment, re-appointment, termination or acceptance of resignation of KMPs other than the MD, CO, CRiO, CTO and CISO shall continue to be with the NRC of the MII. However, the MIIs are free to implement the above mechanism for all KMPs.

**B. Cooling-off period for KMPs of an MII joining a competing MII**

5. Based on the feedback received from various stakeholders, recommendations of SMAC and approval of the Board, the following have been decided:

5.1. The existing requirement for cooling-off period of one year under 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) for PIDs

joining another MII after expiry of terms in one MII have been modified vide Gazette Notifications No. SEBI/LAD-NRO/GN/2025/246 and No. SEBI/LAD-NRO/GN/2025/245, dated April 30, 2025 to state that the cooling-off period for Non-Independent Directors and PIDs shall be as prescribed by the Governing Board of the MII. The amended provisions will come into force on 90<sup>th</sup> day from the date of their publication in the Official Gazette.

- 5.2. The Governing Board of an MII shall prescribe the mechanism for a cooling-off period for KMPs (including the MD) of the MII joining a competing MII as a KMP.
- 5.3. For the purpose of this provision, the expression “competing MII” i.e. “*competing recognised stock exchange or recognised clearing corporation*” and “*competing depository*” shall be as explained under SECC Regulations, 2018 and D&P Regulations, 2018 respectively.

### **C. Re-appointment of PID**

6. Based on approval of the Board, it has been decided that in case the existing PID after completion of his first term is not considered for re-appointment by the Governing Board of the MII, the rationale for the same shall be recorded and informed to SEBI.
7. **Applicability**: The provisions of the circular shall be applicable from the **90<sup>th</sup> day** of issuance of the circular.
8. All MIIs are advised to:
- take necessary steps and put in place necessary systems for implementation of the above.
  - make necessary amendments to the relevant byelaws, rules and regulations, wherever required, for the implementation of the above; and.

- iii. bring the provisions of this circular to the notice of the market participants (including investors) and disseminate the same on their website.
9. 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.
10. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) at “Legal Framework - Circulars.”

Yours faithfully,

**Hruda Ranjan Sahoo**  
**Deputy General Manager**  
Tel no.: 022-26449586  
Email: [hrsahoo@sebi.gov.in](mailto:hrsahoo@sebi.gov.in)