

SEBI Proposes Revamp of MIIs to Boost Governance

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Why in news?

Recently, Securities and Exchange Board of India (SEBI) proposed measures to strengthen the governance of market infrastructure institutions (MII) in a consultation paper.

- **MIIs** - Market Infrastructure Institutions (MIIs) form the backbone of India's securities market and it include critical market entities like,
 - Stock Exchanges
 - Clearing Corporations
 - Depositories

Reason for revamp

- Expanding scope of India's securities market.
- Past slippages in governance of MIIs raised concerns.
- Need to strengthen oversight and ensure smooth, transparent functioning.
- Prevent adverse impacts on the broader economy.

Key SEBI Proposals:

- **Mandatory appointment of 2 Executive Directors (EDs)** - Where ED 1 is the Head of *Critical Operations* and ED 2 will be the Head of *Regulatory, Compliance, Risk Management & Investor Grievances*
- **Optional ED for commercial interests vertical** - Third vertical on *Business Development* — appointment of ED left to MIIs' discretion
- **Inclusion of EDs in governing board** - EDs for the two critical verticals will be part of the MII Governing Board
- Their appointment, re-appointment will follow processes similar to MD, including possible SEBI approval
- **Reporting obligations** - EDs must report quarterly to the Governing Board and SEBI on their respective areas
- **Restrictions on directorships** - MDs can take non-executive directorships in Unlisted government companies (Central/State)

Non-profit companies

- EDs cannot hold directorships outside the MII's subsidiaries.

Significance

- It enhances transparency and accountability in MIIs.
- It clearly segregates critical and commercial functions.
- It ensures stronger oversight of operations and investor protection.
- It aims to bolster confidence in India's financial markets.

Reference

[The Hindu| SEBI proposes revamp of MIIs to boost governance](#)

