Address by Shri Tuhin Kanta Pandey, Chairman, SEBI
Public Interest Directors Conclave, 2025
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Good morning, ladies and gentlemen!

I am delighted to address the Public Interest Directors at the second edition of this conclave, which has become a vital platform for exchange of ideas. Such dialogues are invaluable as they help to reflect on how far we have come and, more importantly, where we must go next.

Over the past few years, our capital markets have witnessed strong growth. In the past decade, our markets have facilitated capital raising of nearly ₹93 trillion through equity and debt. In the current financial year, around ₹7 trillion has been raised in just the first 6 months of FY26, through equity and debt issuances. This is in the backdrop of record fund raising last year.

In terms of participation, we have over 130 million unique investors in the market. Our market infrastructure handles a staggering volume of activity. In the first 6 months of this financial year, stock exchanges[1], on an average, are handling over 15 billion messages[2] daily, with a peak of over 27 billion.

MIIs will play an increasingly vital role as we take steps to expand the reach of our securities markets. As the scale and complexity of our markets grow, PIDs have to move from traditional oversight to strategic stewardship. Your role will increase in significance and will be under increased scrutiny.

Public Interest

What is Public Interest, in the context of our MIIs?

Today, MIIs serve the first-line regulators for the capital markets. So, while MIIs have to keep our markets fair, orderly, and transparent, they also operate as competitive commercial entities.

Public Interest, therefore, lies in ensuring that MIIs will continue to accord the highest priority to governance, technology, operations, risk, and compliance, while remaining viable in a responsible and sustainable manner. The larger objective of maintaining

[1] Figures for NSE and BSE
[2] Orders and Trades

safety, efficiency, and financial stability in our entire financial sector must never be overshadowed by commercial interests of an MII.

Custodians of Trust

The growth in our markets is built on a fundamental tenet - *Investor Trust*.

As PIDs, you are the custodians of this trust in the MII ecosystem - in other words, you are SEBI's eyes and ears. Your role is fiduciary, moral, and institutional. You are not there to merely tick a check box in pursuit of compliance.

Let me highlight a few broad areas where you play a crucial role:

Governing Board of the MII:

PIDs are empowered[3] to ensure that "public interest" perspective is always considered when crucial decisions are taken by the Governing Board. Please make sure that your interventions in Board meetings are appropriately recorded.

Statutory Committees of the MII:

As Chairs of these committees overseeing technology, risk management, and regulatory oversight, ensure that the terms of reference are met. Decisions of these committees should be guided by focusing on investor protection.

MII Operations:

PIDs should exercise their independence when reviewing the adequacy of financial and human resources for functions under Verticals 1 and 2[4]. Your meetings, separate from management and KMPs, should have comprehensive discussions on critical issues concerning the MII.

SEBI's Oversight:

You should ensure that SEBI's supervision of MIIs is given its due importance. Automation of systems and processes will ensure that data is made available in a timely manner

[3] For any resolution to be valid, number of PIDs who vote must be equal to more than number of NIDs who vote.
[4] Vertical 1 - Critical Operations and Vertical 2 - Regulatory, Compliance, Risk Management, and Investor Grievances

Please use the authority vested in you by SEBI. Bring your independent judgment to the table. Pro-actively bring to SEBI's notice any risk identified by you. Reinforce the checks and balances that strengthen your institution's governance culture.

Always ask yourself - "*How does this decision affect Public Interest?*". Your deliberations on this simple question will ensure that every decision is rooted in fairness.

Navigating New Frontiers of Technology and Risk

As our markets grow, so do its complexities and challenges: technological risks, cybersecurity threats, and the need for constant vigilance. The future of market infrastructure is digital, and your oversight must evolve with it.

There is a reason why the technology framework[5] has been accorded the highest weightage when MIIs undergo an independent external evaluation. PIDs must treat any system failure with the same seriousness as financial irregularity.

Responsible Innovation

Ensure that as MIIs innovate, there is no compromise on systemic stability or data integrity. SEBI encourages the use of AI and Machine Learning tools, but with guardrails to protect privacy and security of investor data.

SOPs and Documentation

PIDs should ensure that MIIs have properly framed internal controls, SOPs, documentation, etc., to manage technology risk. Such documentation may be developed in consultation with the Industry Standards Forum, for uniformity across MIIs.

Capacity Building

PIDs can no longer just be governance experts. You must develop a strong understanding of emerging technologies. Please regularly interact with your KMPs - Compliance Officer, Chief Risk Officer, Chief Technology Officer, and Chief Information Security Officer. Use them as sounding boards to keep abreast of changes in the domains of technology and risk.

[5] SEBI circular SEBI/HO/MRD/POD-III/CIR/P/2024/127 dated Sep 24, 2024

Recent Regulatory Developments

SEBI is aware that a very limited set of people qualify as PIDs since there must be no conflict of interest in performance of their duties. A few initiatives we have taken to ease their appointment and operational burden are:

1. The requirement of cooling-off period for PID of one MII joining a competing MII has been done away with. The prescription of cooling-off period has been left to the discretion of MIIs.

2. Skill evaluation metrics have been prescribed for assessing the applications for appointment or reappointment of PIDs.

3. In case of fresh appointment, a two-stage process has been introduced. Documentation formalities are required to be completed in Stage II, after receiving no-objection from SEBI for the selected candidate. In case of reappointment of existing PID, MIIs need not send two names to SEBI, as done earlier.

4. Two Executive Directors have to be appointed to the Governing Board to head Verticals 1 and 2. This ensures adequate oversight on these critical functions.

SEBI has also recently floated a consultation paper proposing simplification of the regulatory framework on administration and governance of the MIIs. Apart from promoting ease of doing business, this initiative will reduce the compliance burden on exchanges and thereby, on the PIDs.

Way Ahead

This conclave is a testament to the emphasis that SEBI places on the MIIs and its PIDs. We are your partners in this journey. We are actively working to create an ecosystem that empowers you. The ideas that emerged from our last conclave have already refined our approach to strengthening MII governance.

As our markets grow, the role of PIDs will become even more challenging. You will need to balance the legitimate expectations of shareholders with the non-negotiable public purpose of your institution. For this, you have to ensure that ethical governance is deeply embedded into the very DNA of your MII.

MIIs owe their growth to the trust reposed in the security market ecosystem by the investors. Your role is to build and safeguard VISHWAS. Let this word guide your actions:

- **V** for Vigilant Oversight
- **I** for Independent Thinking
- **S** for Safeguarding Public Interest
- **H** for Holistic Risk Management
- **W** for Watchdog of Governance
- **A** for Accountability
- **S** for Systemic Stability

Together, let us build a market that is not just bigger, but safe, resilient, and more inclusive for every Indian.

Thank you. Jai Hind!