# SEBI CONSULTATION PAPER ON "STRENGTHENING GOVERNANCE OF MIIS"

## INTRODUCTION

SEBI has issued a Consultation Paper dated September 09, 2026, on "Strengthening Governance of MIIs", seeking public comments on proposals relating to (i) the criteria for appointment of directors on the Governing Board of a Market Infrastructure Institution (**MII**); and (ii) the qualification, experience, skill-set and certification requirements for certain key management personnel (**KMPs**), namely the Chief Technology Officer (**CTO**), Chief Information Security Officer (**CISO**), Compliance Officer (**CO**) and Chief Risk Officer (**CRiO**).

## BACKGROUND AND NEED TO REVIEW

The Consultation Paper notes that the existing restrictions on association of Trading Members (**TMs**), Clearing Members (**CMs**) and Depository Participants (**DPs**) with the governing boards of MIIs have created practical difficulties in identifying suitable candidates, particularly Public Interest Directors (**PIDs**), including where such restrictions apply to directors of companies within conglomerates despite limited or no operational connection with the relevant TM, CM or DP. SEBI has therefore proposed a review of these restrictions to facilitate the flow of expertise and talent into MIIs. Separately, while the Governing Board presently approves the appointment and related matters concerning the CTO, CISO, CO and CRiO, there is no standardized framework prescribing the qualification, experience, skill-set and certification requirements for these KMP positions.

## PROPOSED CHANGES

- ***Relaxation of restrictions on appointments of directors:*** The existing carve-out from the restrictions on appointment of directors of MIIs is proposed to be extended to directors of companies having associates that are TMs, CMs or DPs, where such companies have well-diversified shareholding. The proposal would be implemented through amendments to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (**SECC Regulations**) and the SEBI (Depositories and Participants) Regulations, 2018 (**D&P Regulations**), including Regulation 23(7) of the SECC Regulations and the corresponding Regulation 24(10) of the D&P Regulations. "Well-diversified shareholding" is proposed to mean that no shareholder, other than shareholders in the public sector, either individually or together with persons acting in concert, directly or indirectly: (i) owns 10% or more of the stake; (ii) exercises control; or (iii) holds shares carrying 10% or more of the voting rights. A company would be deemed to have well-diversified shareholding where shareholders holding 10% or more of the stake or voting rights are in the public sector.

- ***Standardized requirements for critical KMPs:*** A Standard Operating Procedure (**SOP**) prescribing the qualification, experience, skill-set and certification requirements for the CTO, CISO, CO and CRiO is proposed to be approved by the Governing Board of the MII, based on inputs from the Standing Committee on Technology **(SCOT)** for the CTO and CISO, the Regulatory Oversight Committee **(ROC)** for the CO and the Risk Management Committee **(RMC)** for the CRiO. Vacancies in these positions are proposed to be filled within three months, with advance planning where a vacancy is anticipated. SEBI has also sought comments on whether MIIs should appoint deputies for these positions.

**ELP Comments**

*The proposal relating to director appointments appears intended to address practical difficulties faced by MIIs in attracting suitable candidates, particularly where existing deeming provisions may render directors of group companies' ineligible merely because another entity within the broader group acts as a TM, CM or DP. The introduction of a "well diversified shareholding" threshold seeks to preserve safeguards against conflicts while expanding the pool of eligible candidates available for appointment to MII boards. Separately, the proposal to prescribe eligibility criteria for CTOs, CISOs, COs, and CRiOs reflects SEBI's continued emphasis on strengthening governance of critical technology, cyber-security, compliance and risk-management functions at MIIs. The proposed requirement to fill vacancies within three months, coupled with SEBI's consultation on the appointment of deputies, also indicates a greater focus on continuity and succession planning for these roles. Broadly, the proposal reflects SEBI's increasing focus on strengthening governance around technology, cyber-security, compliance, and risk-management functions within MIIs. The requirement for role-specific eligibility criteria and succession planning measures indicates a shift towards greater institutionalization of these functions, recognizing their importance to the operational as well as regulatory responsibilities of MIIs.*

## SUBMISSION OF COMMENTS

Public comments on the Consultation Paper may be submitted to SEBI at the latest by September 30, 2026, through SEBI's public comments portal.

A copy of the Consultation Paper is available here.

We hope you have found this information useful. For any queries/clarifications, please write to us at insights@elp-in.com or write to our authors:

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