



PR No.15/2025

SEBI Board Meeting

The 209th meeting of the SEBI Board was held in Mumbai today.

The SEBI Board, *inter-alia*, approved the following:

1. Proposal to increase the threshold under size criteria (set to guard against potential circumvention of Press Note 3 stipulations) in the additional disclosure framework

1.1 All FPIs are required to ensure compliance with PMLA/ PMLR norms. Additionally, under the circular dated August 24, 2023, FPIs (individually or as an investor group), holding more than INR 25,000 crore of equity AUM in Indian markets are required to disclose details of all entities (up to the level of natural person) holding any ownership, economic interest, or control, on a full look through basis, without any thresholds. This specific requirement was to guard against any potential circumvention of Press Note 3 stipulations by large-sized FPI with the potential to disrupt the orderly functioning of markets by their actions.

1.2 Cash equity market trading volumes have more than doubled between FY 2022-23 (when these limits were set) and the current FY 2024-25. In light of this, the Board approved a proposal to increase the applicable threshold from the present INR 25,000 crore to

INR 50,000 crores. Thus, FPIs holding more than INR 50,000 crore of equity AUM in the Indian markets will now be required to make additional disclosures as described in the circular dated August 24, 2023.

- 1.3 Note that the August 24, 2023, circular also required any FPI holding more than 50% of its equity AUM in a single corporate group to make disclosures under the additional disclosure framework. This was designed to guard against any potential circumvention of SEBI's norms with respect to Minimum Public Shareholding ('MPS') and Substantial Acquisition of Shares and Takeovers ('SAST'). It is clarified that there is no change being proposed in respect of this criteria, and the extant checks to prevent circumvention of MPS and SAST norms shall continue to apply in toto. In addition, all FPIs will continue to be liable to comply with PMLA norms as applicable.

2. Review of Regulation 17 (a) of SEBI (AIF) Regulations, 2012, with the objective of Ease of Doing Business

- 2.1 Currently, Category II AIFs are required to hold a majority of their investments in unlisted securities. The recent changes to SEBI Listing Obligations and Disclosure Requirements Regulations (LODR) 2015, inter alia, require that any entity that has issued listed debt securities can issue fresh debt only in listed form.
- 2.2 With these and other related changes, there is a likelihood that debt securities that could have been issued in unlisted form, will now have to be listed. The resultant drop in availability of unlisted debt securities can come in the way of AIFs complying with the minimum investment norms in unlisted securities.

- 2.3 To address this, and to give a fillip to issuance of and trading in lesser rated debt securities, investments of Category II AIFs in listed debt securities rated 'A' or below will be treated as akin to investments in unlisted securities for the purpose of their compliance with minimum investment conditions in unlisted securities.

3. Provisions Related to the Appointment of Public Interest Directors (PIDs), Cooling-Off Period for Key Management Personnel (KMPs) and Directors, and the Appointment Process for Specific KMPs in Market Infrastructure Institutions (MIIs)

- 3.1 Based on the feedbacks received from various stakeholders regarding appointment of Public Interest Directors (PIDs) on the governing board of MIIs without the approval of the shareholders, the process for appointment of PIDs were reviewed.
- 3.2 In order to have uniformity in cooling-off period for PIDs and Key Management Personnel (KMPs) of an MII joining another MII, the existing provisions on cooling-off period were reviewed.
- 3.3 In order to further strengthen the governance of MIIs, the existing process of appointment of specific KMPs viz., Compliance Officer (CO), Chief Risk Officer (CRiO), Chief Technology Officer (CTO), and Chief Information Security Officer (CISO), who are crucial for any MII to deliver on its core public interest mandate of giving primacy to technological resilience, market integrity, and compliance, over commercial considerations, were reviewed.
- 3.4 The Board approved the following regarding aappointment of PIDs on the Governing Board of MIIs

3.4.1 The existing process for the appointment of PIDs, which requires prior approval of SEBI but does not mandate shareholder approval, shall continue.

3.4.2 If the Governing Board of an MII decides not to re-appoint an existing PID after his/her first term, it must record the rationale for this decision and communicate it to SEBI.

3.4.3 Cooling-Off Period for KMPs and Directors of MIIs Moving to Competing MIIs

3.4.3.1 The Governing Board of an MII may prescribe a minimum cooling-off period for its KMPs and Directors, including Managing Director and PIDs, before joining a competing MII.

3.4.3.2 SEBI will no longer prescribe a cooling-off period for PIDs transitioning from one MII to another.

3.4.4 Process for Appointment of Specific KMPs in MIIs:

The appointment, re-appointment, or termination of specific KMPs viz., Compliance Officer (CO), Chief Risk Officer (CRiO), Chief Technology Officer (CTO), and Chief Information Security Officer (CISO), by whatever designations called, in Vertical 1 (Critical Operations) and Vertical 2 (Regulatory, Compliance, Risk Management, and Investor Grievances) shall require approval of the Governing Board of the MII, which was hitherto with the Nomination and Remuneration Committee (NRC) of the MII.

4. Advance Fee to be charged by Investment Advisers and Research Analysts

IAs and RAs regulations were earlier rationalised to address many concerns of the industry. Most of these changes have been welcome by IA and RA associations. However, concerns remained on some of the fee related provisions in particular the provision which restricted collection of advance fee

by IAs / RAs to six months / three months fee. In order to address those concerns, Board has decided to -

4.1 If agreed by the client, IAs and RAs may charge fees in advance upto a period of one year. Earlier, IAs and RAs were allowed to charge advance fee for a maximum period of two quarters and one quarter respectively.

4.2 It is further clarified that the fee related provisions such as fee limit, modes of payment of fees, refund of fees, advance fee, breakage fees shall only be applicable in case of individual and HUF clients (not being accredited investors). Thus, these conditions do not apply to non-individual clients, accredited investors, and in case of institutional investors seeking recommendation of proxy adviser. In such cases, fee related terms and conditions shall be governed through bilaterally negotiated contractual terms.

5. Deferment of proposals on amendments to SEBI (Merchant Bankers) Regulations, 1992, SEBI (Debenture Trustee) Regulations, 1993, and SEBI (Custodians) Regulations 1996

In the last Board meeting held on Dec 18, 2024, the Board had accorded approval for Merchant Bankers, Debenture Trustees and Custodians carry out other regulated activities as a separate legal entity after obtaining registration/confirmation from the respective regulatory authority within a period of two years from the date of notification of amended regulations.

The Board accorded approval to defer the implementation of the amendments to the regulations governing Merchant Bankers, Debenture Trustees and Custodians as approved at its last Board Meeting. Revised proposals would be considered by the Board at its forthcoming meeting after due internal

review and evaluation of alternative approaches instead of requiring hiving-off as originally approved and with an aim of ensuring level playing field.

6. Review of Provisions and Constitution of High- Level Committee on Conflict of Interest, Disclosures and related matters

6.1 The Board at its meeting held on March 24, 2025 has decided to constitute a High-Level Committee (HLC) to undertake a comprehensive review of the provisions relating to conflict of interest, disclosures pertaining to property, investments, liabilities etc., and related matters in respect of Members and Officials of the Board.

6.2 The HLC shall comprise of eminent persons and experts with relevant background and experience in constitutional / statutory/ regulatory bodies, government / public sector, private sector and academia. The names of the HLC members will be announced in due course.

6.3 The objective of the HLC is to comprehensively review and make recommendations for enhancing the existing framework for managing conflicts of interest, disclosures and related matters towards ensuring the high standards of transparency, accountability, and ethical conduct of Members and Officials of the Board. The HLC is expected to submit its recommendations within three months from the date of constitution, which shall be placed before the Board for consideration.

Mumbai

March 24, 2025