Report of the High-level Committee

on

Conflict of Interest, Disclosures and Related Matters

in

Respect of Members and Officials of the Securities and Exchange Board of India

November 2025

LETTER OF TRANSMITTAL

November 10, 2025

Shri Tuhin Kanta Pandey
Chairman
Securities and Exchange Board of India

Dear Chairman,

Report of the High-Level Committee on Conflict of Interest, Disclosures and Related Matters in respect of Members and Officials of the Securities and Exchange Board of India (SEBI)

We are pleased to submit the report of the High-Level Committee on Conflict of Interest, Disclosures and related matters in respect of Members and Officials of SEBI.

The report offers a thorough evaluation of the framework governing Members and Officials of SEBI, accompanied by the Committee's proposals to reinforce transparency, accountability, and ethical standards in managing conflicts of interest and disclosures.

We sincerely thank the SEBI Board for entrusting the Committee with this important responsibility.

sd/-
Pratyush Sinha
Chairman

sd/-
Injeti Srinivas
Vice-Chairman

sd/-
Uday Kotak
Member

sd/-
G Mahalingam
Member

Sd/-
Sarit Jafa
Member

Sd/-
R. Narayanaswamy
Member

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Abbreviations and Acronyms

AIS Conduct Rules	All India Services (Conduct) Rules, 1968
ASIC	Australian Securities and Investments Commission
BaFin	Federal Financial Supervisory Authority, Germany
CCS Conduct Rules	Central Civil Services (Conduct) Rules, 1964
CECO	Chief Ethics and Compliance Officer
CGM	Chief General Manager, SEBI
COI	Conflict of interest
Committee/HLC	High-Level Committee on Conflict of Interest, Disclosures and related matters in respect of Members and Officials of SEBI
CVC	Central Vigilance Commission/Central Vigilance Commissioner
CVO	Chief Vigilance Officer
DAEO	Designated Agency Ethics Official
ESMA	European Securities and Markets Authority
FCA	Financial Conduct Authority, U.K.
GDP	Gross domestic product
IFSCA	International Financial Services Centres Authority
IOSCO	International Organization of Securities Commissions
IRDAI	Insurance Regulatory and Development Authority of India
KMP	Key managerial personnel
MAS	Monetary Authority of Singapore
MII	Market Infrastructure Institution
NISM	National Institute of Securities Markets (NISM)
NSE	National Stock Exchange
OCEC	Oversight Committee on Ethics and Compliance
OECD	Organisation for Economic Co-operation and Development
OGE	Office of Government Ethics, U.S.
PFRDA	Pension Fund Regulatory and Development Authority
PSR	Payment Systems Regulator, U.K.
PTM	Part-time member
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
SEBI Code	SEBI Code on Conflict of Interests for Members of Board, 2008
SEBI ESR	SEBI (Employees' Service) Regulations, 2001
SEBI LODR	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEC	Securities and Exchange Commission, U.S.
SM	Senior management
UPSI	Unpublished price-sensitive information
WTM	Whole-time member

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The Committee thanks Former Chairmen of SEBI, Shri M. Damodaran, Shri U. K. Sinha, and Shri Ajay Tyagi and Former Whole-Time Member of SEBI, Dr. M. S. Sahoo for their insightful views and suggestions and Shri Tajinder Singh, Deputy Secretary General, International Organization of Securities Commissions (IOSCO) for his useful international regulatory perspective.

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The Committee specifically acknowledges the following individuals for their valuable contribution:

1. Ms. Asha Shetty, Chief General Manager and Secretary to the Board
2. Shri TVVPS Chakravarti T, Chief General Manager, Human Resources Department
3. Shri M. A. Shinod, General Manager, Human Resources Department.

The Committee records its appreciation for Shri S. Rajendran, Manager, Human Resources Department who ably assisted it in obtaining information and documents and preparing papers for the purposes of its discussions and development of the report.

The Committee thanks the stakeholders and experts for responding to its questionnaire and participating in the interactions.

Executive Summary

Background and Context

The Securities and Exchange Board of India (SEBI), the capital market regulator, is entrusted with safeguarding investor interests and ensuring the orderly functioning of the securities market. Trust, integrity, and independence of its leadership and employees are critical to SEBI's effectiveness. In March 2025, SEBI established a High-Level Committee (HLC) to assess the adequacy of its framework regarding conflicts of interest and disclosure of interests, and to propose reforms aimed at enhancing transparency, accountability, and ethical standards.

The HLC comprised eminent former regulators, public officials, and industry leaders, chaired by Shri Pratyush Sinha (former Chief Vigilance Commissioner). Its mandate covered reviewing SEBI's current policies, benchmarking against domestic and international practices, engaging stakeholders, and recommending a comprehensive framework.

Evaluation of Current Framework

The Committee reviewed SEBI's existing arrangements, which rest primarily on:

- the SEBI Code on Conflict of Interests for Members of Board, 2008 (SEBI Code), and
- the SEBI (Employees' Service) Regulations, 2001 (SEBI ESR).

Key findings:

- *Lack of legal backing and enforceability:* The SEBI Code is voluntary and lacks penalties for non-compliance, unlike the SEBI ESR, which is a subordinate legislation and enforceable.
- *Disparity in obligations:* Employees face stricter restrictions (prohibition on equity investments, annual asset disclosures, deemed "insider" status), whereas Members have narrower disclosure obligations and fewer restrictions.
- *Inconsistent definitions:* Different definitions of "family" and "conflict of interest" apply to Members and employees.
- *Inadequate enforcement and ethics infrastructure:* There is no independent ethics office for Board Members; disclosures are confidential and not reviewed substantively.
- *Limited transparency:* No public disclosure of Members' or employees' interests or recusals.
- *Inadequate whistleblower and recusal mechanisms:* Process improvements are required.

- *Post-employment restrictions:* Inconsistent between Members and employees, with gaps in enforcement.

Benchmarking against International and Domestic Standards

The Committee compared SEBI's framework with those of:

- *International regulators:* US SEC, UK FCA, Germany's BaFin, Australia's ASIC, and Singapore's MAS.
- *Indian institutions:* RBI, IRDAI, PFRDA, IFSCA, and Government of India service conduct rules.
- *SEBI-regulated entities:* Listed companies, MIIs, and intermediaries.

The Committee identified the following global best practices:

- *Comprehensive conflict-of-interest definitions* covering actual, potential, and perceived conflicts.
- *Public disclosure* of board members' financial, relational, and professional interests.
- *Centralized ethics infrastructure* to detect, mitigate and determine conflict of interest questions in the entire organization.
- *Digital disclosure repositories* for filing required information.
- *Robust recusal procedures* with audit trails.
- *Whistleblower protection* and *public complaint system*.
- *Training* and periodic refreshers for officials.

The Committee observed that SEBI's existing framework vis-à-vis these standards needs improvements both in terms of rigour and transparency.

Stakeholder Consultations

Inputs were gathered from former SEBI leaders, current staff, legal experts, journalists, market intermediaries, and regulated entities. Concerns raised included:

- *Requirements less rigorous compared with those applied to MIIs, market intermediaries and listed companies*.
- *Inadequacy of disclosure norms and public transparency.*
- *Risks of regulatory capture and reputational damage from perceived conflict of interest.*
- *Need for uniform standards for Members and employees, with Members having more rigorous obligations for public transparency.*
- *Importance of ethics infrastructure, whistleblower system, and recusal processes.*

Proposed Framework and Recommendations

The HLC's recommendations constitute a new integrated framework with the following pillars:

1. *Comprehensive definition of conflict of interest:* Covers financial, relational, professional, fiduciary, duty-related, information-based, and perceived conflicts.
2. *Expanded definition of family and conflicted relationships:* Uniform definition of "family" for Members and employees; "relative" definition aligned with Companies Act, 2013 and SEBI LODR, 2015 for disclosure and recusal purposes; and obligation to disclose close associations, including close friends and professional relationships.
3. *Strengthened disclosure framework*: Multi-tier disclosure regime (initial, annual, event-based, and exit)—public disclosure of assets and liabilities for Chairperson, Whole-time Members, and senior SEBI officials (CGMs and above) on the SEBI website.
4. *Investment restrictions:* Uniform restrictions for Chairperson, Whole-Time Members and employees; Chairperson/WTMs deemed "insiders" under the SEBI (Prohibition of Insider Trading) Regulations, 2015; investments in the schemes operated by regulated and professionally managed pooled vehicles allowed.
5. *Prohibition on gifts:* Aligned with the SEBI ESR.
6. *Robust recusal framework:* Automated conflict-flagging, three-year lookback, stronger oversight, and publication of a summary of Members' and senior officials' (CGMs and above) recusals in the SEBI Annual Report.
7. *Post-retirement restrictions:* Two-year ban on appearances before or against SEBI, and disclosure of negotiations for future employment.
8. *New ethics infrastructure:* Creation of an Office of Ethics and Compliance (OEC) and an Oversight Committee on Ethics and Compliance (OCEC), supported by digital systems.
9. *Whistleblower system:* Strengthened channels for internal and public complaints, independent handling under OEC/OCEC.
10. *Training and culture-building:* Induction and refresher training that stresses ethical conduct and fostering a zero-tolerance culture for conflict of interest.

Conclusion

The Committee concludes that SEBI's current conflict of interest and disclosure framework is inadequate and needs strengthening and reinforcement to promote transparency and public trust. The proposed framework addresses these gaps through a legally enforceable, comprehensive, and transparent system. Key features include uniform definitions, robust

disclosure and investment restrictions, stricter gift and post-retirement norms, structured recusal processes, public transparency, and institutionalized ethics oversight. Adoption of these reforms will align SEBI with international best practices, strengthen its reputation, and reinforce its independence and integrity as India's capital market regulator.

Chapter 1

Introduction

1.1 Overview

1.1.1 The Securities and Exchange Board of India (SEBI) was constituted by the Securities and Exchange Board of India Act, 1992. The Act provides for the establishment of a Board "to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market and for matters connected therewith or incidental thereto." Thus, SEBI's mandate comprises both investor protection and the development and regulation of the capital market.

1.1.2 The capital market has a crucial role to play in achieving the country's plan for *Viksit Bharat* by 2047 by channelling savings into efficient sectors and enterprises. For this to happen, the country needs an effective, fair and trusted market regulator. As part of its capital market development efforts, SEBI plays a significant role in investor education, financial literacy and financial inclusion. SEBI carries out investor protection through formulation of regulations, guidelines, circulars and other instructions aimed at improving disclosure, discouraging insider trading, and promoting faster settlement of transactions.

1.1.3 Trust and reputation underpin the credibility and effectiveness of a regulator. Its leaders and employees are expected to generate and sustain the respect and faith of those regulated by it and of the wider public by following high standards of conduct. Conflict of interest, whether actual or perceived, undermines the trust of the public if it is not properly managed within the organization. This report evaluates the current framework for management of conflict of interest and disclosure of assets and liabilities of SEBI's leaders and employees and recommends a robust framework to reassure and reinforce SEBI's continued standing as an efficient, effective, independent, trusted and accountable regulator of the capital market in India.

1.2 Constitution and Terms of Reference of the Committee

1.2.1 The SEBI Board at its meeting on March 24, 2025, 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 (SEBI, 2025).

1.2.2 Accordingly, a High-Level Committee was constituted with the following members:

1. Shri Pratyush Sinha, IAS (Retd.), Former Chief Vigilance Commissioner - Chairman of the HLC
2. Shri Injeti Srinivas, IAS (Retd.), Former Secretary, Ministry of Corporate Affairs & Former Chairman, IFSCA - Vice Chairman of the HLC
3. Shri Uday Kotak, Founder & Director, Kotak Mahindra Bank
4. Shri G Mahalingam, Former Executive Director, RBI and Former Whole-time Member, SEBI
5. Shri Sarit Jafa, IA&AS (Retd.), Former Deputy Comptroller and Auditor General
6. Prof. R Narayanaswamy, Former Professor, IIM, Bangalore.

1.2.3 The HLC's mandate is to comprehensively review the existing framework for managing conflicts of interest, disclosures and related matters and make recommendations for enhancing and ensuring the high standards of transparency, accountability, and ethical conduct of Members and Officials of the Board.

1.2.4 The Terms of Reference for the HLC are as follows:

1. Review the existing policies and frameworks governing conflict of interest, disclosures & related matters and identify any gaps or ambiguities.
2. Recommend a robust framework for preventing, mitigating and managing conflict of interest including a recusal policy, disclosure requirements covering public disclosures, provisions pertaining to restriction on investments, maintenance of digital records and framework for monitoring, etc.
3. Recommend a system for members of the public to raise concerns pertaining to conflict of interest, disclosures including process to examine complaints.
4. Any other related matter as considered appropriate.

Annexure 1 contains SEBI's Press Release on constitution of the Committee.

1.3 Method of Work

1.3.1 At its first meeting on May 1, 2025, the Committee decided to interact with a cross-Section of SEBI's stakeholders. As a first step, the Committee met with SEBI's Chairperson and Members and a group of current employees of SEBI.

1.3.2 Subsequently, the Committee sent a questionnaire to other stakeholders and experts, including past Chairpersons and Members of SEBI, law firms, journalists from print and electronic media, and entities regulated by SEBI. Annexure 2 contains the Committee's questionnaire.

1.3.3 The Committee had in-person and online meetings with questionnaire respondents who were willing to participate. Participants were requested to give their views on the current framework and their suggestions for strengthening it. Annexure 3 contains the names and affiliations of stakeholders and experts who interacted with the Committee.

1.3.4 The Committee evaluated the SEBI Code on Conflict of Interests for Members of Board, 2008 (the SEBI Code) and the SEBI (Employees' Service) Regulations, 2001 (the SEBI ESR) and compared them with the regulations and practices in selected countries, the IOSCO Principles and related studies. The Committee also studied the regulations and practices of domestic financial-sector regulators and Government of India service conduct rules.

1.3.5 A draft report was prepared after considering the inputs from the meetings, and questionnaire responses and the Committee's evaluation of the current framework and comparison with practices in domestic and foreign jurisdictions. After detailed discussions, the final report was approved by the Committee at its meeting on November 10, 2025 in Mumbai. The Committee meetings were held in SEBI's offices in Mumbai and New Delhi. Annexure 4 contains the Committee's meeting dates and attendance.

1.4 Organization of this Report

1.4.1 Chapter 2 evaluates SEBI's current framework for management of conflict of interest and disclosure of interest contained in the SEBI Code and the SEBI ESR and brings out the gaps and areas for improvement. Chapter 3 compares SEBI's current framework with international and Indian regulatory frameworks based on publicly available information. Chapter 4 contains the major suggestions and observations of stakeholders and other experts. Chapter 5 develops the Committee's proposals for management of conflict of interest, disclosure of interest and other related matters for Board members and employees of SEBI along with detailed recommendations for strengthening the existing framework. Chapter 6 presents a summary of the recommendations of the Committee and outlines the next steps.

Chapter 2

Evaluation of SEBI's Current Framework for Board Members and Employees

2.1 Overview

2.1.1 The SEBI Act, 1992, the SEBI (Terms and Conditions of Service of Chairman and Members) Rules, 1992, the SEBI (Procedure for Board Meetings) Regulations, 2001, the SEBI Code on Conflict of Interests for Members of Board, 2008, and the SEBI (Employees' Service) Regulations, 2001 constitute the current framework for management of conflict of interest and disclosure of interest of SEBI Board members and employees. As explained below, the current framework has some gaps and inconsistencies which if addressed can help in enhancing the trust and reputation of SEBI in the years to come.

2.2 Elements of the Current Framework

A: Chairman and Board Members

2.2.1 The following provisions and documents lay down the requirements for Board Members including the Chairman:[1]

1. Section 7A of the SEBI Act, 1992.
2. Rules 3 (1) and 19 A (1) of the SEBI (Terms and Conditions of Service of Chairman and Members) Rules, 1992.
3. Regulations 9 and 11 of the SEBI (Procedure for Board Meetings) Regulations, 2001.
4. SEBI Code on Conflict of Interests for Members of Board, 2008.

2.2.2 *SEBI Act:* Section 7A of the SEBI Act, 1992 requires any Member, who is a director of a company and has any direct or indirect pecuniary interest in any matter coming up for consideration at a meeting of the Board, to disclose the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings of the Board, and the member shall not take any part in any deliberation or decision of the Board with respect to that matter. The SEBI Act has no other requirements for the conduct of the Chairman or the Board Members.

2.2.3 *SEBI Rules:* Rule 3 (1) of the SEBI (Terms and Conditions of Service of Chairman and Members) Rules, 1992 stipulates that the Chairman or a Whole-time Member shall be a person who does not, and will not, have any such financial or other interests as are

[1] In this report, the term Board Member includes Chairman unless stated otherwise.

likely to affect prejudicially his functions as such Chairman or Member. Likewise, Rule 19A (1) provides that a Part-time Member shall be a person who does not, and will not, have any such financial or other interest as is likely to affect prejudicially his functions as a Part-time Member.

2.2.4 *SEBI Regulations:* Regulation 9 of the SEBI (Procedure for Board Meetings) Regulations, 2001 requires Members, who are directly or indirectly concerned or interested in any matter coming up for consideration at a meeting of the Board, to disclose the nature of interest at such meeting and such disclosure shall be recorded in the proceedings of the Board and the Member shall not take any part in any deliberation or decision of the Board with respect to that matter. Regulation 11 requires every Member, before entering upon his duties, to sign a declaration of fidelity and secrecy pledging himself to observe strict secrecy in relation to all transactions of the Board and pledge not to reveal any of the matters/information which may come to his knowledge in the discharge of his duties except when required or authorised to do so by the Board or by law.

2.2.5 *SEBI Code:* The SEBI Code on Conflict of Interests for Members of Board, 2008 (the SEBI Code) lays down norms for conduct of Chairman, Whole-time Members, and Part-time Members. The SEBI Code was adopted by the Board in the meeting held on December 4, 2008 and amended in 2023. The SEBI Code is discussed in detail in Section 2.3.

B: Employees

2.2.6 The SEBI (Employees' Service) Regulations, 2001 (the SEBI ESR) was issued in exercise of SEBI's powers under section 30 of the SEBI Act, 1992 to make regulations to provide for the terms and other conditions of service of officers and employees. The SEBI ESR lays down the conduct requirements for employees and is discussed in detail in Section 2.4.

2.2.7 The Committee was informed that in addition to the SEBI ESR, there are internal circulars containing guidelines and instructions for the conduct of employees.

2.2.8 The requirements described below have been paraphrased for the sake of brevity and readability.

2.3 The SEBI Code on Conflict of Interests for Members of Board, 2008

2.3.1 *General:* The SEBI Code requires Members (a) to ensure that their conflict of interests—defined in paragraph 1 (ii) of the Code as "any personal interest or association of a Member, which is likely to influence the decision of the Board in a

matter, as viewed by an independent third party"—does not affect any decision of the Board and (b) to disclose interests which may conflict with their duties. Further, it states that Members shall not benefit from any personal or professional relationship with regulated entities or their employees.

2.3.2 *Investments and transactions in shares:* Members must disclose within 15 days of assumption of office and within 15 days of the financial year-end shares held by them and their family members (defined in the Code as spouse and dependent children below 18 years of age) and shall not deal in securities of a listed company based on unpublished price-sensitive information (UPSI). Members nominated by the Government of India and the Reserve Bank of India (RBI) are exempt from filing the disclosures if similar disclosures are being made by them to the parent organization as per their code of conduct or service regulations and confirmation to this effect is submitted to SEBI.

2.3.3 *Conflict of interest:* Members shall disclose the nature of their interest in a matter at the Board meeting in which the matter comes for discussion and shall not take part in any discussion of the matter except to the extent of professional advice if sought by the Board. Members shall not hear or decide any matter where they have a conflict of interest. Members shall disclose if they or their family has any dispute in respect of product or services availed from an intermediary.

2.3.4 *Procedure for managing conflict of interest:* Members shall disclose a conflict of interest at the earliest possible opportunity and seek determination from the Chairman if they have a doubt whether there is a conflict of interest. The Chairman shall seek determination from the Board if he has a doubt whether there is a conflict of interest. When it is determined that there is a conflict of interest, the Member or the Chairman shall refrain from dealing with the matter and shall assign that matter to another Member or a Committee of Members.

2.3.5 *Other disclosures:* Members shall disclose any post, other employment or fiduciary position which they hold or have held in the past five years in connection with any regulated entity, any other significant relationship, including a professional, personal, financial or family relationship held in connection with a regulated entity, or any honorary position in any organization. Members nominated by the Government of India and the RBI are exempt from filing the disclosures if similar disclosures are being made by them to the parent organization as per their code of conduct or service regulations and confirmation to this effect is submitted to SEBI.

2.3.6 *Procedure for the public to raise conflict of interest:* Any person, who has reasonable ground to believe that a Member has an interest in a particular matter, may bring it with material evidence to the notice of the Secretary to Board. The Secretary to the Board shall place the details received before the Chairman in the case of a Member and before the Board in the case of the Chairman. The Chairman or the Board shall determine if the individual has an interest which is likely to affect his decision. The individual shall refrain from dealing with that matter if the Chairman or the Board determines that there is a conflict of interest. The Chairman or the Board shall assign that matter to another Member or a Committee of Members.

2.3.7 *Confidentiality and recordkeeping:* The information disclosed shall be kept confidential and shall not be disclosed except when there is a requirement for disclosure for the purposes of managing a potential or actual conflict or following the change of responsibilities of a Member or for the purposes of disciplinary proceedings, or there is any legal or regulatory obligation to disclose the information. The disclosures by a Member may be scrutinized under the authority of the Chairman, while the disclosures by the Chairman may be scrutinized under the authority of the Board. The Secretary to the Board shall maintain custody of documents and records pertaining to disclosures made by Members.

2.3.8 *Additional requirements for Whole-time Members (including Chairman):* Whole-time Members (including Chairman) shall comply with the following additional requirements:

1. They shall not hold any other office of profit and shall not engage in any other professional activity for salary or fees.
2. They shall disclose substantial transactions – transactions of at least 5,000 shares or shares of a value of at least ₹1,00,000 – by them and their families within 15 days of such transaction.
3. They shall not accept any gift, to the extent possible, from a regulated entity. If the value of a gift exceeds ₹1,000 they shall hand it over to the General Services Department of SEBI.

2.4 SEBI (Employees' Service) Regulations, 2001

2.4.1 Chapter VI of the SEBI ESR deals with employees' conduct. The following requirements are particularly relevant for the purposes of the Committee's study of conflict of interest and disclosure.

2.4.2 *Obligation to maintain secrecy:* Employees shall maintain the strictest secrecy regarding the Board's affairs. Employees shall not communicate any unpublished price-sensitive information (UPSI) to any person except when required in the course of official duty.

2.4.3 *Employment after retirement:* Employees shall not accept a commercial employment within one year after retirement except with previous approval.

2.4.4 *Employment of family members:* Employees shall not use their position or influence to secure employment of their or their spouse's relative in any intermediary registered with SEBI and report to SEBI in case any member of their family accepts such employment.[2]

2.4.5 *Gifts:* Employees shall not accept gifts from any person with whom they are likely to have official dealings. Gifts received on social or religious occasions exceeding ₹10,000 shall be reported.

2.4.6 *Investments and transactions in shares:* Employees shall not invest in equity and equity-related instruments except in mutual funds, non-convertible bonds and non-convertible debentures, and in rights issues in respect of the shares already held by them. These restrictions apply to (a) investments of the employees, (b) investments of dependent children or other wards managed by the employee as a guardian, and (c) investments made by spouse, dependent children, dependent parents and dependent parents-in-laws of the employee out of the moneys received from the employee.

2.4.7 *Speculation:* Employees shall not speculate in shares. Employees are deemed to be "insiders" for the purpose of SEBI's insider trading regulations.

2.4.8 *Declaration of assets:* Employees shall declare their assets and liabilities periodically under the Lokpal and Lokayuktas Act, 2013. Further, till the time the manner of such declaration is specified under this Act, SEBI has prescribed a format for annual returns for its employees. Annual returns contain details of assets and liabilities of the employees including immovable property, holding and transaction in securities and purchase of movable property of value exceeding twice the monthly basic pay.

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[2] Regulation 3 (1) (h) of the SEBI ESR defines family as follows: "family" means (*i*) In the case of male employee, his wife, whether residing with him or not, but does not include a legally separated wife and in case of a woman employee her husband, whether residing with her or not, but does not include a legally separated husband. (*ii*) Children or step children of the employee whether residing with him or not and dependent wholly on such employee but does not include children or step children of whose custody the employee has been deprived of by or under any law; and (*iii*) Any other person related to, by blood or marriage to the employee or to his spouse and wholly dependent upon such employee.

2.5 Observations on the Current Framework

2.5.1 *Overall:* The requirements for Members and employees differ. Also, while all employees are subject to the same requirements, the requirements for Whole-time Members (WTMs) and Part-time Members (PTMs) differ in some respects. Last, the SEBI ESR applies to whole-time employees but does not extend to persons employed temporarily or on contracts, unless otherwise determined by SEBI.

2.5.2 *Legality and enforceability:* The SEBI Code does not state the provision of the SEBI Act or any of the SEBI Rules under which it was issued. Also, the legal validity of the SEBI Code has not been tested in court. Therefore, the Code can be treated as nothing more than a voluntary statement of expected conduct. While it mentions some dos and don'ts, it does not specify penalties or other consequences for non-compliance. Enforceability is an essential feature of any effective code of conduct. In contrast, the SEBI ESR is legally enforceable and specifies penalties for non-compliance.

2.5.3 *Definition of conflict of interest:* The SEBI Code defines conflict of interest, but the SEBI ESR does not.

2.5.4 *Definition of family:* For Members, family means spouse and dependent children below 18 years. For employees, the definition is wider and includes spouse, dependent children and any other dependent person related by blood or marriage to the employee or his spouse.

2.5.5 *Disclosure of relationship:* Members are required to disclose "significant relationship" including professional, personal, financial or family relationship held with a regulated entity. However, the Code does not define "significant relationship". Employees must disclose employment of family members with an intermediary registered with the Board.

2.5.6 *Scope and timing of disclosure of shares and others:* Members must disclose holding of shares by them and their family within 15 days of assumption of office and within 15 days of the financial year-end. Substantial transactions by WTMs and their family must be reported within 15 days. PTMs are exempt if they make similar disclosures to the Government or the RBI. The Code is silent on disclosures by PTMs who are not from the Government or the RBI. However, employees must report not only purchase, holding and sale of shares, but also of immovable property, liabilities, bank deposits, debentures, units and other marketable securities, and purchase of movable assets in the

annual return. If any movable property or securities transaction exceeds twice the basic pay, it must be disclosed within 15 days with source of funds. The disclosure requirements for employees are stricter than those for Members. The Committee was informed that based on an internal decision, the Chairman and the WTMs file immovable property returns voluntarily from January 1, 2018 based on the format prescribed by the Government for All India Service Officers.

2.5.7 *Trading in securities:* For Members, there is no restriction on trading in securities except that dealing in securities based on UPSI is prohibited. But employees are prohibited from investing or speculating in equity and equity-related instruments and commodity derivatives. Only investments in mutual funds, non-convertible bonds and debentures, and rights issues in respect of shares already held are permitted. However, the Committee was informed that based on an internal decision, the Chairman and the WTMs voluntarily comply with the restrictions on trading in securities applicable to employees from January 1, 2018.

2.5.8 *Insider trading regulations:* Employees are deemed to be insiders for the purpose of the SEBI (Prohibition of Insider Trading) Regulations, 2015. In case of allegations of insider trading, the onus is on the employee to prove that he is not guilty of insider trading. In contrast, Members are not treated as 'insiders' for the purpose of these Regulations.

2.5.9 *Ethics infrastructure:* There is no separate ethics infrastructure in SEBI. SEBI's Vigilance Department headed by the Chief Vigilance Officer (CVO) handles vigilance-related matters, including complaints, against employees. The CVO is appointed by the Government. The Vigilance Department functions under the overall guidance given by the Central Vigilance Commission (CVC). The CVO has no role in relation to Members. There is no vigilance or ethics office for Members within SEBI. The Committee was informed that vigilance-related matters of Members are handled by the Vigilance Unit in the Ministry of Finance, Department of Economic Affairs.

2.5.10 *Enforcement and sanctions:* The SEBI ESR prescribes penalties for breach of any regulation of the Board. It also lays down the procedure for imposing major and minor penalties. The SEBI Code states that Members' disclosures may be scrutinized under the authority of the Chairman, and the Chairman's disclosures may be scrutinized under the authority of the Board. This arrangement may potentially lack independence. Further, Members' disclosures are maintained confidentially by the Secretary to the Board, who would remain unaware of their contents as they are generally provided in a

sealed cover. Consequently, Members' disclosures are not seen or reviewed by anyone in the organization or outside. As a result, there is no monitoring of how the Code works in practice.

2.5.11 *Whistleblower/reporting mechanism:* Any person can submit material evidence on conflict of interest of the Chairman or the Members to the Secretary to the Board, who shall place it before the Chairman in case of Members and the Board in case of the Chairman. However, the SEBI Code does not lay down the process to be followed for this purpose. The vigilance mechanism for employees relates to corruption-related complaints and not conflict of interest matters.

2.5.12 *Public disclosure:* There is no public disclosure of interests or recusals of Members or employees.

2.5.13 *Restriction on post-employment activities:* The Chairman and the WTMs cannot accept any employment for a period of one year after demitting office, except with the previous sanction of the Central Government. Employees cannot accept commercial employment including employment with an intermediary registered with the Board for a period of one year. Also, the Committee was informed that employees cannot represent before or against the Board for a period of two years in quasi-judicial proceedings as per SEBI's internal circular. A similar restriction does not apply to the Chairman and the WTMs.

2.5.14 *Recusal:* While the Chairman and the Members must recuse themselves in case of conflict of interest, there is no similar guidance in the SEBI ESR for employees. As a result, there might be inconsistencies across the organization.

2.5.15 Table 2.1 presents the major differences between the SEBI Code and the SEBI ESR.

Table 2.1: Summary of Major Differences between the SEBI Code and the SEBI ESR

Area	SEBI Code	SEBI ESR
Legality and compliance	Voluntary	Mandatory
Conflict of interest	Defined	Not defined
Definition of family	Relatively narrow	Broader than the SEBI Code
Identification and disclosure of interests	Identifies some interests	Focuses on financial interests
Digital repository	Does not apply	Covers annual and event-based disclosures
Trading and investment restrictions	No restrictions	Specifies restrictions
Procedure for recusal	Specified a basic procedure	Does not specify any procedure

Sources: SEBI Code and SEBI ESR

2.5.16 Table 2.2 presents the Committee's observations on the comparison of the SEBI Code and the SEBI ESR.

Table 2.2: Comparison of the SEBI Code and the SEBI ESR

Area	SEBI Code	SEBI ESR
Definition of conflict of interest	Personal interest or association of a Member	Not defined
Definition of family	Spouse and dependent children below 18 years	Spouse, dependent children, any other dependent person related by blood or marriage to the employee or his/her spouse
Identification and disclosure of interests	Significant relationship including professional, personal, financial or family relationship held with a regulated entity	Employment of family members with a registered intermediary
Frequency of disclosures **(i) Initial** **(ii) Annual** **(iii) Event-based**	 Interests and holding of shares by Member and his family Holding of shares by Member and his family Substantial transactions by WTMs and their family	 Holding of equity and equity-related instruments and assets and liabilities Annual returns containing assets and liabilities Purchase or sale of immovable property or movable property of value exceeding twice the employee's monthly basic pay
Digital repository	Not specified	Annual and event-based disclosures made on SEBI's internal portal
Restrictions on holding of securities and trading restrictions	Dealing in securities using UPSI prohibited	Investment in equity and equity-related instruments and commodity derivatives is prohibited. Equity instruments held at the time of joining need to be declared to SEBI and pre-clearance required for selling those instruments.
Recusal grounds and procedures	Member shall not take part in discussions on matters where there is conflict of interest.	Not specified
Gifts and hospitality	Gifts of value above ₹1,000 should be handed over to SEBI.	Acceptance of gifts (other than trivial gifts like sweets, diaries, calendars) from persons having official dealings is prohibited.

Area	SEBI Code	SEBI ESR
Outside employment/directorships	Prohibited for Chairman and WTMs	Prohibited
Post-employment restrictions	One year cooling-off period for Chairman and WTMs	One year cooling-off period for undertaking commercial employment or association with a registered intermediary.
Ethics infrastructure	Not specified	The vigilance department handles vigilance-related matters.
Whistleblower/reporting mechanism	Public can submit material evidence on conflict of interest of Chairman or Members to the Secretary to the Board.	No separate mechanism specified. Complaints are handled according to CVC guidelines.
Enforcement and sanctions	Though not specified in the Code, the Central Government can remove a Member under the provisions of the SEBI Act.	Violation of SEBI ESR or other guidelines can result in disciplinary action against employees.

Sources: SEBI Code and SEBI ESR

2.6 Concluding Remarks

2.6.1 The Committee observed notable differences in the requirements for managing conflicts of interest and disclosure of interests applicable to Members and employees. Definitions of family, scope of financial disclosures, and restrictions on investment and trading in shares and other securities are by far wide-ranging or more stringent for employees than for Members.

2.6.2 The framework proposed by the Committee in Chapter 5 addresses these differences and inconsistencies between the SEBI Code and the SEBI ESR and aligns them with both international and Indian best practices.

Chapter 3

Comparison of SEBI's Current Framework with International and Indian Regulatory Frameworks

3.1 Overview

3.1.1 This chapter presents a comparison of SEBI's current framework with international and Indian regulatory frameworks, norms and standards. As the Indian capital market continues to integrate with global capital markets, international standards and practices provide a useful benchmark for developing SEBI's governance and management arrangements. Understanding the requirements of other Indian regulators is helpful for adopting the best practices followed in India.

3.1.2 The Committee identified the following organizations and regulators for international comparisons:

a. *The International Organization of Securities Commissions (IOSCO):* IOSCO is the "international body that brings together the world's securities regulators and is recognized as the global standard setter for financial markets regulation."[3] The members of IOSCO regulate more than 95 per cent of the world's securities markets in more than 130 jurisdictions. SEBI is a member of IOSCO.

b. *The Securities and Exchange Commission (SEC):* The SEC regulates the U.S. capital market, the world's largest in market capitalization. It was set up in 1934.

c. *Commonwealth countries:* The Financial Conduct Authority (FCA) in the U.K., the Australian Securities and Investments Commission (ASIC) and the Monetary Authority of Singapore (MAS) are experienced regulators in three major Commonwealth jurisdictions.

d. *BaFin:* It is the capital market regulator in Germany, the largest economy in the European Union and the third largest in the world.

3.1.3 For domestic comparison, the Committee identified the Reserve Bank of India (RBI), the Insurance Regulatory and Development Authority of India (IRDAI), the Pension Fund Regulatory and Development Authority (PFRDA), and the International Financial Services Centre Authority (IFSCA). Further, the Committee studied the relevant requirements in the Government of India rules viz., All India Services (Conduct) Rules,

[3] https://www.iosco.org/v2/about/?subsection=about_iosco

1968 and Central Civil Services (Conduct) Rules, 1964. Finally, the Committee examined SEBI's requirements for entities under its regulatory oversight—market infrastructure institutions (MIIs), market intermediaries and listed entities.

3.1.4 *The requirements described below are illustrative and not exhaustive. They have been paraphrased for the sake of brevity and readability.*

3.2 International Organization of Securities Commissions[4]

3.2.1 The International Organization of Securities Commission (IOSCO) sets standards for financial markets regulation. IOSCO's Objectives and Principles of Securities Regulation (IOSCO, 2017) lays down the standards for regulators. The following principle is particularly relevant in the context of this report:

> **Principle 5:** The staff of the Regulator should observe the highest professional standards, including appropriate standards of confidentiality.

The IOSCO document explains that in the context of Principle 5, the term "staff" is intended to include the head of the regulator, as well as its members.

3.2.2 The IOSCO document sets out the following key issues addressed by Principle 5:

1. The staff of the regulator should observe the highest professional standards and be required to follow clear guidance on matters of conduct including:
   (a) The avoidance of conflicts of interest (including the conditions under which staff may trade in securities).
   (b) The appropriate use of information obtained in the course of the exercise of powers and the discharge of duties.
   (c) The proper observance of confidentiality and privacy provisions and the protection of personal data.
   (d) The observance of procedural fairness standards.
2. Failure to meet standards of professional integrity should be subject to sanctions.

3.3 Securities and Exchange Commission[5]

3.3.1 The Securities Exchange Act of 1934 established the United States Securities and Exchange Commission (the SEC or the Commission) which comprises five Commissioners appointed by the President of the U.S. with the consent of the Senate.

[4] https://www.iosco.org/
[5] https://www.sec.gov

3.3.2 The U.S. Office of Government Ethics (OGE), established in 1978, oversees the ethics laws and regulations that apply to all executive branch employees. The Standards of Ethical Conduct for Employees of the Executive Branch (the Ethical Standards), issued by the OGE, apply to all federal employees including members and employees and former members and employees of the Commission. Any agency that wishes to supplement the Ethical Standards can prepare and publish, with the concurrence of OGE, supplemental agency regulations. Accordingly, the SEC has issued the Supplemental Standards of Ethical Conduct (the Supplemental Standards) that deal with prohibited and restricted financial interests and transactions of Commissioners and employees of the SEC along with restrictions on outside employment and activities. In addition to these two standards, there are other rules and requirements applicable to federal employees that also apply to Commissioners and employees. The main requirements are summarized below.

3.3.3 *Disclosure of interest:* SEC Commissioners must make public disclosure, through OGE Form 278e, of positions held outside the U.S. government, employment, assets and income other than from the U.S. government, employment agreements and arrangements, spouse employment, assets and income, transactions in property or security, liabilities, and gift and travel reimbursements. The form must be filed at the time of appointment, annually and at the time of exiting the position. SEC employees in covered positions, as determined by the OGE, make confidential disclosures through OGE Form 450, about assets, earned income, honoraria, liabilities, positions held outside the U.S. government, employment agreements and arrangements, and gift and travel reimbursements. Commissioners and employees must report all securities holdings after acceptance of an offer of employment and must report all purchases, sales, acquisitions, or dispositions of securities within five business days after receipt of confirmation of the transaction.

3.3.4 *Gifts and hospitality:* Commissioners and employees may not accept gifts that are given because of their government positions or that come from certain prohibited sources, such as those who do business with or seek to do business with, seek official action by, or have activities regulated by the SEC. Gifts valued at $20 or less are exempted provided that the total value of gifts from the same person is not more than $50 in a calendar year.

3.3.5 *Outside employment and directorships:* These are generally not permitted if there is conflict with their employment at the SEC.

3.3.6 *Investments and trading in securities:* Commissioners and employees are prohibited from purchasing or selling any security while in possession of material non-public information regarding the security. Further, Commissioners, employees, their spouse, minor child and ward cannot hold securities or other financial interest in SEC-regulated entities, purchase in IPOs till a specified period, engage in margin trading, short-selling, or derivatives trading, purchase or sell any security issued by an entity that is under investigation by or party to a proceeding before the Commission. They must hold securities for a minimum of six months, while shares in sector mutual funds or unit investment trusts must be held for a minimum of 30 days.

3.3.7 *Ethics infrastructure:* The Office of the Ethics Counsel, SEC is responsible for advising and counselling all Commissioners and employees on ethics-related issues, including conflicts of interest. The Ethics staff also drafts, comments on, and implements regulations concerning ethical conduct issues.

3.3.8 *Public transparency:* The financial information disclosed by the Commissioners in OGE Form 278e is publicly available and a member of the public may request a copy.

3.3.9 *Restrictions on post-employment activities:* For communicating with or appearing before an SEC employee, there is a cooling-off period of one year for former employees including Commissioners.

3.3.10 *Recusals:* Commissioners and employees are prohibited from working on Government matters that will affect their own personal financial interest or financial interest of certain other people including spouse, minor child or general partner, any organization in which the person is serving, and any person or organization with whom the employee is negotiating or having an arrangement for future employment. Commissioners must not deal with matters relating to a former employer or former client for a period of two years after taking charge. Employees are deemed to have "covered relationship" with their former employer for a period of one year after separation requiring recusal from matters involving former employer. Commissioners and employees may be required to divest financial interests if holding them creates a substantial conflict with their duties.

3.4 Financial Conduct Authority[6]

3.4.1 The Financial Conduct Authority (FCA) is the U.K. market regulator. It was established on April 1, 2013, taking over conduct and relevant prudential regulation from the Financial Services Authority (FSA). The Payment Systems Regulator (PSR) regulates

[6] https://www.fca.org.uk/

the payments industry i.e. operators of regulated payment systems, payment systems providers, and infrastructure providers. The PSR is an independent subsidiary of the FCA.[7] Since both the FCA and the PSR play roles in regulating financial services and payment systems, some of the requirements apply to both.

3.4.2 The Board of the FCA is chaired by a Non-Executive Director (the Chair) and consists of Executive and Non-Executive Members with a majority being Non-Executive Directors. The Conflict of Interests Policy for Non-Executive Directors, March 2024 (FCA, 2024) – the FCA Policy for short – and the FCA Employee Handbook, updated in April 2025 (FCA, 2025) – the FCA Handbook for short – govern the conduct of FCA Board Members and employees (including the CEO), respectively. The main requirements are summarized below.

3.4.3 *Disclosure of interest:*

A. *Non-executive directors* must disclose the following:

a. *Personal relationships:* Close personal relationships which could create or be perceived to create a conflict of interests, influence or unfair advantage or close family members (i.e., spouse/partner, parents, siblings, children) working in the FCA or the PSR or an FCA-regulated or listed firm or a PSR-regulated firm, journalism, elected public office, and so on;

b. *Positions (current/past five years)*: Any position, employment, or fiduciary positions they hold, or have held in the past five years in connection with a "relevant organization" (which generally means a listed company or a company seeking to be listed);

c. *Financial relationships*: Own financial relationships or any financial relationships for another individual or organization a Non-executive Director directs or advises, and so on.

B. *Employees* must disclose the following:

a. *Personal positions (current/past five years):* Any post, other employment or fiduciary positions they hold, or have held in the past five years with a "relevant organization", or an organization that has a current or potential contractual relationship with the FCA/PSR. This includes paid or unpaid positions such as directorships, trusteeships, or volunteer work;

[7] https://www.psr.org.uk/about-us/psr-governance/

b. *Personal relationships:* Any close family member and any other individual organization with whom the employee has a close personal relationship, such as working in the FCA or the PSR, working in a "relevant organization", working in a firm regulated by the PSR, and so on;

c. *Prospective employment:* Any final stage active two-way discussions about prospective employment that the employee is having with any organization that is regulated by or registered with the FCA/PSR, or trade bodies involved in representing such organizations or any organization that the employee has contact with as a supplier.

d. *Financial relationships:* (i) Own financial relationships, (ii) any financial relationships for another individual or organization the employee directs or advises on, including when acting as an executor, trustee, director, shareholder or under a power of attorney, and (iii) the financial relationships of any close family member or close personal relationships where the employee has actual knowledge of those interests. The relationships to be declared include a direct holding of securities in a listed company, FCA-regulated firm, and so on.

For employees, a full conflict-of-interest assessment is carried out before joining that covers all personal, financial and professional interests. The disclosures must be updated whenever changes occur. Once a year, employees must confirm the declarations. At the time of leaving employment, an assessment form is to be submitted. All disclosures are to be made on the Conflict of Interests Portal.

3.4.4 *Gifts and hospitality:* Non-executive Directors may retain gifts under £30 but it must be recorded by the Ethics Officer. Gifts above £30 must be declared and surrendered to the Ethics Officer who will decide on its use. The giving of gifts and hospitality must be pre-authorized by the Chair or Ethics Officer and should be in line with the FCA's policies and practices. Employees must disclose gifts, prizes or hospitality within 48 hours. Employees must declare gifts under £30 and may retain them. Gifts above £30 must be surrendered to the Ethics Officer who will decide on its use.

3.4.5 *Outside employment and directorships:* Prior written approval is required for external work, whether paid or not, proposed to be undertaken by employees.

3.4.6 *Trading in securities:* The FCA Policy prohibits Non-Executive Directors from acquisition of securities in FCA- or PSR-regulated firms. Short-term and speculative investments in listed or soon-to-be listed companies are prohibited. Post-transaction disclosure is to be made within 48 hours to the Ethics Officer. The FCA Handbook

prohibits employees from dealing in securities of any FCA- or PSR-regulated firms or their financial holding companies or engaging in speculative transactions in financial assets. They must obtain prior permission from the line manager/Ethics Officer for dealing in securities in listed companies including by way of employee share schemes and rights issues.

3.4.7 *Ethics infrastructure:* For Board Members and employees, the conflict-of-interest team is led by the Ethics Officer (Company Secretary).

3.4.8 *Enforcement and sanctions:* Breach of the FCA Policy may result in action, including removal from the Board, besides any consequences for committing a criminal offence. Breach of the FCA Handbook may result in disciplinary action including dismissal.

3.4.9 *Whistleblower/reporting mechanism:* Employees can raise concerns about breaches of internal policies and procedures that are in the public interest (generally affecting others and not just the employee making the report) including breaches of the FCA Policy or unauthorised disclosure of confidential information.

3.4.10 *Public transparency:* The Ethics Officer keeps a permanent record of all disclosures made by Non-Executive Directors. The FCA discloses publicly relevant interests for transparency reasons. These are limited to financial interests and positions of Non-Executive Directors and Executive Committee members and their close family members if they are linked to regulated entities. Employees' disclosures are not made public.

3.4.11 *Post-employment activities:* Any final stage discussion about prospective employment by an employee with FCA- or PSR-registered / regulated firms must be disclosed.

3.4.12 *Recusals:* Non-Executive Directors should identify potential conflicts and declare them to the Chair of the meeting and the Ethics Officer. They should take steps to manage or avoid the conflict. Employees need to bring conflict of interest-related issues to the notice of their line managers.

3.5 BaFin[8]

3.5.1 BaFin, the German Federal Financial Supervisory Authority, regulates banks and financial services providers, insurance undertakings and securities trading. It is an autonomous public-law institution and is subject to the legal and technical oversight of the Federal Ministry of Finance. It is funded by fees and contributions from the institutions and undertakings under its supervision.

[8] https://www.bafin.de/EN/Homepage/homepage_node.html

3.5.2 BaFin is managed by an Executive Board consisting of a President and Chief Executive Directors. The Code of Conduct for Members of the Executive Board of BaFin (dated July 1, 2021) – referred to as the BaFin Code – governs the conduct of Board Members. It may be noted that the rules of conduct in the Code are subsidiary to the Act establishing the Authority and from contracts concluded pursuant to the Act.

3.5.3 The Code of Conduct deals with the financial market transactions by members of the Executive Board, acceptance of benefits and invitations to events, lectures and speeches, voluntary work and other roles. The main requirements are summarized below.

3.5.4 *General:* Board Members must fulfil their duties without bias or self-interest. They must behave in a way that always maintains and promotes the reputation of BaFin as well as public confidence in BaFin.

3.5.5 *Conflict of interest:* In performing their official duties, Board Members must act without regard for their own interests. They must avoid situations that may lead to personal conflicts of interest.

3.5.6 *Disclosure of interest:* Board Members must disclose unavoidable personal conflicts of interest to the Federal Ministry of Finance. Personal conflicts of interest that may result in the transfer of assets to a member of the Executive Board or to their relatives must be avoided. Instruments acquired prior to the Code becoming applicable are to be immediately disclosed to the Compliance Officer. Disposals or acquisitions of non-prohibited instruments must be notified to the Compliance Officer within two weeks of order placement. Disposal or acquisition of prohibited instruments require pre-clearance. Making use of portfolio management services or termination of such services must be disclosed.

3.5.7 *Gifts and hospitality:* Once in 6 months, each member must notify the Ministry of Finance of any gifts accepted with a value of more than €25 through the Compliance Officer. The notification to the Ministry must include a suggestion for usage of the gift and the Ministry will decide how the gifts are to be used. Gifts with a value of less than €25 must also be notified to the Ministry once in every six months. Fees must not be accepted for lectures and speeches that are given by an Executive Board member in an official capacity.

3.5.8 *Outside employment and directorships:* Prior approval is required for taking up outside work. Only offices in the academic or non-profit sectors that do not interfere with official interests will be permitted.

3.5.9 *Trading in securities:* Members are prohibited from carrying out transactions in financial instruments admitted to trading in Germany on an organized market, instruments issued by financial corporations in EU, issued by companies or its group supervised by BaFin. Disposal or acquisition (through gift/inheritance) of prohibited instruments require pre-clearance.

3.5.10 *Ethics infrastructure:* The Compliance Officer is appointed by the Executive Board based on recommendations of the President of BaFin and with the concurrence of the Finance Ministry. The Compliance Officer receives the declarations and notifications required by the Code and advises members of the Executive Board on issues relating to compliance. The Compliance Officer may consult with the Ministry of Finance.

3.5.11 *Enforcement and sanctions:* Disclosures by the Board Members are initially reviewed by the Compliance Officer for indications of violations of the Code. The Compliance Officer also initiates review by an external auditor of the transactions concluded by members during the previous year for compliance with the Code. The external auditor reports the results of his review to the Compliance Officer. The Compliance Officer informs the Ministry of the results of the review.

3.6 Australian Securities and Investments Commission[9]

3.6.1 The Australian Securities and Investments Commission (ASIC) is Australia's integrated corporate, markets, financial services and consumer credit regulator. It was set up under the Australian Securities and Investments Commission Act 2001 (the ASIC Act).

3.6.2 ASIC is made up of Commissioners, at least three and not more than eight, who are appointed by the Governor-General on nomination of the Minister. At least three members must be full-time members.

3.6.3 Section 123 of the ASIC Act requires members to disclose certain interests to the Minister. These include direct or indirect pecuniary interest in a business or a body corporate carrying on business in Australia or an entity regulated by ASIC; and any agreement to resume a previous business relationship or to enter into a new business relationship. Section 125 of the ASIC Act requires staff members to disclose their direct or indirect pecuniary or other interest in any matter under consideration that could involve a conflict with the performance of functions by the staff member.

3.6.4 Section 126B of the ASIC Act requires that the Chairperson of ASIC determine in writing the ASIC Code of Conduct that applies to ASIC members and staff members.

[9] https://www.asic.gov.au

The ASIC Code of Conduct (ASIC, 2023), among others, requires team members to disclose conflicts of interest, use information and resources properly and act responsibly with respect to gifts or hospitality. Failure to comply with the Code may lead to disciplinary action up to and including termination of employment.

3.6.5 The ASIC Code also covers matters such as accountability, professionalism, and teamwork.

3.6.6 Other ASIC documents including the Policy on Avoiding Conflicts of Interest and Improper Use of Information and the Trading Policy provide guidance on dealing with conflict-of-interest situations. As these are internal policies of ASIC, they are not discussed in this report.

3.7 Monetary Authority of Singapore[10]

3.7.1 The Monetary Authority of Singapore (MAS) is Singapore's central bank and integrated financial regulator established under the Monetary Authority of Singapore Act, 1970. Under the MAS Act, the Board of Directors of MAS is appointed by the President of Singapore. The Board shall consist of the Chairperson and other directors, at least four and not more than 13, one of whom is the deputy chairperson and another the Managing Director. The Directors are appointed by the President on the recommendation of the Minister.

3.7.2 The MAS Code of Conduct (the MAS Code) was established in 1971. The MAS Code deals with disclosure of interest, gifts and hospitality, outside employment and trading in securities. Besides, there are internal guidelines and instructions which are not available publicly. The main requirements are summarized below.

3.7.3 *General:* MAS avoids situations that may give rise to actual, potential, or perceived conflicts of interest. It takes appropriate steps to mitigate potential conflicts of interest where such conflicts are unavoidable. It upholds the highest standards of conduct and behaviour in and outside MAS to safeguard its reputation and interests. It is guided by the principles of fairness, integrity, and professionalism.

3.7.4 *Disclosure of interest:* Employees must promptly disclose, in accordance with internal guidelines on conflict of interests, any family or close relations (including fiancés/fiancées) that could lead to potential conflicts of interest in the course of their official duties. They must familiarise with the various circumstances under which they have to disclose their vested interests (e.g. outside activities, personal investments,

[10] https://www.mas.gov.sg/

employment after leaving MAS). For situations that are not covered by MAS's internal guidelines, and where they are uncertain about possible conflicts of interest, they must consult with the Department Head/Head of Human Resource.

3.7.5 *Gifts and hospitality:* Gifts, services and entertainment that are lavish or excessive (in terms of value and frequency) are inappropriate. Employees must declare to respective Group/Department Head all gifts, services and entertainment received from external parties. They must ensure that family members do not accept any of the gifts, services or entertainment offered by external parties with whom they have official dealings.

3.7.6 *Outside employment and directorships:* Employees must not take up gainful employment or assume directorships of private organizations unless approved by MAS.

3.7.7 *Trading in securities:* Employees must avoid investments or transactions that may suggest a conflict between their official responsibilities and their personal interests, or which may affect their ability to perform their official duties professionally. They are not allowed to act on non-public information to achieve personal gains.

3.8 Government of India Civil Services

3.8.1 The All India Services (Conduct) Rules, 1968 (the AIS Conduct Rules), the Central Civil Services (Conduct) Rules, 1964 (the CCS Conduct Rules) along with All India Services (Death-cum-Retirement Benefits) Rules, 1958 (the AIS DCR Rules) and the Central Civil Services (Pension) Rules, 2021 (the CCS Pension Rules) deal with matters relating to All India Services officers and Central Civil Services personnel.[11]

3.8.2 The provisions of the AIS Conduct Rules and the CCS Conduct Rules are largely similar. These Rules deal with, among others, matters relating to restrictions on private trade or employment, investments, lending and borrowing, employment of relatives in companies or firms, disclosure of movable, immovable and valuable property and related restrictions. Post-retirement matters are dealt with in the AIS DCR Rules and the CCS Pension Rules. The main requirements are summarized below.

3.8.3 *General*: The AIS Conduct Rules and the CCS Conduct Rules require Government employees to maintain high ethical standards, declare any private interests relating to public duties, take steps to resolve any conflicts and not place oneself under any

[11] The All India Services consist of the Indian Administrative Service (IAS), the Indian Police Service (IPS), and the Indian Forest Service (IFS). Central Civil Services cover most Central Government civilian employees, referred to as "Government Servants". This report refers to both as Government employees.

financial or other obligations to any individual or organization which may influence the performance of official duties.

3.8.4 *Disclosure of interest*: A Government employee must intimate acceptance of employment of a family member with any private undertaking (or NGO in the case of All India Services officers) and must report if any member of the family is engaged in trade or business or owns or manages an insurance agency or commission agency. A Government employee shall on his first appointment submit a return of his assets and liabilities giving the full particulars regarding the immovable property, shares, debentures, cash including bank deposits, other movable property, debts and other liabilities incurred directly or indirectly. Further, Government employees must submit an annual return giving full particulars of immovable property either inherited/owned/acquired by him or held on lease/mortgage in his own name/member of his family or any other person.

3.8.5 *Gifts and hospitality*: Members of All India Services shall not accept, without sanction of the Government, any gift if its value exceeds ₹5,000. Personal gifts received in accordance with prevailing religious and social practice are limited to ₹25,000. Central Government Servants shall not accept any gift and must report personal gifts above specified limits (₹25,000 for Group A, ₹15,000 for Group B, and ₹7,500 for Group C). Government employees shall avoid accepting lavish hospitality or frequent hospitality from any individual, industrial or commercial firms, organizations, etc. having official dealings with them.

3.8.6 *Outside employment/directorships:* Government employees need prior sanction to undertake outside employment. However, they are permitted to carry out honorary work of social or charitable nature or occasional work of a literary, artistic or scientific character.

3.8.7 *Trading in securities:* Government employees shall not speculate in stock, share or other investment.

3.8.8 *Ethics Infrastructure:* The Central Vigilance Commission Act, 2003 mandates the Central Vigilance Commission (CVC) to enquire or cause an enquiry into complaints against public servants wherein allegations of corruption are involved. The jurisdiction of the CVC extends, among others, to Central Government Ministries/Departments, Public Sector Undertakings, nationalized banks, insurance companies, and autonomous organizations. The Commission can cause an enquiry through the Chief Vigilance

Officer of the organization concerned or the Central Bureau of Investigation (CBI) or any other anti-corruption investigating agency under the Government of India.

3.8.9 *Enforcement and sanctions*: Violation of the Conduct Rules may result in disciplinary action being initiated against a Government employee and penalty may be imposed as per the relevant rules.

3.8.10 *Public transparency*: Immovable property returns of Government employees are available online.

3.8.11 *Restrictions on activities after employment:* Members of All India Services and Group A officers of the Central Government need to take prior permission before accepting any commercial employment within one year of retirement.

3.8.12 *Recusals:* Government employees shall not deal with any matter or give contract to any private undertaking or NGO or any other person if any member of his family is employed or is interested. Such matters/contracts are to be referred to his official superior and thereafter be disposed of according to the instructions of the superior.

3.9 Reserve Bank of India[12]

3.9.1 The Reserve Bank of India (RBI) is the banking sector regulator in India. Established by the Reserve Bank of India Act, 1934, the Central Board of the RBI consists of a Governor, not more than four Deputy Governors, four directors nominated by the Central Government from the four Local Boards, two Government officials and ten other directors nominated by the Central Government.

3.9.2 In addition to the provisions of the RBI Act, the RBI General Regulations, 1949 govern the conduct of the Board members. The RBI (Staff) Regulations, 1948 governs the conduct of the staff members.

3.9.3 The RBI General Regulations require directors not to deal with matters in which they are concerned and sign a declaration of fidelity and secrecy. The RBI Staff Regulations deal with matters relating to outside employment, employment after retirement, acceptance of gifts, private trading, speculating in stocks, shares, etc. The main requirements are summarized below.

3.9.4 *General:* All employees are required to abide by the Staff Regulations and obey all orders, maintain secrecy regarding the RBI's affairs and promote the RBI's interest.

[12] https://www.rbi.org.in

3.9.5 *Disclosure of interest*: Every director who is directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the RBI shall disclose the nature of interest.

3.9.6 *Gifts and hospitality*: An employee shall not solicit or accept any gift from a constituent of the RBI or from any subordinate employee.

3.9.7 *Outside employment/directorships:* The Central Board may, in public interest, permit the Governor or a Deputy Governor to undertake, at the request of the Central Government or a State Government, part-time honorary work provided it does not interfere with their duties. An employee shall not accept outside employment or office or undertake any part-time work without prior sanction.

3.9.8 *Investments and trading restrictions*: An employee can make bona fide investment of his funds in such manner as he may wish in securities.

3.9.9 *Restrictions on activities after employment:* Employees cannot accept commercial employment within one year of ceasing to be associated with the RBI except with the sanction of the Governor.

3.9.10 *Recusals:* No director of the Board shall vote on any contract or arrangement in which he is either directly or indirectly concerned or interested; if he votes, his vote shall not be counted.

3.10 Insurance Regulatory and Development Authority of India[13]

3.10.1 The Insurance Regulatory and Development Authority of India (IRDAI), the insurance sector regulator, was established under the Insurance Regulatory and Development Authority Act, 1999. The Board consists of a Chairperson, not more than five whole-time members, and not more than four part-time members.

3.10.2 The conduct of Board Members is governed by the Act, IRDAI (Salary and Allowances payable to, and other terms and conditions of service of Chairperson and other members) Rules, 2000 and IRDAI (Meetings) Regulations, 2000. The conduct of staff members is governed by IRDAI Staff (Officers and Other Employees) Regulations, 2016. The main requirements are summarized below.

3.10.3 *General*: The IRDAI Staff Regulations requires every employee, while discharging official duties, to endeavour to avoid conflict of interest with the functions of the Authority.

[13] https://irdai.gov.in/

3.10.4 *Disclosure of interest*: Employees must report to the Authority in case their son/daughter or any other member of his family accepts employment in any entity regulated by the Authority. Employees must submit a return of assets and liabilities on first appointment giving particulars of immovable property, shares, debentures, cash and other movable property along with debts and other liabilities incurred directly or indirectly. Further, employees are required to submit an annual return giving full particulars of immovable property held by them or in the name of family member.

3.10.5 *Gifts and hospitality:* Employees shall not accept gifts from persons with whom there are official dealings or from a subordinate employee. Employees shall report gifts of value above ₹5,000 received from friends with whom there are no official dealings. Employees shall avoid accepting lavish hospitality or frequent hospitality from any individual or concern having official dealings with them.

3.10.6 *Outside employment/directorships:* Employees shall not accept, solicit or seek outside employment without the previous sanction of the Chairperson. An employee cannot undertake any part-time work for a private or public body or accept any fee.

3.10.7 *Investments and Trading in securities:* Employees can make bona fide investments of his own funds in any entity not regulated by the IRDAI. Further, employees or their family members shall not speculate in equities of any Indian insurance company or its subsidiaries or an entity regulated by the IRDAI.

3.10.8 *Restriction on activities after employment*: The Chairperson and the WTMs of the IRDAI shall not accept any employment either under the Central Government or a State Government or any company in the insurance sector for a period of two years from the date of ceasing to be associated with the IRDAI. An employee intending to take up occupational activity within one year of leaving the service shall inform the IRDAI and shall take prior written approval if it is with a regulated entity. Further, an employee who was holding the post of Deputy General Manager or above shall not undertake a commercial employment with a regulated entity within one year from cessation except with previous sanction of the Chairperson.

3.11 Pension Fund Regulatory and Development Authority[14]

3.11.1 The Pension Fund Regulatory and Development Authority (PFRDA), the pension sector regulator, is governed under the Pension Fund Regulatory and Development

[14] https://www.pfrda.org.in/

Authority Act, 2013. The board consists of a Chairperson, three whole-time members and three part-time members.

3.11.2 The conduct of board members is governed by the PFRDA Act and the provisions of PFRDA (Salary and Allowances Payable to, and Other Terms and Conditions of Service of, Chairperson and Whole-time Members) Rules, 2014. The conduct of staff members is governed by the provisions of PFRDA (Employees' Service) Regulations, 2015. The main requirements are summarized below.

3.11.3 *Disclosure of interest:* The Chairperson and the WTMs shall declare the previous employment and shareholding in any regulated entity on or before their appointment. Further, they must disclose previous or present employment and particulars of shareholding of spouse, dependent children and parents in any regulated entity. Employees must disclose employment of family members with an intermediary registered with the PFRDA. Employees must declare assets and liabilities at the time of joining and on an annual basis.

3.11.4 *Gifts and hospitality*: Employees shall not accept gifts from persons with whom there are official dealings or from subordinate employees. They must disclose gifts of value above ₹10,000 received from friends with whom there are no official dealings on social or religious occasions. Employees shall avoid accepting lavish hospitality or frequent hospitality from any individual or concern having official dealings with the employee or the PFRDA.

3.11.5 *Outside employment/directorships:* Previous sanction of the Chairperson is required for accepting, soliciting or seeking outside employment. Sanction of competent authority is required for undertaking part-time work for a private or public body or a private person.

3.11.6 *Investments and trading restriction*: Employees can invest in equity and equity-related instruments up to two months' gross salary of the employee per investment and declare all investments in the annual asset-liability statement. Prior approval is necessary where the investment exceeds the above limits.

3.11.7 *Restriction on activities after employment*: The Chairperson and the WTMs shall not accept any employment either under the Central Government or a State Government or a regulated entity in the pension sector for a period of two years from the date of ceasing to be associated with the PFRDA except with prior approval of Central Government. An employee shall not accept commercial employment or be associated with a

registered intermediary within two years of leaving the service except with prior approval.

3.11.8 *Recusal*: If any member, who is a director of a company, has any direct or indirect pecuniary interest in any matter coming up for consideration at a meeting of the Authority, he shall disclose the nature of his interest at such meeting. Such disclosure shall be recorded in the proceedings of the Authority, and the member shall not take part in any deliberation or decision of the Authority with respect to that matter.

3.12 International Financial Services Centres Authority[15]

3.12.1 The International Financial Services Centres Authority (IFSCA), established under the International Financial Services Centres Authority Act, 2019 is the regulator of the International Financial Services Centres in India. The board consists of Chairperson, one member each to be nominated by the RBI, SEBI, the IRDAI, the PFRDA, two members from the Ministry of Finance and two other members (whole-time or part-time) appointed by the Central Government on the recommendation of a Selection Committee.

3.12.2 The conduct of board members is governed by the Act and the provisions of IFSCA (Salary and Allowances and Other Terms and Conditions of Service of Chairperson and Members) Rules, 2020 and the IFSCA (Procedure for Authority Meetings) Regulations, 2020. The conduct of staff members is governed by the provisions of IFSCA (Employees' Service) Regulations, 2020. The main requirements are summarized below.

3.12.3 *General:* Employees shall maintain absolute integrity, good conduct and discipline, maintain devotion and diligence to duty.

3.12.4 *Disclosure of interest:* The Chairperson or a WTM shall, before entering upon his office, declare his assets, liabilities and financial and other interests. An employee shall disclose if his son or daughter or any other member of his family accepts employment in a registered intermediary. Further, employees shall declare their assets and liabilities at the time of joining and on an annual basis. Prior intimation is required to acquire or dispose of any immovable property. Intimation about movable property transaction needs to be given within 30 days if it exceeds specified value.

3.12.5 *Gifts and hospitality*: Employees shall not accept gifts from persons with whom there are official dealings or from any subordinate employee. Employees shall report gifts of

[15] https://www.ifsca.gov.in/

value above ₹25,000 received from friends and others with whom there are no official dealings on special/religious occasions. In any other case, employees shall not accept any gift without prior sanction if the value exceeds ₹5,000. Employees shall avoid accepting lavish hospitality or frequent hospitality from any individual or concern having official dealings.

3.12.6 *Outside employment/directorships:* Employees shall not accept, solicit or seek outside employment or office or undertake part-time work for a private or public body or a private person without prior sanction.

3.12.7 *Investments and trading restriction*: Employees shall not invest in equity and equity related instruments traded in the International Exchanges located in International Financial Services Centres regulated by the IFSCA.

3.12.8 *Restriction on activities after employment*: A Member, other than ex-officio Member, shall not accept any employment either under the Central Government or a State Government or in any financial institution in the International Financial Services Centres for a period of two years, except with the prior approval of the Government. An employee shall not accept commercial employment or be associated with a registered intermediary within one year of retiring from the IFSCA, except with prior approval.

3.12.9 *Recusal*: Any Member who has any direct or indirect interest in any matter coming up for consideration at a meeting shall disclose in writing the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings. Such Member shall not take part in any deliberation or decision of the IFSCA with respect to that matter.

3.13 SEBI-regulated Entities

3.13.1 Entities in the securities market that are within the purview of SEBI can be broadly grouped into three categories:

i) Market Infrastructure Institutions (MIIs) i.e. Stock Exchanges, Depositories and Clearing Corporations.

ii) Registered Intermediaries (RIs) including stockbrokers, mutual funds, registrars to an issue and share transfer agents, depository participants, credit rating agencies, and so on.

iii) Companies whose securities are listed on a recognized stock exchange (listed entities).

3.13.2 MIIs and RIs are directly regulated by SEBI, with their core businesses governed by SEBI regulations. Listed entities are not subject to direct regulation by SEBI, as SEBI's

role is limited to prescribing disclosure and governance requirements. Additionally, MIIs act as the first-level regulator for intermediaries such as brokers and depository participants, as well as for listed entities.

3.13.3 MIIs are governed under the provisions of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (the SECC Regulations) and SEBI (Depositories and Participants) Regulations, 2018 (the D&P Regulations). Disclosure and governance aspects for listed companies are prescribed through the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the SEBI LODR). RIs are covered under the SEBI (Intermediaries) Regulations, 2008 (the Intermediaries Regulations) and other regulations governing specific types of intermediaries.

3.13.4 The SECC Regulations and D&P Regulations lay down the broad framework for conduct of the directors and key managerial personnel (KMP) of the MIIs and for managing conflicts. It includes disclosures of beneficial interests, dealing in securities, general obligations, whistleblower mechanism and cooling-off requirements. The SECC and D&P Regulations prohibit directors and committee members of MIIs from participating in decision making or adjudication of any person or matter in which they are concerned or interested. Conflict of Interest in any matter, if any, shall be decided by the governing board of the MII. Some MIIs are listed, so they must also comply with the SEBI LODR in addition to the SECC and D&P Regulations.

3.13.5 The code of conduct under the Intermediaries Regulations requires intermediaries to avoid conflict of interest and make adequate disclosure of interest. Intermediaries are also required to put in place a mechanism to resolve any conflict-of-interest situation that may arise in the conduct of its business. RIs are also required to make appropriate disclosures to clients/investors about possible source or potential areas of conflict of duties and interest which would impair its ability to render fair, objective and unbiased services.

3.13.6 The SEBI LODR specifies the principles governing disclosures, responsibilities of the board of directors, disclosure requirements of directors and KMPs, and a code of conduct.

3.13.7 The Committee noted that SEBI regulations for MIIs, RIs or listed entities cannot be applied to SEBI itself, because the context in which SEBI-regulated entities work is different. For example, the conflicts that may arise for a SEBI Board Member or employee could be very different from a conflict in a commercial transaction being

entered into by a company. Even so, the definition of relative, code of conduct, and whistleblower mechanism may be useful for the purpose of the Committee's work and are discussed at appropriate places in this Report.

3.14 Observations on the Comparisons

3.14.1 The Committee's study of the legal frameworks applicable to selected Indian regulators (mostly modelled after civil services rules) and foreign regulators has brought out similarities and differences in disclosure of interests, public transparency, restrictions on investments and trading, employment and post-employment restrictions, recusal grounds and procedures, and gifts and hospitality. For ease of reference, the practices followed in various jurisdictions, compared to the requirements under the SEBI Code and the SEBI ESR, are presented in tabular form at appropriate places. Key observations from these comparisons are presented for selected jurisdictions in Sections 3.15 to 3.26 below.

3.15 Identification and Disclosure of Conflicts of Interests

3.15.1 Interests that give rise to conflicts can be personal, professional, or financial. Accordingly, disclosure requirements across jurisdictions focus on these types of interests. Such disclosures are typically required at the time of joining the organization, yearly, and whenever there are changes to previously disclosed information.

3.15.2 *Initial disclosures:* The FCA and the SEC have comprehensive disclosure requirements. The FCA requires disclosure of close family members, close personal relationships and associations and interests in securities of listed companies and in regulated entities. In the U.S., the focus is primarily on financial and employment-related interests, with the SEC additionally requiring disclosure of securities holdings. ASIC emphasizes the disclosure of pecuniary interests of its members. In India, civil service rules mandate disclosure of assets and liabilities at the time of joining the service, while the PFRDA requires disclosure of securities holdings and employment interests of WTMs and their family members in regulated entities. Table 3.1 compares initial disclosures in selected jurisdictions.

Table 3.1: Comparison of Requirements on Initial Disclosures of Interests

	Board Members	Employees
SEBI	i. Any employment, post or fiduciary position held with a regulated entity at present or in the last 5 years ii. Significant relationship with a regulated entity iii. Honorary position in any organization iv. Holding of shares by a Member and by his family	Holding of equity and equity-related instruments, assets and liabilities
FCA	i. Position held currently or in the past 5 years and securities held in a listed company or an FCA/PSR-regulated entity ii. Close family members and close personal relationships working in the FCA/PSR and listed companies etc.	Same as for Board Members
SEC	Positions held outside the US Government, employment, assets and income, employment agreements, spouse employment, assets and income and other specified matters	Positions held, assets and earned income, liabilities and other specified matters to be filed by certain employees in covered positions as determined by OGE
AIS & CCS Conduct Rules	Assets and liabilities – immovable property, shares, debentures, bank deposits, movable property, debts and liabilities	
IFSCA	Assets, liabilities and financial and other interests before entering upon the office	Assets and liabilities
PFRDA	i. Previous employment and shareholding in any regulated entity ii. Previous or present employment of spouse, dependent children and parents and particulars of their shareholding in any regulated entity.	Assets and liabilities

3.15.3 *Annual disclosures:* These are for updating previous disclosures and ensuring the continuity and accuracy of the information provided. Table 3.2 compares annual disclosures in selected jurisdictions.

Table 3.2: Comparison of Requirements on Annual Disclosures on Interests

	Board Members	Employees
SEBI	i. Holding of shares by the Member and his family ii. Immovable property returns by Chairman and WTM[16]	Annual return which captures assets and liabilities of the employee
FCA	Affirmation on the disclosures made earlier	To confirm that all declarations are up to date.
SEC	Similar to initial disclosure	Similar to initial disclosure
AIS & CCS Conduct Rules	Annual immovable property returns	

3.15.4 *Event-based disclosures:* Reporting transactions in securities is one of the key event-based disclosure requirements across jurisdictions. In India, in addition to securities transactions, immediate disclosure is required for transactions involving immovable property, movable property above a specified value, and employment of family members with regulated entities. Table 3.3 compares event-based disclosures in selected jurisdictions.

Table 3.3: Comparison of Requirements on Event-based Disclosures of Interests

	Board Members	Employees
SEBI	Chairman and WTMs to disclose substantial transactions[17] within 15 days	i. Purchase or sale of immovable property ii. Purchase or sale of movable property exceeding twice the monthly basic pay of the employee iii. Employment of a family member with a registered intermediary
FCA	Update of previous disclosures	Update of disclosures whenever changes occur on the Conflict of Interest Portal.
SEC	Purchases, sales, acquisitions, or dispositions of securities within 5 business days after receipt of confirmation of the transaction	Purchases, sales, acquisitions, or dispositions of securities within 5 business days after receipt of confirmation of the transaction
ASIC	Agreement to enter into a new business relationship	Direct or indirect pecuniary or other interest in any matter under consideration

[16] The Committee was informed that in the absence of a requirement, these returns are submitted voluntarily from January 1, 2018.
[17] Transactions of at least 5,000 shares or shares of a value of at least ₹1,00,000.

AIS Conduct Rules	Employment of family member with private undertaking or NGO.
CCS Conduct Rules	Employment of family member in any company or firm.

3.16 Digital Repository of Disclosures

3.16.1 The FCA's Conflict of Interest Portal captures all conflict-of-interest disclosures made by directors and employees. Box 3.1 describes the FCA's Portal which serves as a comprehensive and useful digital repository.

Box 3.1: Conflict of Interests Portal of the FCA

The FCA maintains a dedicated Conflict of Interests Portal (COI Portal) where disclosures made by employees and directors are captured and securely stored in digital form. Prior to joining the FCA, every employee is required to complete a full Conflict of Interests Assessment review. On an ongoing basis, employees must update their disclosures whenever there is a change in circumstances, and these updates are recorded through the COI Portal.

Certain activities undertaken by employees also require prior permission from the FCA, which must be requested via the COI Portal.

Additionally, employees are required to disclose the receipt of any gifts, prizes, or hospitality within 48 hours through the COI Portal. Gifts or hospitality provided to third parties must likewise be recorded in the system.

Finally, employees leaving the FCA must complete the Leavers Conflict of Interest Assessment Form in the COI Portal before their departure.

3.17 Public Transparency

3.17.1 The FCA has limited public disclosure of its directors' interests. Similarly, in the USA, the OGE publishes the financial interests of senior officials as part of its ethics and transparency programme. Box 3.2 illustrates public transparency in conflict-of-interest disclosures in the FCA and the SEC.

Box 3.2: Public Transparency in Conflict-of-Interest Disclosures in the FCA and the SEC

Conflict-of-interest disclosures made by Board Members and employees are generally kept confidential by their respective organizations. In India, disclosures submitted by SEBI Board Members are maintained confidentially by the Secretary to the Board, while employee disclosures are kept internally by SEBI.

In the FCA, while disclosures by Board Members are kept confidential by the Ethics Officer, the FCA publicly discloses certain interests. These public disclosures are limited to financial interests, directorships, and other positions held by directors or their close family members, provided they are connected to regulated entities.

In the USA, nominees for Presidentially Appointed, Senate-Confirmed (PAS) positions –including SEC Commissioners – enter into ethics agreements with senior agency ethics officials. These agreements outline the steps the nominee will take to prevent conflicts of interest. The Office of Government Ethics (OGE) has published a sample ethics agreement as guidance. Generally, the ethics agreement covers broad commitments by the nominee, including the divestiture or retention of certain assets, resignation from or retention of specific positions, recusal from matters, and disclosure of a spouse's employment. Additionally, PAS nominees are required to file their financial interests using OGE Form 278e at the time of appointment, annually thereafter, and upon exit. This form is publicly available on the OGE website and captures information such as positions held outside the U.S. Government, employment, assets and income, employment agreements, spouse's employment, and other relevant matters. OGE Form 278e is available on a Freedom of Information Act (FOIA) request to the SEC.

3.18 Holding of Securities and Restrictions

3.18.1 *Existing investments:* Existing investments, particularly in the securities of regulated entities, can present potential future conflicts of interest. The FCA requires Board Members to disclose such holdings and offers the option to transfer them to blind trusts to manage potential conflicts. In the U.S., the Designated Agency Ethics Official (DAEO) determines whether an official may continue to hold such securities. SEC Commissioners may choose to voluntarily divest their holdings. Generally, prior permission is required before selling existing holdings. Table 3.4 compares requirements on pre-existing investments in selected jurisdictions.

Table 3.4: Comparison of Requirements on Pre-existing Investments

	Board Members	Employees
SEBI	Holding of shares need to be disclosed at the time of joining; the shares can be retained by the Member.	Equity and equity-related instruments held by employees need to be disclosed at the time of joining. Pre-clearance is required for selling the instruments.
FCA	Holding of securities of listed companies and FCA-regulated entities to be disclosed at the time of joining. Can be transferred to a blind trust.	Holding of securities of listed companies and FCA-regulated entities to be disclosed at the time of joining. Prior permission is required for disposing of such securities.
SEC	Action to be taken on the basis of ethics agreement and directions of the Ethics Counsel. Commissioners can voluntarily divest some holdings or transfer the holdings to a blind trust.	Existing investments in securities shall be disclosed and can be retained unless otherwise determined by the Ethics Counsel. Prior clearance is required for disposing of the securities.

3.19 Trading Restrictions

3.19.1 Regarding new investments in securities, practices vary across jurisdictions and within India. Generally, speculative and short-term investments are prohibited. The FCA and the SEC require a minimum holding period of six months for non-prohibited securities. The FCA explicitly prohibits investments in entities that it authorizes or regulates. Similarly, the SEC prohibits investments in the securities of entities it directly regulates. In India, the IRDAI prohibits its employees from investing in the securities of insurance companies. In contrast, the PFRDA allows employees to invest in equity and equity-related instruments, subject to a limit of up to twice the employee's monthly gross salary per investment. Table 3.5 compares practices on trading restrictions in selected jurisdictions.

Table 3.5: Comparison of Practices on Trading Restrictions

	Board Members	Employees
SEBI	No restrictions on new investments in securities[18] without using UPSI	Investments in equity and equity-related instruments prohibited
FCA	i. Prohibited from dealing in securities of any authorized firm.	i. Prohibited from dealing in securities of any FCA-/PSR-regulated firms or their financial holding companies.

[18] The Committee was informed that SEBI's Chairman and WTMs comply with the restrictions applicable to employees from January 1, 2018.

	Board Members	Employees
	ii. Short-term investments (less than 6 months) and speculative investments are prohibited.	ii. Prohibited from engaging in speculative transactions in any financial assets.
SEC	Cannot hold securities or other financial interest in an entity directly regulated by the SEC. Prior clearance is required for any transaction in securities or related financial interests.	Same as for Board Members

3.20 Recusal Grounds and Procedure

3.20.1 Once a conflict of interest is determined or established, the individual must refrain from dealing with the relevant matter. The individual is required to disclose any interest in matters under discussion, have the disclosure formally recorded, and recuse themselves from the Board meeting. This procedure appears to be common practice across jurisdictions and regulators. As an illustration, Box 3.3 summarizes the position in the U.S.

Box 3.3 Recusal

Recusal is a critical element in managing actual or potential conflict of interest situations. Most jurisdictions require members or employees to disclose conflicts and refrain from participating in related matters. However, clear guidance is necessary to help individuals determine when a conflict of interest requires recusal.

In the U.S., the criminal conflict of interest statute prohibits Government employees from participating personally and substantially in official matters where they hold a financial interest. To support ethics officials in preventing conflicts, the U.S. Office of Government Ethics (OGE) has developed a series of guides on identifying potential conflicts arising from various types of employment interests, investment holdings, and liabilities. These interests may include ownership of securities, units of mutual funds or exchange-traded funds, employment arrangements (including deferred compensation), and more.

The OGE also specifies threshold- or principle-based exemptions for particular situations. For example, a matter involving an entity in which the employee holds an equity interest (directly or indirectly) does not automatically lead to disqualification if the interest is less than US$15,000. Similarly, involvement in matters related to a former employer requires recusal for up to one year after separation if no equity interest is held.

These practical guides help ethics officials and federal employees navigate a variety of conflict-of-interest scenarios with clarity and consistency.

3.21 Gifts and Hospitality

3.21.1 Receiving gifts or hospitality from individuals with official dealings can lead to potential conflicts of interest. Generally, there are restrictions on accepting gifts above a specified value.

3.21.2 The FCA requires that all gifts and hospitality received be recorded in the COI Portal. Any gift valued above £30 must be surrendered. In the U.S., federal employees are prohibited from accepting gifts from subordinates or soliciting contributions for gifts to superiors. Additionally, employees cannot accept gifts from individuals with whom they have official dealings, except in limited cases where the gift is valued at less than $20 on a single occasion, and does not exceed $50 from the same source in a calendar year. The IRDAI and the IFSCA also prohibit employees from accepting gifts from subordinates as well as from persons with whom they have official dealings.

3.22 Outside Employment or Directorship

3.22.1 Part-time or outside work by full-time members and employees is generally not permitted unless it can be carried out without impairing their ability to perform official duties. Additionally, such work must not conflict with their official responsibilities.

3.22.2 BaFin generally allows part-time work in academic or non-profit sectors. Similarly, the AIS Conduct Rules and the CCS Conduct Rules permit honorary work of a social or charitable nature, as well as occasional work of a literary, artistic, or scientific character. The SEC prohibits any association with entities involved in the securities market.

3.23 Post-retirement Employment

3.23.1 The FCA and the SEC do not prescribe a specific cooling-off period. However, the FCA requires that any prospective employment with an FCA-regulated entity be disclosed as soon as final-stage negotiations begin. Similarly, the SEC requires senior officials to notify the commencement of negotiations or an agreement for future employment. Once disclosed, the individual must recuse themselves from any matters involving the prospective employer. Additionally, the SEC imposes restrictions preventing former employees and senior officers from communicating with or appearing before the Commission for a specified period, typically one or two years.

3.23.2 In India, post-retirement cooling-off restrictions vary. The IRDAI, the PFRDA and the IFSCA impose a *two-year* cooling-off period for board members. This restriction specifically applies to association with entities regulated by the authority. The other regulators and the civil services follow a *one-year* cooling-off period.

3.24 Ethics Infrastructure

3.24.1 The SEC, the FCA, and BaFin have dedicated teams led by senior officials to manage conflicts of interest. At the FCA, the Ethics Team is led by the Ethics Officer. At the SEC, the Office of the Ethics Counsel is responsible for handling conflict of interest matters. At BaFin, the Compliance Officer manages conflict of interest issues related to the Executive Board. This dedicated ethics infrastructure plays a key role in administering, monitoring, and enforcing ethics rules, thereby helping to effectively manage conflicts of interest and ensuring consistency across organizational ranks, departments and functions. Consequently, there is a high degree of predictability for members and employees.

3.25 Whistleblower Mechanism

3.25.1 ASIC has a *SpeakUp Program* that allows team members to report suspected breaches of the Code of Conduct applicable to employees. ASIC considers and investigates such reports and takes appropriate action where necessary. Whistleblowers are provided protection under applicable laws to safeguard them from retaliation.

3.25.2 The FCA has an internal whistleblowing mechanism through which employees can report concerns about potential wrongdoing, malpractice or illegal acts. Concerns could include breach of COI policy of FCA. Employees can report concerns openly or confidentially. Identity will be protected if an employee chooses to report confidentially.

3.26 Compliance Monitoring

3.26.1 Monitoring disclosures is essential to ensure compliance with the ethics framework and to take appropriate action in case of violations. In the event of non-compliance, actions may include removal from the Board for members, and dismissal from service or termination of contract for employees. This ensures that ethical standards are upheld, and conflicts of interest are properly managed. Box 3.4 describes monitoring in SEBI, the SEC and BaFin.

Box 3.4 Review of Conflict-of-Interest Disclosures in SEBI, SEC and BaFin

Under the SEBI Code, disclosures made by a Member may be scrutinized by the Chairman, with due regard to the Member's area of responsibility. Likewise, disclosures made by the Chairman may be reviewed by the Board, considering the Chairman's responsibilities. This indicates that scrutiny of disclosures is intended as an exception and not as a standard practice.

In the U.S., the Designated Agency Ethics Official (DAEO) is responsible for assisting the Office of Government Ethics (OGE) in enforcing ethics laws and regulations. Conflict of interest and ethics disclosures made by SEC Commissioners and staff are reviewed by the Office of Ethics Counsel. The Office of Ethics Counsel collaborates with other divisions to take any necessary disciplinary or corrective actions.

BaFin has a notable practice regarding review of disclosures by members of its Executive Board. Upon receiving a notification of a transaction in a financial instrument from a Board Member, the Compliance Officer reviews the transaction for any indication of a violation of the Code of Conduct. In addition, the Compliance Officer initiates an external audit of all financial market transactions carried out by Board Members during the previous year. The external auditor reports the findings to the Compliance Officer, who then informs the Federal Ministry of Finance of the results of the review. This serves as an additional layer of oversight to ensure strict compliance with the Code of Conduct.

3.27 Concluding Remarks

3.27.1 The learnings from the comparisons with national and international regulators would help in strengthening the SEBI Code and the SEBI ESR. While the context in which domestic and foreign regulators operate may be different, best practices across jurisdictions and regulators can be considered with suitable modifications as discussed in Chapter 5.

Chapter 4

Stakeholder Consultations

4.1 Overview

4.1.1 This chapter summarizes the consultations held with various stakeholders and the key suggestions they provided. SEBI's internal stakeholders are its employees and the Board. Its external stakeholders are individuals and entities impacted by or interested in its activities. In line with its mandate to review the existing framework, the Committee engaged with a diverse range of stakeholders. Consultations were held with the current SEBI Chairman, Members, and employees at various levels, as well as former SEBI Chairmen and Members, law firms, market infrastructure institutions, senior journalists, and regulated entities. The discussions focused on stakeholders' perceptions of the current framework and their suggestions for more effectively addressing conflicts of interest. Annexure 3 contains the names and affiliations of stakeholders and experts who interacted with the Committee.

4.2 General Suggestions

4.2.1 There was near-consensus among stakeholders that the framework applicable to Members should be at least as stringent, if not stricter, than the framework applicable to employees. It was also suggested that the framework should be proportional and risk-based, with stricter rules applied at higher levels of responsibility.

4.2.2 Some stakeholders were of the view that SEBI's conduct requirements for regulated entities should also apply to its own Board. Others pointed out that since the nature and types of conflicts generally faced by directors or key managerial personnel (KMPs) of listed entities or by intermediaries differ from those encountered by Board Members or employees of SEBI, requirements applicable to regulated entities may not be directly applied to SEBI employees or Board Members.

4.2.3 Members and employees expressed the need for clear guidance on recusals and requested training to handle conflict-of-interest situations better. Other stakeholders too emphasized the importance of providing adequate training to all Members and employees.

4.3 Framework for Board Members

4.3.1 Former Chairmen and a law firm suggested that the SEBI Code, or a reference to it, should be incorporated into the SEBI (Terms and Conditions of Service of Chairman and Members) Rules, 1992 to provide legal sanctity and ensure its enforceability.

4.3.2 Some stakeholders suggested that the new framework should not be so strict that it would hamper the ability to attract qualified and capable individuals to the SEBI Board.

4.3.3 One participant noted that the SEBI Code has diluted the stricter requirements set by government rules that apply to members of other regulatory bodies.

4.4 Definition of Conflict of Interest and Family

4.4.1 Some stakeholders suggested that the definition of conflict of interest in the SEBI Code should be reviewed and made more comprehensive. They also recommended harmonizing the definition of family in the SEBI Code with the SEBI ESR. Specifically, they suggested that the definition of family should include persons defined as "relative" or "immediate relative" as per Companies Act, 2013 and the relevant SEBI Regulations.

4.5 Identification and Disclosure of Conflicts of Interest, Digital Records and Public Transparency

4.5.1 There was consensus that disclosure of conflicts should cover personal, professional and financial interests. Disclosures should be made at the time of joining, on an annual basis, and whenever there are changes to previously submitted information.

4.5.2 Some stakeholders suggested that disclosures need to cover indirect interests through trusts or through family offices. Some suggested that even investments in unlisted securities, foreign securities and unregulated assets like cryptocurrency should be disclosed.

4.5.3 All stakeholders agreed that disclosures need to be captured and maintained digitally. Some suggested that this data could be leveraged to proactively identify potential conflicts and prevent matters from being assigned to conflicted individuals.

4.5.4 Views on public transparency differed. Some stakeholders including employees felt that public disclosure may not be necessary and could raise privacy concerns. Others suggested exploring the possibility of limited public disclosure. However, there were also concerns that such disclosures could lead to increased questions and speculation.

4.6 Restrictions on Investments and Holding of Securities

4.6.1 While some external stakeholders were of the view that existing investments could be transferred to a blind trust, others believed that SEBI Board Members should not hold any equity interest in regulated entities, and such holdings should be liquidated before assuming office. Some stakeholders also expressed the view that blind trusts may not be a practical solution in India.

4.6.2 Employees noted that restrictions on investments in equity and equity-related instruments limit their investment opportunities.

4.7 Recusals

4.7.1 A former Chairman emphasized that, regarding conflicts of interest, perception is as important as reality. Therefore, there should be complete recusal by conflicted Members. In the context of Board meetings, the Member concerned should not even be present during the discussion of such agenda items.

4.7.2 Some suggested that recusal data could be periodically reviewed by the Board or a delegated authority.

4.7.3 Members requested more guidance on various scenarios requiring recusal and procedures to be followed.

4.8 Outside Employment or Directorships

4.8.1 It was suggested that Board Members should not hold any direct or indirect interest in any business including employment and directorship.

4.9 Post-retirement Employment Restrictions

4.9.1 A journalist suggested imposing a one- to two-year ban on retiring Members from accepting employment with any entity under SEBI's purview.

4.10 Ethics Infrastructure

4.10.1 Stakeholders expressed differing views regarding ethics infrastructure. While some suggested the establishment of an external oversight mechanism, many – including former Members – felt that such an approach may not be effective in the current context, as external agencies may not fully understand the operational intricacies of SEBI.

4.10.2 Other stakeholders recommended that a Board Committee be tasked with overseeing, reviewing and addressing conflict of interest matters related to Board Members.

4.10.3 All stakeholders recommended that SEBI implement a whistleblower mechanism allowing both internal and external parties to report conflict-of-interest issues. They also suggested that the mechanism prescribed by SEBI for listed entities be adopted by SEBI with necessary modifications.

4.11 Concluding Remarks

4.11.1 The Committee appreciates the participation and perspectives of various stakeholders aimed at enhancing the current framework. The need for proportionality in the regulations governing Members and employees, the expectation for the regulator to "lead by example" by implementing rules that apply to its regulated entities, and the introduction of an oversight mechanism require careful consideration of the purpose and context of the organizations. The Committee examined the views and suggestions

of stakeholders and took them into consideration in developing its recommendations, explained in Chapter 5.

Chapter 5

Proposed Framework for SEBI's Management of Conflict of Interest, Disclosure of Interest and Other Related Matters

5.1 Overview

5.1.1 This chapter describes the proposed framework and presents the Committee's recommendations. In developing the recommendations, the Committee took into consideration the standards and experiences of domestic and international regulators and organizations on identifying and managing conflicts of interest, besides the SEBI Code on Conflict of Interests for Members of Board, 2008 (SEBI Code) and the SEBI (Employees' Service) Regulations, 2001 (SEBI ESR). The domestic financial regulators include the RBI, the IRDAI, the PFRDA, and the IFSCA. International capital market regulators and organizations include the following:

i. *IOSCO:*
   a. Objectives and Principles of Securities Regulation (IOSCO 2017).
   b. IOSCO Standards Implementation Monitoring (ISIM) for Principles (1-5) Relating to the Regulator (IOSCO 2023).

ii. *U.S.:* Supplemental Standards of Ethical Conduct for Members and Employees of the SEC, Code of Federal Regulations 41.1.3.

iii. *U.K.:* FCA Employee Handbook (FCA 2025) and Conflict of Interests Policy for FCA Non-Executive Directors (FCA 2024).

iv. *OECD:*
   a. Managing Conflict of Interest in the Public Service: OECD Guidelines and Country Experiences (OECD 2003).
   b. Post-Public Employment: Good Practices for Preventing Conflict of Interest (OECD 2010).
   c. Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service (OECD 2025).

v. *Singapore:* Monetary Authority of Singapore Code of Conduct (MAS 1971) and Internal Code of Conduct for Senior Management and Employees

vi. *Australia:* Code of Conduct (ASIC 2023) and Conflicts of interest policy (ASIC 2021).

5.1.2 As described in Chapter 4, the Committee interacted with various stakeholders, including former SEBI Chairmen and Members, legal experts, market infrastructure

institutions, market intermediaries, and media, including print media, as part of its mandate to review the existing framework. The recommendations reflect the Committee's assessment of the relative costs and benefits of the alternatives, their enforceability, and relevant practical considerations in implementation.

5.2 Core Principles and the Committee's Approach to Managing Conflict of Interest

5.2.1 *Core principles*: OECD (2003) lays down the following core principles for public officials in dealing with conflict-of-interest matters to promote integrity in the performance of official duties and responsibilities:

i. Serving the public interest.

ii. Supporting transparency and scrutiny.

iii. Promoting individual responsibility and personal example.

iv. Engendering an organizational culture that is intolerant of conflicts of interest.

5.2.2 *The Committee's approach:* After its study of the standards and practices in major jurisdictions, the Committee is of the view that there is no one-size-fits-all policy framework that can be applied universally. The application of the core principles to a country or an institution would differ depending on, among others, local laws and legal framework, institutional arrangements, and social and cultural practices. These would require trade-offs. Striking a reasonable balance between privacy, transparency, comprehensiveness, and compliance costs is critical to the development of a sustainable and robust conflict-of-interest system. In general, individuals in charge of activities that can have wider economic, political or social impact or can cause greater reputational damage should be subjected to stricter regulations. Again, because senior staff have more influence and authority, the disclosure norms should be more stringent for them.

5.3 Proposals and Recommendations

5.3.1 The Committee's main proposals and recommendations relate to the following matters:

1. Conflict of interest.
2. Definition of family and conflicted relationships.
3. Managing conflicts of interest.
4. Office of Ethics and Compliance.
5. Whistleblower system for internal and public complaints.
6. Leveraging technology in conflict-of-interest management.
7. Training and development framework for conflict-of-interest management.

These are explained below.

5.4 Conflict of Interest

5.4.1 *Defining conflict of interest:* At present, the definition of conflict of interest in the SEBI Code, Act, Rules, and Regulations, which applies to Board members, is general, leaving much to interpretation and making it subjective. The ESR 2001 does not define conflict of interest.

5.4.2 In general, "conflict of interest" is defined as "a conflict between the public duty and private interests of a public official, in which the public official has private-capacity interests which could improperly influence the performance of their official duties and responsibilities." (OECD 2003, p. 24). A conflict of interest arises when a current or past personal, financial, professional, or other interest, relationship, or obligation can improperly influence, or is perceived as likely to affect, the impartial and objective performance of official duties and responsibilities. This includes situations where such interests create a risk that decisions or actions are, or could be, unduly influenced for personal gain, or to benefit related parties, or to the detriment of SEBI's statutory objectives. Conflicts may be actual, potential, or perceived, and may involve the interests of the individual, his/her family members, close associates/friends, or affiliated organizations.

5.4.3 Conflict of interest causes breach of public trust and undermines the legitimacy of institutions, including and especially that of regulators, and results in compromise of impartiality in decision-making. While managing conflicts of interest is vital for all public officials, it is even more critical for independent regulatory organizations, as they possess legislative, executive, and quasi-judicial powers, and have functional autonomy from the government.

5.4.4 *Accountability of individuals:* While defining conflict of interest is hard, recognition of conflict is often not that difficult. The UK FCA Conflict of Interests Policy for FCA Non-Executive Directors (2024) applies the following test:

> The FCA must be able to publicly defend the actions of individuals in relation to this policy to prevent reputational damage. It is your responsibility to bring potential or actual conflicts of interest to the attention of the Chair or the Ethics Officer as soon as you become aware of them. (paragraph 2.1)

Given that conflicts of interest can result from unforeseen events, actions and operational situations, it is not practicable to foresee what would constitute a conflict

of interest. To overcome this limitation, the FCA's approach holds individuals accountable for their actions.

5.4.5 *Examples:* For SEBI's Board members and employees, conflicts of interest may arise in various circumstances. Here are some examples:

a. Holding shares or financial interests in a regulated entity/listed entity may influence regulatory decision for undue personal gain.
b. Non-disclosure of any relationship with a regulated entity or its staff may cast doubt on the impartiality in supervision or enforcement.
c. Negotiating future employment with a regulated entity/listed entity may lead to a *quid pro quo* situation where the regulated entity/listed entity receives favourable treatment in anticipation of personal benefit.
d. Accepting gifts or hospitality beyond a prescribed threshold may compromise independence.
e. Using unpublished price-sensitive information for personal benefit undermines market integrity and fairness.
f. Involvement in decisions affecting associates, close friends, or family could lead to actual or perceived nepotism.

As is clear from the above examples, conflict of interest may arise from direct or indirect financial interests and non-financial interests.

5.4.6 *Classification of conflict of interest:* Conflicts of interest may be classified based on their nature and origin, as follows:

a. *Financial conflict of interest:* Direct financial interest in a regulated entity or listed entity beyond a prescribed threshold or indirect financial interests held through family members, close associates, or trusts.
b. *Relational conflict of interest:* When a related person (family, extended family, close friend/associate) is impacted by the decision.
c. *Professional conflict of interest:* Prior employment affiliations; post-employment negotiations.
d. *Fiduciary conflict of interest:* Arising from acting as a trustee, holding the power of attorney or in an implied trustee-beneficiary relationship.
e. *Duty-related conflict of interest:* May arise from holding conflicting responsibilities e. g. investigating a case and taking enforcement action in the same case.

f. *Conflict arising from information asymmetry:* Unpublished price-sensitive information (UPSI) available to key decision-makers can create the possibility of undue gain or affect their impartiality.

g. *Gifts, hospitality and prizes:* Can impact independence or impartiality due to improper influence.

h. *Perceived conflict of interest:* Situations in which, even in the absence of bias, public perception may be negative.

5.5 Definition of Family and Conflicted Relationships

5.5.1 The Committee examined the definition of family for Board Members for the purpose of determining conflict of interest. The current definition of family in clause 1(i) of the SEBI Code 2008 comprises a spouse and dependent children under 18 years of age. In contrast, Regulation 3(1)(h) of the SEBI ESR has a broader definition of 'family'.[19] The ESR definition includes spouse, children, and any other person who is related by blood or marriage to the employee or their spouse and is wholly dependent on the employee.

5.5.2 It is desirable in this regard to maintain parity between Board members and employees and bring in more transparency by aligning with international best practices. **Accordingly, the Committee recommends that the definition of family include (i) spouse (ii) dependent children (including adopted children and stepchildren) (iii) any person for whom the member/ employee serves as a legal guardian and (iv) any other person related to, by blood or marriage to the employee or to his spouse and substantially dependent on such employee. This shall apply to all Board members and employees, including contractual appointees and those on secondment.**

5.5.3 The Committee further deliberated on whether:

(i) in principle, the standard of governance mechanisms within SEBI and the code of conduct for Board Members and employees should be no less than that prescribed for SEBI-regulated entities including market infrastructure institutions, market intermediaries, and listed companies, and

[19] **ESR 3(1)(h):** "family" means (*i*) In the case of male employee, his wife, whether residing with him or not, but does not include a legally separated wife and in case of a woman employee her husband, whether residing with her or not, but does not include a legally separated husband. (*ii*) Children or step children of the employee whether residing with him or not and dependent wholly on such employee but does not include children or step children of whose custody the employee has been deprived of by or under any law; and (*iii*) Any other person related to, by blood or marriage to the employee or to his spouse and wholly dependent upon such employee.

(ii) specifically, the definition of family should be expanded to encompass the definition of 'relative' in sub-section (77) of section 2 of the Companies Act 2013 and the rules prescribed under it and in Regulation 2(1)(zd) of SEBI LODR.[20] This definition includes (a) members of a HUF (karta, coparceners, other members), (b) husband and wife, and (c) other relatives (father, stepfather, mother, stepmother, son, stepson, son's wife, daughter, stepdaughter, daughter's husband, brother, stepbrother, sister, stepsister for definition of family).

5.5.4 After detailed discussion, the Committee came to the view that replicating or superimposing the requirements for regulated entities on SEBI would not be appropriate for the following reasons:

(i) For regulated entities, risks and rewards stem from market operations and commercial decisions. As a regulator, SEBI's mandate and functional environment are completely different.

(ii) The purpose of the definition of 'relative' in the Companies Act, 2013 and in the SEBI LODR 2015 is to improve transparency in related party transactions and intra-group investments and loans. This may not be relevant in SEBI's case.

5.5.5 Nevertheless, the Committee appreciates that disclosure would be a critical element in alleviating concerns about perceived conflict of interest associated with family and other relationships, even if they are outside the immediate family.

5.5.6 **Keeping in view the above, the Committee recommends that, in addition to the definition of family in paragraph 5.5.2, the broader definition of 'relative' under the Companies Act 2013 be additionally adopted and applied to Board Members and employees specifically for internal disclosure of relationships for management of conflict of interest and recusals.** Investment restrictions would only apply to family

[20] Section 2 (77) of the Companies Act, 2013: ""relative", with reference to any person, means anyone who is related to another, if— (i) they are members of a Hindu Undivided Family; (ii) they are husband and wife; or (iii) one person is related to the other in such manner as may be prescribed;" Rule 2 (4) of the Companies (Specification of definitions details) Rules, 2014 widens the definition as follows: "A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:- (1) Father: Provided that the term "Father" includes step-father. (2) Mother: Provided that the term "Mother" includes the step-mother. (3) Son: Provided that the term "Son" includes the step-son. (4) Son's wife. (5) Daughter. (6) Daughter's husband. (7) Brother: Provided that the term "Brother" includes the step-brother; (8) Sister: Provided that the term "Sister" includes the step-sister." Regulation 2(1)(zd) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 follows the Companies Act definition

members as defined in paragraph 5.5.2, and not to the broader definition of relative. In addition to family and relatives, professional relationships, close associates, and close friends would also fall within the definition of conflicted relationships, subject to any conflict arising between such relationships and public duty. It may, therefore, be made obligatory for all SEBI Board Members and employees to disclose such relationships as part of their official duty. It may once again be emphasised that only those relationships where there is an existing or likely conflict-of-interest situation arising in connection with the performance of official duties may be disclosed. The lookback period for professional relationships typically ranges from three to five years. The Committee is of the view that three years would suffice. The different facets of conflict of interest are discussed further in Section 5.6.

5.6 Managing Conflicts of Interest

5.6.1 Managing conflicts of interest involve the following five areas:

A. Disclosure of Financial and Non-Financial Interests:
B. Investments.
C. Gifts.
D. Recusals.
E. Post-retirement employment restrictions.

These are discussed below.

A. Disclosure of Financial and Non-Financial Interests:

5.6.2 Disclosure of relevant conflict-of-interest declarations made by senior management is the cornerstone of regulatory accountability and building public trust and confidence. A review of some international standards and disclosure practices shows the following:

(i) The FCA mandates that Board members and senior leadership disclose financial, professional and relational interests that meet the materiality thresholds. A summary of the register is available on request and certain disclosures are posted on the FCA website.

(ii) The SEC publishes financial holdings, positions held and outside affiliations of its commissioners and senior leadership annually. Any material change must be disclosed within 30 days and recusals noted in official meeting records are also made public.

(iii) MAS (Singapore) includes a summary of disclosures of Board members and key executives in the annual report, which is also available online. Disclosures

are made on appointment, annually, and upon material change. Interests in securities, directorships, and related-party dealings are disclosed.

(iv) Similar practice is followed by ASIC (Australia) and other advanced jurisdictions.

(v) In general, there are privacy safeguards which include avoiding publishing of personal identifiers such as home addresses and account numbers.

5.6.3 At present, SEBI has disclosure requirements for Members and employees. Under the SEBI Code, members are required to internally disclose interests that could create conflicts. Unlike the ESR, which is applicable to all SEBI employees, there is no requirement in the SEBI Code for the Board members to submit an assets and liabilities statement. Part-time members, from amongst the officials of the Ministry of Finance (MoF), the Ministry of Corporate Affairs (MCA) and the RBI are specifically exempt from such disclosures, if they have already made a similar disclosure to their parent organization. ESR does not stipulate anything about disclosure of conflicted relationships, except the employment of a family member in a registered intermediary, but SEBI employees do report conflicts of interest to their supervisors.

5.6.4 SEBI must establish a structured, timely, and accessible system for disclosure of relevant conflict-of-interest declarations made by Board Members and employees based on the principles of relevance and materiality, striking a balance between transparency and privacy considerations.

5.6.5 **The Committee recommends initial, annual, event-based and exit (on the date of demitting office in SEBI) disclosures of assets, liabilities, trading activities and family and other relationships for Board Members and employees to SEBI's proposed Office of Ethics and Compliance (OEC) and the Oversight Committee on Ethics and Compliance (OCEC) (discussed in Section 5.7).**

5.6.6 **The Committee recommends public disclosure for the Chairperson, WTMs, Executive Directors, and Chief General Managers, considering their responsibilities and discretionary powers.** Considering the need to balance disclosure requirements with privacy considerations, it would be adequate to publish the broad categories of assets and liabilities without granular details. The asset value to be reported would be the acquisition cost. The format of the Annual Return prescribed for submission by employees under the SEBI ESR may be used as the basis for the disclosures, with necessary changes as appropriate. (Annexure 5). The name and

relationship of relatives as defined in the Companies Act, 2013 as well as the professional and other relational interests should be disclosed internally by all SEBI employees, the Chairman, and all Board members.

5.6.7 The SEBI Code, 2008 (provisos to clauses 6 and 11) exempts PTMs who are officials of the MoF, the MCA and the RBI from disclosure of assets and certain relationships if they make similar disclosures to their parent organizations.[21] The AIS Conduct Rules and the CCS Conduct Rules require disclosure of movable and immovable property, shares, debentures, and cash to the Government. Only information about immovable property is made public. As Board members, PTMs participate in approving regulations, but those are generic in nature, applicable to a class of entities rather than to a particular entity. Unlike WTMs, PTMs do not handle day-to-day activities, such as licensing and adjudication. As such, their sphere of influence is narrower than that of WTMs. Moreover, since the PTMs from the Ministries and the RBI are already governed by conduct rules for Government employees and the RBI, the Committee recommends less stringent disclosure norms for those PTMs. As regards PTMs other than those from the Ministries and the RBI, the Committee is of the view that consistent with the spirit of SEBI LODR, their disclosure requirements may be the same as those applicable to independent directors.

5.6.8 **The Committee recommends that the Chairman, WTMs and SEBI employees at the level of CGM and above be required to make a public disclosure of assets and liabilities statement.** Thus, the public disclosure requirements would apply to Chief General Manager and Executive Director but not to ranks below. The SEBI ESR may be amended to introduce these changes. **A disclosure should be made internally by all SEBI employees, the Chairman, and all Board members in respect of the name and relationship of relatives as defined in the Companies Act, 2013 as well as the professional and other relational interests.**

5.6.9 **The Committee further recommends that applicants for the position of Chairman and WTMs and for lateral entry positions must disclose actual, potential, and perceived conflict-of-interest risks of financial and non-financial nature to the appointing authority.**

5.6.10 The Committee is of the view that the adoption of the above disclosure requirements would prevent undisclosed conflicts, support accountability by providing adequate

[21] Proviso to Clause 6 and proviso to Clause 11 of SEBI Code.

transparency, enhance public trust and confidence in SEBI's governance system, and protect market integrity.

B. Investments:

5.6.11 The Committee noted that the SEBI ESR imposes various restrictions on investment by employees (Regulations 64 and 65). Briefly, investment in mutual funds, non-convertible bonds and non-convertible debentures, and in rights issues in respect of the shares already held by them are allowed. Investment in equity and equity-related instruments is not allowed.[22] Regulation 65 (1) prohibits speculation in stocks, shares, securities or commodities.

5.6.12 In contrast, the SEBI Code, 2008 (clause 6) has the following requirements as regards investments and transactions for the Chairman and the WTMs (referred to as Members):

i. A Member shall disclose his holding of shares and holdings of shares of his family at the end of each financial year within 15 days of the close of the financial year.
ii. A Member shall disclose substantial transactions by him and his family within 15 days of such transaction.
iii. A Member shall not deal in securities of a company listed on a recognized stock exchange based on unpublished price sensitive information which he may have got access to.

5.6.13 **The Committee recommends (a) uniform application of restrictions on investments and trading to Chairman and WTMs as applicable to employees under the ESR 2001, and (b) allowing new investments by Chairman and WTMs/employees in any pooled vehicle provided the scheme is professionally managed, and the market intermediary concerned is regulated by any of the financial sector regulators (such as RBI/SEBI/IRDAI/PFRDA/IFSCA) in the country, subject to investment in the scheme(s) managed by the market intermediary not exceeding 25% of the financial portfolio of the Member/employee concerned. Given their limited role and sphere of influence**

[22] **ESR Restrictions on investments Regulation 64.** No employee shall make any direct or indirect investment in commodity derivatives, equity and equity related instruments including convertible debentures and warrants except units of Mutual Funds, non-convertible bonds and non-convertible debentures, and in rights issues in respect of the shares already held by them. These restrictions would apply to: (i) Investments of the employees; (*ii*) Investments of dependent children or other wards managed by the employee as a guardian; (*iii*) Investment made by spouse, dependent children, dependent parents and dependent parents-in-laws of the employee out of the moneys received from the employee.

compared to WTMs, the Committee recommends that Part-time Members may be exempt from the above investment restrictions, but they would be obliged to make necessary disclosures and not trade based on UPSI as indicated in paragraph 5.6.12.

5.6.14 The above recommendations and investment restrictions should apply to Members and employees prospectively. They should also apply to (a) the spouse irrespective of his/her financial status or whether the investment is made out of the money of the Chairman/WTMs or employee or the spouse's own money, and (b) relatives/other persons, who are financially dependent on them substantially. However, this restriction on investment will not be applicable to an investment in employee stock options (ESOPs) of the spouse as part of their pay package or if the spouse holds or acquires unlisted securities as part of their private business or investment activities.

5.6.15 The Committee examined the question of how the Chairman and the WTMs should deal with the investments held by them at the time of taking charge. The Committee recognizes that WTMs, especially those appointed from outside the Government, may hold equity and equity-related instruments, including employee stock options (ESOPs).

5.6.16 **After detailed discussion, the Committee recommends that the Chairman and the WTMs be required to choose one of the following four options for investments held by them at the time of joining:**

1. **Liquidate the investments.**
2. **Freeze the investments.**
3. **Sell the investments according to a trading plan.**
4. **Sell the investments without a trading plan with prior approval.**

These options are explained below.

1. Liquidate:

Investments may be held in the form of bank deposits or Government Securities or may be entirely liquidated before taking charge and converted into bank deposits. While this appears straightforward and would avoid potential conflict of interest in matters relating to the companies in which the investments are held, this would change the individual's investment portfolio and there could be capital-gains tax implications.

2. ***Freeze:***

   Investments are kept frozen during the tenure of the individual, with no voluntary transactions being put through. Events outside the individual's control such as rights and bonus issues, bank deposits with pre-determined maturity, etc. would be allowed but must be reported. This would leave the investment portfolio undisturbed and would not trigger capital-gains tax.

3. ***Sell according to a trading plan:***

   The individual gives a trading plan before taking charge and scrupulously adheres to it. Deviations are not allowed except for personal emergencies with prior approval of the Oversight Committee on Ethics and Compliance (OCEC) (discussed in Section 5.7).

4. ***Sell without a trading plan:***

   Sale may be undertaken with the prior approval of the OCEC. This allows greater flexibility for the individual.

The Committee is of the view that leaving the choice to the Chairman and the WTMs would be a reasonable trade-off between their public duty and their personal financial needs that include retirement planning, taxation and family commitments.

5.6.17 Investments in equity and equity-related instruments in commercial ventures (including unlisted companies) must be fully liquidated or kept frozen, and no transaction or activity (including and especially voting) is to be allowed in these investments during the tenure of the Chairman or the WTMs. Vested options[23], if any, must be exercised before joining SEBI. Disclosures are to be made relating to any contracts like renting out properties, purchase and sale of properties, and so on at the time of taking charge and recusal should be sought, wherever there is a conflict or a perceived conflict.

5.6.18 The Committee considered the idea of a blind trust for the Chairman and the WTMs that would mean placing their existing investments under the management of a trustee, who then makes investment decisions without the knowledge or consent of the beneficiary. While it looks appealing, it would be hard to prove that there was no relationship or nexus between the trustee and the beneficiary. Hence, it may be

[23] The SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 defines "vesting" as "the process by which the employee becomes entitled to receive the benefit of a grant made to him/her under any of the schemes" (Clause xx of Regulation 2(1)). An employee does not have such entitlement under unvested options, so the options will lapse when the employee leaves before completing the required length of service.

inherently risky as an administrative measure. Therefore, the Committee ruled out the blind trust option.

5.6.19 Regulation 65 (3) of SEBI ESR deems every SEBI employee to be an "insider" for the purpose of SEBI insider trading regulations.[24] However, the Chairman and the WTMs are not covered by these regulations, though conceivably they have more access to UPSI than SEBI's employees. This is anomalous. **The Committee recommends that the Chairman and the WTMs be brought within the definition of "insider" for the purpose of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.**

C. Gifts:

5.6.20 The SEBI Code 2008 (clause 10) states that the Chairman and the WTMs "shall not accept any gift by whatever name called, to the extent possible, from a regulated entity" and that they shall hand over the gift, if they receive any and the value exceeds ₹1000, to the General Services Department of the SEBI. In contrast, Regulation 62 of the SEBI ESR completely prohibits acceptance of gifts by employees from any person with whom the employee is likely to have official dealings either directly or indirectly or from any subordinate employee.[25] There is no apparent reason why the norms for

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[24] ESR Speculation in stocks, shares, investments, etc. 65. (1) An employee shall not indulge in badla trading or trade, speculate in stock, shares, securities or commodities of any description.
(2) No employee, shall, when in knowledge of unpublished price sensitive information, encourage any person to deal in the securities to which it relates.
(3) Each employee is deemed to be an "insider" within the meaning of clause (g) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 are applicable to each employee of the Board. In case of allegations of insider trading, the onus would be on the employee to prove that he is not guilty of insider trading.

[25] **ESR Acceptance of gifts 62.** (1) An employee shall not solicit or accept any gift or permit any member of his family or any person acting in his behalf to accept any gift from any person with whom the employee is likely to have official dealings either directly or indirectly or from any subordinate employee. Trivial gifts like small packets of sweets, diaries, calendars on the occasion of Diwali and New Year may, however, be exempted.
Explanation.—The expression "gift" shall include free transport, boarding, lodging or other service or any other pecuniary advantage when provided by any person other than a near relative or a personal friend having no official dealings with the employee or with the Board.
Note 1: A casual meal, lift or other social hospitality shall not be deemed to be a gift.
Note 2: An employee shall avoid acceptance of lavish or frequent hospitality from any individual or concern having official dealings with the employee or with the Board.
(2) On occasions such as marriages, anniversaries, funerals or (2) religious functions when the making of gifts is in conformity with the prevailing religious or social practice, an employee may accept gifts from his personal friends having no official dealing with the employee or with the Board but he shall make a report to the competent authority if the value of such gifts exceeds Rs. 10,000.
(3) An employee shall not—
(*a*) Give or take or abet the giving or taking of dowry; or

acceptance of gifts should be less strict for the Chairman and the WTMs. **The Committee recommends prohibition on acceptance of gifts, directly or indirectly, by the Chairman and the WTMs from any person with whom they have or are likely to have official dealings on the lines of Regulation 62 of the SEBI ESR.** However, this restriction will not apply to mementos, souvenirs, bouquets, etc. of small value given in public events/special occasions.

5.6.21 Regulation 62 exempts acceptance of gifts from personal friends having no official dealing with the employee or with the Board on certain occasions in conformity with the prevailing religious or social practice without any limit and requires employees to report the gifts to the competent authority if the value of such gifts exceeds ₹10,000. The reporting limit of ₹10,000 was laid down in 2001, when the ESR was notified, and has not been revised. Considering the significant economic and social changes since then, the limit may be reviewed by the SEBI Board, if appropriate.

D. Recusals:

5.6.22 Members and employees may sometimes request to be recused from matters relating to individuals and entities which fall within the ambit of a conflicted relationship. Recusal should mean that (a) the individual is not present when a matter comes up for discussion or decision, (b) has no access to any information relating to the matter, (c) does not participate in a discussion on the matter, and (d) does not vote on the matter. Currently, there exists a broad framework in the SEBI Code for Board Members, but there is no framework at all in the SEBI ESR for employees. As explained in paragraph 2.5.10, for Board Members there is no mechanism for review of disclosures. Consequently, recusal by Members is discretionary, not process-driven. Employees' recusal requests are handled by the supervisory officer and are referred to SEBI's Legal Affairs department for advice, if necessary. Since the decision on recusal is recorded in individual files, there is no documentation of organization-wide recusal requests and decisions. Consequently, the current system is susceptible to variableness in the management of disclosures and recusals.

5.6.23 **Recusal being a key arrangement to deal with a situation involving conflict of interest, the Committee recommends that SEBI put in place a robust framework**

(*b*) Demand directly or indirectly from the parents or guardians of a bride or bridegroom, as the case may be, any 'dowry'.
Explanation.—In this Regulation, the term 'dowry' shall have the same meaning as in the Dowry Prohibition Act, 1961.

for this purpose. Though the primary onus of identifying and declaring a conflict of interest lies with the Member or the employee, the system itself must be capable of identifying or detecting actual, potential, and perceived conflict of interest based on materiality considerations from a digital repository of financial and non-financial disclosures. For the purpose of recusal, the lookback period for Board Members and employees in respect of their family members, close associates/friends, and professional relationships (other than discharging responsibilities related to the Government or a regulatory authority) with regulated and listed entities may be kept at three years, unless a longer period is warranted in the opinion of the Chairman or the Oversight Committee on Ethics and Compliance (discussed in Section 5.7) in particular cases subject to detailed justification.

5.6.24 Since facts and circumstances can vary from case to case, it would be difficult to lay down a rule-based definition for determining a conflicted relationship. Therefore, the Committee is of the view that a decision on recusal should be based on the sphere of influence of the individual creating a possible conflict situation for a Board Member or employee. Unless the individual is "key managerial personnel" (KMP)[26] or is part of "senior management" (SM)[27], ordinarily it should not warrant recusal. In the case of financial interests, a pecuniary stake of more than ₹20 lakh or 5 per cent of a Member's or employee's financial assets, whichever is lower, may be reckoned as material. Provision must also be there to divest any financial interest if holding it creates a material conflict with the discharge of public duties.

5.6.25 The proposed Chief Ethics and Compliance Officer (discussed in Section 5.7) shall function as the nodal officer for this purpose, and all proposals related to determination of recusal in respect of employees shall be placed before the SEBI Chairman for

[26] Sub-section (51) of section 2 of the Companies Act, 2013 defines key managerial personnel as follows: "key managerial personnel", in relation to a company, means— (i) the Chief Executive Officer or the managing director or the manager; (ii) the company secretary; (iii) the whole-time director; (iv) the Chief Financial Officer; (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and (vi) such other officer as may be prescribed. The SEBI LODR follows the Companies Act definition.

[27] Explanation to section 178 of the Act defines senior management as follows: "The expression "senior management" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads." Regulation 16 (1) (d) of the SEBI LODR defines senior management as follows: "senior management" shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer."

decision. The Chief Ethics and Compliance Officer will also ensure that requests for recusal made with a view to avoiding complex or sensitive cases are not allowed. Normally, recusal would not be required if:

(i) a matter involves a class of entities, such as making a generic regulation; or

(ii) the individual has no material interest in an entity; or

(iii) a relative of the individual is not a KMP or SM as defined in the Companies Act, 2013 or the SEBI LODR.

5.6.26 The Oversight Committee on Ethics and Compliance (OCEC) shall determine recusal proposals related to Members and if required make a recommendation to the Board for a decision.

5.6.27 At present, recusals by the Chairman, WTMs/PTMs and employees are not made public. While the assignment of cases to individuals is undoubtedly an internal matter of SEBI, there is enormous public interest in the decision process and the outcome of some cases. Given that the stakes are often significant for the parties to the case and the public, it is essential to reassure everyone that the decisions are fair, objective and free from bias. **Therefore, the Committee recommends that a summary of recusals by the Chairman, WTMs/PTMs and SEBI employees of the level of Chief General Manager and above be published in the Annual Report of SEBI.** As for other employees, the rigorous and credible processes recommended by the Committee for dealing with conflicts and their effective enforcement should be sufficient to address potential concerns. The Committee does not see any need for public disclosure of their recusals.

5.6.28 Non-disclosure of conflict of interest or non-recusal must be viewed as non-compliance with the framework, and appropriate action must be taken against the Member or the employee.[28]

5.6.29 As such, the Committee has recommended differential treatment between WTMs and PTMs, both for disclosure obligations and investment restrictions, which is summarised in the below table:

[28] Section 7 of the SEBI Act, 1992 mandates removal of a Member if he "has in the opinion of the Central Government, so abused his position as to render his continuation in office detrimental to the public interest" after being given an opportunity of being heard. Regulation 79 of ESR 2001 specifies minor and major penalties when an employee commits breach of any regulation.

Table 5.1: Comparison of disclosure obligations and investment restrictions for SEBI Board Members

SEBI Board Member	Conflict of Interest Disclosure: family / relative / close associate or friend	Disclosure of Assets & Liabilities	Investment Restrictions	Disclosure of recusals	Remarks
Chairperson	Applicable for internal disclosure	Applicable for both internal and public disclosure	Applicable	Applicable for both internal and public disclosure	Maximum rigour
Whole-time Members	Applicable for internal disclosure	Applicable for both internal and public disclosure	Applicable	Applicable for both internal and public disclosure	Maximum rigour
Part-time Members from Government / Statutory body	Applicable for internal disclosure	Not applicable if already submitted to the parent organisation	Not Applicable. Only disclosure of transactions and no trading based on UPSI	Applicable for both internal and public disclosure	Less rigour, as not involved in day-to-day regulatory enforcement
Part-time Member from outside the Government	Applicable for internal disclosure	LODR disclosure requirements for independent directors will apply	Not applicable. Only disclosure of transactions and no trading based on UPSI.	Applicable for both internal and public disclosure	Less rigour, as not involved in day-to-day regulatory enforcement

E. Post-retirement Employment Restrictions

5.6.30 *Current position:* The SEBI (Terms and Conditions of Service of Chairman and Members) Rules, 1992 prohibit acceptance of any employment by the Chairman or a WTM before the expiry of a period of one year from the date of demitting the office in SEBI, except with the previous sanction of the Central Government. The Committee does not recommend any changes in the Rules, though in practice the restrictions must also cover advisory, consulting or advocacy relationships, whether direct or indirect.

5.6.31 While considering a request for waiver of the cooling-off period, the Government may stipulate that the individual should not be allowed to be associated with any organization or individuals whose matters they decided on while in SEBI. Waiver

should be given only when their proposed relationship would not lead to any actual, potential or perceived conflict.

5.6.32 All requests to the Government for waiver in respect of the Chairman and the WTMs may be routed through the OEC, which shall initiate necessary action for processing the waiver by obtaining the recommendation of the OCEC/SEBI Board and then referring it to the competent authority for further necessary action.

5.6.33 A Member or an employee must disclose any negotiation/agreement for any future employment.

5.6.34 A former Member or employee may not appear before or against SEBI in any recognition/adjudication/settlement/approval matter for a period of two years from the date of retirement or from the date of being relieved from SEBI. This restriction may also apply to contractual employees, consultants, and advisors.

5.7 Office of Ethics and Compliance and Oversight Committee on Ethics and Compliance

5.7.1 Currently, SEBI does not have any agency entrusted with overseeing arrangements that would enable it to (a) assess and manage conflict of interest risk at an organizational level, (b) obtain assurance over conflict of interest processes and controls, (c) prevent, detect and take action on breaches of conflict of interest policies, and (d) provide an adequate 'audit trail' when instances of conflict of interest come to light.

5.7.2 **The Committee recommends that in order to address this gap the SEBI Board establish an institutional arrangement for oversight, as follows:**

(i) **an Office of Ethics and Compliance (OEC) along with a new position in the rank of Executive Director, who will function as the Chief Ethics and Compliance Officer (CECO),[29] and**

(ii) **an Oversight Committee on Ethics and Compliance (OCEC).**

These are explained below.

A. Office of Ethics and Compliance (OEC) and Chief Ethics and Compliance Officer (CECO):

5.7.3 *Appointment:* The Chairman of SEBI may recommend a panel of three Executive Directors to the Oversight Committee on Ethics and Compliance (OCEC) for appointment as the Chief Ethics and Compliance Officer (CECO). The CECO will head

[29] Section 9 of the SEBI Act, 1992 empowers the Board to appoint officers and employees as it considers necessary for efficient discharge of its functions.

the Office of Ethics and Compliance (OEC) and will be the *ex officio* Secretary to the OCEC. The OEC should have suitable staffing of officers (such as Chief General Managers and General Managers) and support personnel to enable it to carry out its duties and responsibilities efficiently.

5.7.4 *Database:* The OEC may set up and administer a dedicated conflict-of-interest portal as well as a comprehensive database/digital registry and on a real-time basis address the entire spectrum of conflict-of-interest issues including disclosures and decisions relating to recusals in respect of Members and employees. The system should also facilitate identification of potential conflict before assignment of cases to members and employees.

5.7.5 The data kept in the conflict of interest portal pertaining to employees may not be publicly disclosed.

5.7.6 The OEC may provide guidance to assist Members and employees in the identification, declaration and management of conflict of interest.

5.7.7 The CECO will report administratively to the Chairman, SEBI and functionally to the OCEC. A WTM will review the CECO's own disclosure report and will forward it to the Chairman and the OCEC.

B. Oversight Committee on Ethics and Compliance (OCEC)

5.7.8 *Composition:* The Oversight Committee on Ethics and Compliance (OCEC) may be constituted with any three Members of the SEBI Board, excluding WTMs, and two independent external members to be nominated by the Chairman, SEBI with the approval of the SEBI Board. The independent external members shall be persons of ability, integrity and standing who have shown capacity in dealing with problems relating to securities market or have special knowledge or experience of law, finance, economics, accountancy, administration or in any other relevant discipline.

5.7.9 *Attendance:* Furthermore, in view of their important role in governance, the nominees should not delegate the responsibility of attending meetings of the OCEC to other officials but ensure in-person or online participation in the meetings of the OCEC.

5.7.10 *Meetings:* The quorum should be three out of the five members. The CECO may minute the proceedings of each meeting and have the minutes placed in the following meeting of the SEBI Board.

5.7.11 *Functions:* The OCEC will, among other things, review the disclosure reports of the Chairman and the WTMs and certify that no interest or position disclosed on the report

violates any provision of the Act/Rules/Regulations or any other orders that govern the Chairman and the WTMs and on a real-time basis address conflict-of-interest issues including recusals, and take appropriate action in the matter. The OCEC may periodically assess the operating effectiveness of conflict-of-interest arrangements administered by the OEC and carry out oversight to monitor compliance with the SEBI Act/Rules/Regulations.

5.7.12 **The Committee recommends that a report on the activities of the OCEC be included in SEBI's Annual Report.**

5.8 Whistleblower System for Internal and Public Complaints

5.8.1 *Importance in public institutions:* The system for internal and public complaints plays a vital role in ensuring integrity within public institutions. A whistleblower framework allows employees, stakeholders, and the public to report suspected misconduct, wrongdoing, or ethical breach without fear of retaliation. For a capital market regulator such as SEBI, this framework should cover internal complaints from staff, officers, or Board members regarding misconduct within the organization, as well as public complaints from investors, intermediaries, or market participants concerning wrongdoing in regulated entities or SEBI's internal functioning. A robust system must balance confidentiality, fairness, transparency, and accountability while ensuring safe reporting channels, protection against retaliation, impartial investigation, and clear timelines and outcomes.

5.8.2 *Current position:* At present, SEBI has a Chief Vigilance Officer to examine complaints against employees involving corruption or misuse of office. However, under the SEBI Code and the SEBI ESR, there is no dedicated or formal whistleblower channel specifically for conflict-of-interest reporting. Complaints against employees are typically routed through management or the Human Resources department, while for complaints against Board Members, including the Chairman, there is no prescribed standard operating procedure.

5.8.3 *Global best practices:* Internationally, best practices highlight the importance of multiple secure reporting channels, anonymous submissions, protection from retaliation, public disclosure, and even incentives for whistleblowers. The U.S. SEC has statutory provisions preventing retaliation and offers financial incentives in certain cases, while the U.K. FCA follows a policy-driven approach. For SEBI, adopting a

similar framework would require instituting multi-channel reporting, guaranteeing anonymity, and ensuring protection against retaliation.

5.8.4 *Scope of reportable concerns:* The scope of reportable concerns under such a system would be wide, covering breach of conflict-of-interest rules, abuse of office, misuse of confidential information, bias or external influence in regulatory decision-making, serious violations of the SEBI Code or the SEBI ESR, misconduct in regulated entities, and retaliation against whistleblowers.

5.8.5 *Reporting channels:* Reporting channels could be of two types—internal and public. Internal channels may include a dedicated secure email, an encrypted web portal allowing anonymous submissions, a toll-free number with secure call recording, and a physical drop box. Public channels may take the form of a portal on SEBI's website or a dedicated postal address. For both internal and public channels, complainants should be instructed to submit relevant evidence to facilitate inquiry and to discourage frivolous allegations.

5.8.6 *Process for handling complaints:* The process for handling complaints should be systematic. On registration, a complaint must be recorded in a secure case management system, assigned a tracking number, and acknowledged within three working days. A preliminary review would be conducted by the CECO to assess jurisdiction, urgency, and potential conflict, with matters involving Board members reported to the OCEC. Cases would then be assigned to the Investigation Department for a thorough and impartial investigation. After the investigation, findings and recommendations would be compiled into a report submitted to the OCEC or the SEBI Chairman, depending on whether the matter concerns Board members or employees. The OCEC, Chairman, or the Board, as appropriate, would then take the necessary decision and implement corrective measures. Feedback would be provided to the whistleblower, indicating whether the case was substantiated and summarizing the general actions taken. Finally, the case would be securely closed and archived, with lessons incorporated into policy improvements.

5.8.7 *Anonymity and confidentiality protections:* To preserve anonymity and confidentiality, complaints should be assigned case numbers. Contact details should be stored separately from case details. Access must be restricted to authorized staff of the OEC, and investigators should be bound by confidentiality agreements.

5.8.8 *Retaliation prevention:* Preventing retaliation and providing a safe space for whistleblowing are equally essential. The safeguards to be incorporated in the SEBI Code and the SEBI ESR should explicitly prohibit retaliation, mandate disciplinary action against retaliatory conduct, allow whistleblowers to report retaliation through protected channels, and monitor the employment treatment of internal whistleblowers after reporting.

5.8.9 *Transparency and accountability:* Transparency and accountability are crucial for the success of the whistleblower system. Quarterly internal reports should be submitted to the OCEC and the SEBI Board, summarizing the number, category, and status of complaints. An anonymized summary of the types of reports and actions taken should also be published in SEBI's Annual Report.

5.8.10 *Expected benefits:* The expected benefits of an effective whistleblower system are substantial. It would provide a dedicated, confidential, and anonymous channel for reporting conflict-of-interest concerns, protect whistleblowers from retaliation; encourage higher reporting rates for misconduct; enable independent and unbiased investigations; and lead to early detection of wrongdoing. In turn, this would strengthen public trust in SEBI's fairness and independence and improve compliance with IOSCO principles.

5.8.11 *Whistleblower system as a safeguard:* Ultimately, a strong whistleblower system is more than a complaint channel; it is a safeguard for institutional integrity. For SEBI, alignment with global best practices requires multiple secure reporting channels, guaranteed anonymity, zero tolerance for retaliation, timely remedial action, and transparent oversight and reporting. Such a system would ensure that both internal and external whistleblowers feel secure in reporting wrongdoing, thereby enhancing SEBI's credibility, market confidence, and integrity.

5.8.12 **The Committee recommends the establishment of a secure, confidential and anonymous whistleblower system for reporting actual, potential, or perceived conflicts of interest by Board members, employees, and external stakeholders, including market infrastructure institutions, market intermediaries, market participants, and the public. The system should have strong safeguards to protect complainants against retaliation. Further, it should be ensured that there is no overlap between the current vigilance mechanism and the proposed whistleblower arrangement.**

5.9 Leveraging Technology in Conflict-of-Interest Management

5.9.1 *Technology-based conflict-of-interest framework:* Timely and effective conflict-of-interest management is the cornerstone of regulatory credibility. Robust policies cannot function in isolation; they require technological support to enable timely detection, real-time monitoring, systematic documentation, and effective resolution of conflicts of interest.

5.9.2 *Current position of technology usage in SEBI:* SEBI has been at the forefront of technology adoption across its regulatory functions, including registration, approval, supervision, market surveillance, investigation, and enforcement. It has also actively promoted technology adoption by market infrastructure institutions and intermediaries in areas such as online and mobile trading, e-KYC, mutual fund investments, and T+1 settlement. In addition, SEBI has introduced technological solutions for internal human resource management. Employees have access to a dedicated portal for submitting information on assets and liabilities, investment declarations, and annual returns, as well as for seeking prior approval for securities transactions. Despite these advances, the existing system remains heavily dependent on self-reporting and periodic manual reviews, with limited use of automation or integrated platforms. Moreover, SEBI Board Members lack an online disclosure system and continue to rely on paper or email submissions.

5.9.3 *Global adoption of RegTech:* Global regulators increasingly deploy technology to enhance efficiency, accuracy, auditability, and transparency in conflict-of-interest management. The FCA and SEC, for instance, operate digital disclosure portals, while MAS uses automated cross-checks and ASIC relies on real-time alerts to detect suspicious transactions. The SEC employs role-based access controls to compliance systems, and the FCA integrates recusal workflows within its governance processes. Data analytics and pattern recognition, encouraged under IOSCO standards, are also used to detect borderline cases such as recurring associations or gifts. The SEC further strengthens transparency through a public disclosure platform. SEBI can benefit by adopting similar technology-driven approaches to strengthen identification, monitoring, and timely resolution of actual, potential, or perceived conflicts of interest.

5.9.4 *Core components of a technology-based conflict-of-interest management system:* A modern conflict-of-interest management system for SEBI must be built around a secure, centralized digital disclosure platform, automated compliance monitoring, and data analytics-based red-flagging for recusal management. The system should incorporate

several key components. A conflict-of-interest digital disclosure and management portal would provide entry-level, annual, event-driven, and exit-stage disclosure modules, allow secure upload of supporting documents, and incorporate validation rules to prevent incomplete submissions, with compliance tracked systematically. An automated conflict detection engine would integrate with insider trading surveillance, PAN-based trade reporting, and public corporate registers to flag discrepancies between disclosures and market activity. Recusal management technology would automatically tag conflicted individuals, restrict their access to certain documents, and create a digital audit trail of recusals. A gifts, hospitality, and benefits registry would capture online declarations for gifts above specified thresholds, aggregate data to track cumulative benefits, and escalate breaches to the CECO. Finally, an analytics dashboard for ethics oversight would track key metrics such as the volume and type of disclosures, the frequency of recusals, conflict resolution timelines, and trends in hospitality acceptance.

5.9.5 *Security, privacy and compliance considerations:* Given that conflict-of-interest disclosures involve personal and sensitive information, strict safeguards must be implemented to protect privacy. These include end-to-end encryption for both storage and transmission, role-based access controls, compliance with Indian data protection laws and ISO 27001 standards, and regular cybersecurity audits.[30]

5.9.6 *Benefits of a Technology-Based System:* The proposed conflict-of-interest portal offers several potential advantages. It is likely to increase compliance rates by making disclosure easier and more user-friendly, while also reducing the burden of manual reviews, lowering errors, and expediting conflict resolution. Digital trails will enhance audit readiness, and transparency will help strengthen public trust. By integrating advanced technology, SEBI will also improve its alignment with IOSCO principles and global best practices. Implementation of this system will, however, require a review and suitable amendment of the SEBI Code and the SEBI ESR, supported by SEBI's Information Technology department.

[30] The main data protection law is the Digital Personal Data Protection Act (DPDPA) of 2023, which was enacted in August 2023 and is pending full enforcement by the Government. Until then, the Information Technology Act, 2000 and the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011 govern data protection. The DPDPA, once fully in force, will regulate the collection and processing of digital personal data and grants individuals rights such as data access, rectification, and erasure.

5.9.7 **The Committee recommends the establishment of a secure, technology-based, state-of-the-art system that incorporates artificial intelligence and data analytics to prevent, predict, detect, and address conflicts of interest.**

5.10 Training and Development Framework for Conflict-of-interest Management

5.10.1 *Importance of training in conflict-of-interest management:* The effectiveness of any conflict-of-interest management framework ultimately depends on the awareness, understanding, and commitment of those expected to comply with it. SEBI currently has a dedicated Human Resources Department that oversees both induction and ongoing training for its employees. However, there is no specific training module focused on ethics and compliance, particularly in the area of conflict-of-interest management. Training on conflict of interest and ethics is not systematically structured. By contrast, leading global regulators such as the FCA, the SEC, MAS, ASIC, and ESMA (European Securities and Markets Authority) in the European Union invest significantly in structured, regular, and scenario-based training programmes. These efforts enhance awareness, foster a culture of integrity, ensure consistent interpretation of conflict-of-interest rules, and encourage proactive self-disclosure. For SEBI, the establishment of a specifically structured and continuous training and capacity-building programme for Board members and employees is essential to ensure a thorough understanding of and adherence to the conflict-of-interest requirements.

5.10.2 *Global best practices in conflict-of-interest training:* Global best practices in conflict-of-interest training include mandatory induction training on ethics and conflict-of-interest rules, followed by annual training programmes, like those implemented by the FCA. The SEC requires annual refresher certification, while the FCA and MAS rely heavily on scenario-based learning to improve practical application. ASIC employs role-specific training, ESMA makes use of modular training formats, and the SEC combines testing and certification with regular training. The FCA also integrates conflict-of-interest awareness into performance appraisals, thereby embedding ethics and compliance into organizational culture.

5.10.3 *Core components of the proposed SEBI conflict-of-interest training framework:* The proposed SEBI training framework should make it mandatory for all Members and employees to undergo induction training, an annual refresher programme, and role-specific training modules. These modules should cover disclosure obligations, recusal protocols, real-life case studies, and global trends in conflict-of-interest management.

Online tests may be introduced to measure knowledge and understanding, and certificates of completion should be stored in SEBI's HR compliance database. Analytics on test performance could be reviewed periodically to track completion rates, identify common knowledge gaps, and assess the overall effectiveness of the training. SEBI may consider utilizing the expertise of the National Institute of Securities Markets (NISM), established by SEBI for capacity-building, for the design and delivery of the proposed training programmes.

5.10.4 *Integration into performance and ethics culture:* Training should not stand in isolation but must be integrated into SEBI's broader ethics culture. Managers should evaluate employees' awareness of conflict-of-interest compliance during annual performance appraisals, and excellence in ethics should be recognized through awards and commendations. This will encourage consistent ethical behaviour and demonstrate the organization's commitment to high standards of integrity.

5.10.5 *Expected benefits:* The proposed training and development framework offers several benefits. It will institutionalize conflict-of-interest training and ensure that both Board members and employees remain current with regulatory changes and global best practices. Increased awareness is likely to lead to higher rates of self-disclosure and fewer breaches of conflict-of-interest rules, along with faster identification of potential issues. Over time, this approach will strengthen SEBI's institutional ethics culture, improve public confidence in its integrity, and provide clear documentation for audit and oversight purposes.

5.10.6 *Conclusion:* A technology-driven, scenario-based training framework will help embed conflict-of-interest reforms into SEBI's work culture. Regular, role-specific, and interactive training—supported by testing and certification—will enhance awareness, deter misconduct, and bring SEBI more closely in line with the most reputable global regulators.

5.10.7 **The Committee therefore recommends the design and delivery of training and development programmes to foster a culture of ethical conduct among both Board Members and employees. The programmes should be tailored to the various levels and functions within SEBI, and they must include testing of knowledge, understanding, and application as an integral part of the framework.**

5.11 Concluding Remarks

5.11.1 Effective management of conflict of interest requires a combination of measures aimed at enhanced transparency: a clear focus on permitted and prohibited acts; a reasonable and practicable definition of what all would constitute a conflict of interest; a globally-aligned definition of family, relative and other potentially conflicted relationships adapted to India's social and cultural practices; robust oversight through an Oversight Committee on Ethics and Compliance; leveraging technology to set up a robust conflict-of-interest management portal; comprehensive training for SEBI Board Members and employees: a well-designed whistleblower system for complaints; and above all an organizational culture that values competence, fairness, openness, integrity, and deep commitment to investor protection. Implementation of the Committee's recommendations will enhance SEBI's standing as the country's capital markets regulator.

5.11.2 The broad intent of managing conflict of interest, specifically direct and indirect pecuniary interest, is duly incorporated in Section 7A of the SEBI Act, 1992, which is further elaborated in Rule 3(1), for Chairman and WTMs, and Rule 19A(1), for part-time members, of the SEBI (Terms and Conditions of Service of Chairman and Members) Rules, 1992. The said rules cover both financial and non-financial interests that are likely to affect the members prejudicially in the discharge of their duties. The SEBI (Procedure for Board Meetings) Regulations, 2001, Regulation 9, lays down the requirement of disclosure of direct or indirect conflicts of interest, and recusal where there is likely to be conflict of interest. However, the existing legal framework on conflict of interest management does not cover the operational framework for effective implementation of the conflict of interest provisions. While the SEBI Code 2008 has tried to address this gap, it is still inadequate in certain areas as stated above. Most importantly, it lacks legal enforceability as it is essentially a Board-approved executive order for voluntary adoption, and not notified under any rule or regulation. Given that the SEBI Act and relevant rules provide for a broad framework for conflict of interest management, the Committee is of the considered view that it would be legally tenable for SEBI to notify an exclusive set of regulations in the case of Members by invoking its regulation-making powers under Section 30 of the SEBI Act, 1992, which empowers SEBI to make regulations consistent with the Act and Rules made thereunder to carry

out the purposes of the Act. As regards SEBI Employees, SEBI may consider carrying out the proposed amendments to the SEBI (Employees' Service) Regulations, 2001.

Chapter 6

Summary of recommendations and Next Steps

6.1 Overview

6.1.1 The detailed recommendations of the Committee for management of conflict of interest, disclosure of interest and other related matters have been discussed in Chapter 5. This chapter provides a summary of the Committee's recommendations and outlines the next steps.

6.2 Summary of recommendations

6.2.1 The **definition of family** should include (i) spouse (ii) dependent children (including adopted children and stepchildren) (iii) any person for whom the member/ employee serves as a legal guardian and (iv) any other person related to, by blood or marriage to the employee or to his spouse and substantially dependent on such employee. This shall apply to all Board members and employees, including those on secondment and contractual appointees.

6.2.2 The **wider definition of 'relative'** under the Companies Act 2013 may be additionally adopted and applied to Board Members and employees specifically for disclosure of relationships for management of conflict of interest and recusals. In addition to relatives, close associations, including close friends and professional relationship should be disclosed where there is an existing or likely conflict-of-interest situation arising in connection with the performance of official duties. Investment restrictions would only apply to family members and not to the extended definition of relative or close associates.

6.2.3 All Board Members and employees should **make initial, annual, event-based and exit disclosures** of assets, liabilities, trading activities and family relationships as well as other professional and relational interests to SEBI's proposed Office of Ethics and Compliance (OEC) and the Oversight Committee on Ethics and Compliance (OCEC).

6.2.4 Applicants for the position of Chairman and Members and for lateral entry positions must **disclose actual, potential, and perceived conflict-of-interest risks** of financial and non-financial nature to the appointing authority.

6.2.5 Chairman, WTMs and SEBI employees at the level of CGM and above will be required to make a **public disclosure of assets and liabilities statement**. The PTMs may be exempted from this requirement, as they do not handle SEBI's day-to-day regulatory activities.

6.2.6 There should be **uniform application of restrictions on investments and trading to Chairman and WTMs**, as applicable to employees under the SEBI ESR. Members and employees may make new investments in any pooled vehicle provided the scheme is professionally managed, and the market intermediary concerned is regulated by any of the financial sector regulators (such as RBI/SEBI/IRDAI/ PFRDA/IFSCA) in the country, subject to investment in the scheme(s) managed by the market intermediary not exceeding 25% of the financial portfolio of the Member or the employee. Given their limited role and sphere of influence compared to WTMs, the Committee recommends that Part-time Members may be exempt from the investment restrictions, but they would be obliged to make necessary disclosures and not trade based on UPSI.

6.2.7 The investment restrictions should also apply to (a) the spouse irrespective of his/her financial status or whether the investment is made out of the money of the Chairman/WTMs or employee or the spouse's own money, and (b) relatives/other persons, who are financially dependent on them substantially. However, this restriction on investment will not be applicable to an investment in employee stock options (ESOPs) of the spouse as part of their pay package or if the spouse holds or acquires unlisted securities as part of their private business or investment activities.

6.2.8 The Chairman and the WTMs may choose one of the following **four options for investments** held by them at the time of joining: 1. Liquidate the investments. 2. Freeze the investments. 3. Sell the investments according to a trading plan. 4. Sell the investments without a trading plan with prior approval.

6.2.9 **The Chairman and the WTMs should be brought within the definition of "insider"** for the purpose of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

6.2.10 There should be **prohibition on acceptance of gifts directly or indirectly** by the Chairman and the WTMs from any person with whom they have or are likely to have official dealings, on the lines of Regulation 62 in the SEBI ESR. However, this restriction will not apply to items of small value given in public events/special occasions.

6.2.11 **SEBI should put in place a robust framework for recusal.** Though the primary onus of identifying and declaring a conflict of interest lies with the individual, from the digital repository of financial and non-financial disclosures the system itself must be capable of flagging actual, potential, and perceived conflict of interest based on materiality considerations.

6.2.12 A summary of recusals by the Chairman, WTMs and PTMs and SEBI employees of the level of Chief General Manager and above should be published in the Annual Report of SEBI.

6.2.13 The SEBI Board should establish **an institutional arrangement for oversight** consisting of (1) **an Office of Ethics and Compliance (OEC)** along with a new position in the rank of Executive Director, who will function as the **Chief Ethics and Compliance Officer (CECO)**, and (2) **an Oversight Committee on Ethics and Compliance (OCEC)**.

6.2.14 SEBI should establish a secure, confidential and anonymous whistleblower system for reporting actual, potential, or perceived conflicts of interest by Board members, employees, and external stakeholders, including market infrastructure institutions, market intermediaries, market participants, and the public.

6.2.15 SEBI should establish a secure, technology-based, state-of-the-art system that incorporates artificial intelligence and data analytics to prevent, predict, detect, and address conflicts of interest.

6.2.16 SEBI should design and deliver training and development programmes to foster a culture of ethical conduct among both Board members and employees. The programmes should be tailored to the various levels and functions within SEBI, and they must include testing of knowledge, understanding, and application as an integral part of the framework.

6.3 Next Steps

6.3.1 The recommendations for SEBI Board Members may be implemented by notifying a separate set of Regulations for SEBI Board Members for Disclosures and Management of Conflict of Interest. This would make it legally enforceable, unlike the current Code, which is more akin to voluntary adoption.

6.3.2 As regards SEBI employees, the SEBI Board has the power to make the necessary amendments to the SEBI (Employees' Service) Regulations, 2001.

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Annexures

Annexure 1

SEBI's Press Release on Constitution of the Committee

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

प्रेस विज्ञप्ति
PRESS RELEASE

संपर्क प्रभाग, सेबी भवन, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051
Communications Division, SEBI Bhavan, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051
दूरभाष / Tel: +91-22-26449000 ईमेल / email:press@sebi.gov.in वेबसाइट /website: www.sebi.gov.in

PR No.21/2025

SEBI constitutes High- Level Committee on Conflict of Interest, Disclosures and related matters in respect of Members and Officials of SEBI

The Board at its meeting held on March 24, 2025 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.

Accordingly, a High-Level Committee has been constituted with the following members:

1. Shri Pratyush Sinha, IAS (Retd.), Former Chief Vigilance Commissioner - Chairman of the HLC
2. Shri Injeti Srinivas, IAS (Retd.), Former Secretary, Ministry of Corporate Affairs & Former Chairman, IFSCA - Vice Chairman of the HLC
3. Shri Uday Kotak, Founder & Director, Kotak Mahindra Bank
4. Shri G Mahalingam, Former Executive Director, RBI and Former Whole Time Member, SEBI
5. Shri Sarit Jafa, IA&AS (Retd.), Former Deputy Comptroller and Auditor General
6. Prof. R Narayanaswamy, Former Professor, IIM, Bangalore

The HLC shall 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 Terms of Reference for the High-level Committee are as follows:

1. Review the existing policies and frameworks governing conflict of interest, disclosures & related matters and identify any gaps or ambiguities

2. Recommend a robust framework for preventing, mitigating and managing conflict of interest including a recusal policy, disclosure requirements covering public disclosures, provisions pertaining to restriction on investments, maintenance of digital records and framework for monitoring, etc.

3. Recommend a mechanism for members of the public to raise concerns pertaining to conflict of interest, disclosures including process to examine complaints

4. Any other related matter as considered appropriate

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
April 09, 2025

Annexure 2

Committee's Questionnaire to Stakeholders

SEBI High-level Committee Stakeholder Consultations on Disclosures, Conflict of Interest management & Related Matters

Objective: To elicit legal, institutional, and practical insights from key stakeholders to help design a globally benchmarked yet locally implementable framework on conflict of interest and disclosures for SEBI.

1. Present Chairperson and Board Members (SEBI)

- How effective do you find the current Code of Conduct for the Chairperson and Board Members in addressing conflicts of interest?
- Should SEBI Board Members be governed by the same standard of the Code of Conduct and Code of Ethics as prescribed by SEBI to its regulated entities?
- Should the Code of Conduct and Ethics prescribed for the SEBI Board members be extended, ipso facto, to all their 360-degree relatives?
- Are there any practical challenges faced in self-disclosure or recusal?
- What are your views on public disclosure of board-level recusals?
- Would you support the establishment of an independent ethics oversight mechanism?
- If you are not in favour of an independent ethics oversight mechanism, what alternative would you suggest so that, ideally, there is a mechanism with full visibility of conflict-of-interest risk at an organizational level; obtain assurance over conflict-of-interest processes and controls; follow up breaches of conflict-of-interest policies and provide an adequate audit trail.
- Should post-tenure cooling-off restrictions be extended or made more nuanced?

2. SEBI Employees

- Are the current disclosure norms for officials practical and straightforward?
- Do you feel adequately trained and supported in identifying and managing potential conflicts?
- What significant compliance challenges do you face under the current ESR framework?
- Should the framework allow anonymous internal flagging of conflicts?
- Would digital registries or automated tracking systems help in improving compliance?
- Are you in favour of diluting the existing blanket prohibition on trading in shares?
- If so, what checks and controls do you recommend to prevent misuse/ abuse?

3. Legal Experts / Governance Consultants

- How does SEBI's framework compare with international norms like those of the SEC, FCA, MAS, or IOSCO?
- In your view, what significant gaps need to be addressed?
- What legal safeguards are necessary to enforce and manage conflict-related disclosures?
- How should SEBI balance privacy rights with transparency in public disclosures?
- Should Board Members be subject to fiduciary tests similar to those in corporate law?
- What would you recommend to effectively handle actual, perceived, and potential conflicts of interest?
- What legal safeguards are, in your opinion, necessary to enforce extended cooling-off?

4. Former SEBI Chairpersons and Members

- In hindsight, were there any unresolved conflict-of-interest issues during your tenure?
- Would an independent ethics office have added value or caused institutional friction?

- How can SEBI ensure that public perception of integrity is maintained without discouraging qualified professionals from joining the Board?
- What post-employment restrictions would you consider fair and effective?

5. Market Infrastructure Institutions (e.g., Stock Exchanges, Depositories, Clearing Corporations)

- How do you currently manage internal conflicts of interest among your board or key staff?
- What lessons from your governance mechanisms could be extended to SEBI's framework?
- Should SEBI mandate uniform conflict of interest guidelines for MIIs?
- Would a centralized disclosure repository for regulators and MIIs be useful?

6. Market Intermediaries (Brokers, AMCs, RIAs, Investment Banks)

- Have you faced inconsistent interpretation of conflict-of-interest provisions by SEBI in your dealings?
- What guidance would help regulated entities better comply with officials' disclosure expectations?
- Would public disclosures by SEBI officials influence market confidence or cause unintended consequences?
- What safeguards do you expect to ensure non-arbitrary enforcement of conflict provisions?

7. Regulated Entities (Listed Companies, Mutual Funds, Registered Investment Advisers, etc.)

- Should SEBI officials and Board Members be barred from holding securities in regulated entities during tenure?
- Are there concerns about SEBI officials' affiliations or past roles influencing regulatory decisions?
- How do you manage conflict-of-interest disclosures internally, and can SEBI draw from such practices?
- Would it help if SEBI adopted a uniform code across regulators (RBI, IRDAI, PFRDA) for top officials?

Cross-Cutting Questions (for All Stakeholders)

- What are the three most significant risks if SEBI's conflict of interest framework remains unchanged?
- Do you believe the current framework sufficiently covers indirect interests (via trusts, family offices, etc.)?
- Should disclosures and recusal decisions be made public? Why or why not?
- How can SEBI balance global standards with India-specific operational realities?
- What are your recommendations for an effective yet implementable whistleblower mechanism for internal and external stakeholders?

Annexure 3

Stakeholders and Experts Consulted by the Committee

Name	Affiliation
Past Chairmen and Members, SEBI	
Shri M. Damodaran	-
Shri U. K. Sinha	-
Shri Ajay Tyagi	-
Dr. M. S. Sahoo	-
Lawyers	
Ms. Zia Mody	Managing Partner, AZB & Partners
Shri Bahram N. Vakil	Co-founder, AZB & Partners
Journalists	
Ms. Sucheta Dalal	Managing Editor, Moneylife
Shri Palak Shah	Managing Editor, BW Businessworld
Market Infrastructure Institutions	
Shri Ashish Kumar Chauhan	Managing Director, National Stock Exchange Ltd.
Ms. K. Kamala	Chief Regulatory Officer, BSE Ltd.
Shri Nehal Vora	Managing Director, Central Depository Services Ltd. (CDSL)
Shri Vijay Chandok	Managing Director, National Securities Depository Limited (NSDL)
Ms. Vaisshali Babu	Managing Director, Indian Clearing Corporation Limited (ICCL)
Shri Vikram Kothari	Managing Director, NSE Clearing Limited
Market Intermediaries and Regulated Entities	
Shri Nithin Kamath	Chief Executive Officer, Zerodha
Shri Lalit Keshre	Chief Executive Officer, Groww
Shri A. Balasubramanian	Managing Director & Chief Executive Officer, Aditya Birla Sun Life AMC
Shri Nimesh Shah	Chief Executive Officer, ICICI Prudential AMC
Shri D. P. Singh	Deputy Managing Director & Joint Chief Executive Officer, SBI Funds Management Ltd.
Shri Atul Mehra	Managing Director, Axis Capital Ltd.
Shri R. Venkataraman	Managing Director, IIFL Capital Services Ltd.

Annexure 4

Meetings of the Committee

	2025							
Name	**May 1**	**May 16**	**June 25**	**July 19**	**July 31**	**Sep. 19**	**Oct. 10**	**Nov. 10**
Shri Pratyush Sinha Chairman	✓	✓	✓	✓	✓	✓	✓	✓
Shri Injeti Srinivas Vice Chairman	✓	✓	✓	✓	✓	✓	✓	✓
Shri Uday Kotak Member	✓	✓	✓	✓	✓	✓	✓	✓
Shri G. Mahalingam Member	✓	×	✓	✓	×	✓	✓	✓
Shri Sarit Jafa Member	✓	✓	✓	✓	✓	✓	✓	✓
Prof. R. Narayanaswamy Member	✓	✓	✓	✓	✓	✓	✓	✓

✓ present; × absent.

Annexure 5

SEBI Employees Annual Return Form

FORMAT OF ANNUAL RETURN

EMPLOYEE DETAILS

1.	Name of the Employee	
2.	Staff Number	
3.	Designation	
4.	Department / Centre	
5.	Date of joining	
6.	Date of entry in the present Grade	
7.	Financial Year	

FORM - 1

DETAILS OF IMMOVABLE PROPERTY HELD IN THE NAME OF THE EMPLOYEE, SPOUSE, DEPENDENT PARENTS, DEPENDENT CHILDREN, DEPENDENT IN-LAWS AS ON Mar 31, 2025.

DETAILS OF PROPERTY PURCHASED BY AVAILING OF LOAN FROM THE BOARD AND ALSO PROPERTY PURCHASED/BOOKED AND NOT YET FULLY PAID FOR ARE ALSO TO BE INDICATED.

Sl. No.	Description of the Property	Name(s) in which held	Relationship with the employee	Location and other Details	Date of Purchase	Purchase Price (Rs.)	If purchased after joining the Board and the price exceeds two times of your basic pay, indicate	
							A) Source of Funds	B) Details of intimation given to office in this regard

FORM – 2

To be furnished only if the total liabilities of the employee exclusive of those which are fully secured, exceed his basic pay for 12 months).

Sl. No.	Name of Creditor(s)	Address of Creditor(s)	Date of incurring the liability	Details of Transaction	Amount (Rs.)	Indicate steps taken / proposed to be taken to rectify the position

FORM - 3A

THIS STATEMENT IS TO BE FURNISHED BY THE EMPLOYEE IN RESPECT OF ALL PURCHASES/SALES OF SHARES, FIXED DEPOSITS, DEBENTURES, UNITS, OTHER MARKETABLE SECURITIES ETC. IRRESPECTIVE OF THE AMOUNT INVOLVED AND WHICH ARE HELD EITHER SINGLY OR JOINTLY IN HIS/HER NAME AND/OR IN THE NAMES OF DEPENDENT PARENTS, SPOUSE, DEPENDENT CHILDREN, DEPENDENT INLAWS DURING THE FIFTEEN MONTH PERIOD ENDING Mar 31, 2025.

Sl. No.	Nature of investment i.e., FDs, Shares/ Debentures/Units etc.	Name(s) in which held	Relationship with the employee	Name of the Company	Quantity	Indicate whether Purchase/Gift/ Inheritance or Sale	Consideration/ Total Purchase/Sale Amt. (Rs.)	If purchased after joining the Board and the price exceeds two times of your basic pay, indicate	
								A) Source of Funds	B) Details of intimation given to office in this regard**

(**) As per rules, all transactions with value exceeding two times of your basic pay are to be reported to the office in the prescribed format within 15 days of Sale/Purchase.

FORM - 3B

THIS STATEMENT IS TO BE FURNISHED BY THE EMPLOYEE IN RESPECT OF ALL SHARES, FIXED DEPOSITS, DEBENTURES, UNITS, OTHER MARKETABLE SECURITIES ETC. HELD EITHER SINGLY OR JOINTLY IN HIS/HER OWN NAME AND/OR IN THE NAMES OF DEPENDENT PARENTS, SPOUSE, DEPENDENT CHILDREN, DEPENDENT IN-LAWS AS ON Mar 31, 2025.

Sl. No.	Nature of investment i.e., FDs, Shares/ Debentures/Units etc.	Name(s) in which held	Relationship with the employee	Name of the Company	Quantity	Mode of Acquisition	Consideration/ Total Purchase/Sale Amt. (Rs.)	If purchased after joining the Board and the price exceeds two times of your basic pay, indicate	
								A) Source of Funds	B) Details of intimation given to office in this regard**

(**) As per rules, all transactions with value exceeding two times of your basic pay are to be reported to the office in the prescribed format within 15 days of Sale/Purchase.

FORM - 4

INTIMATION OF PURCHASE OF MOVABLE ASSETS (ARTICLES OF INVOICE VALUE TWICE YOUR BASIC PAY AND ABOVE) DURING THE TWELVE-MONTH PERIOD ENDING Mar 31, 2025 .

ITEMS WHICH HAVE BEEN PURCHASED THROUGH:

1. THE LOAN SCHEME OF THE BOARD

2. THE SCHEME FOR FURNISHING OF RESIDENCES ARE ALSO REQUIRED TO BE INCLUDED IN THIS LIST:

Sl. No	Description of the asset	Price at which purchased (Rs.)	Date of Purchase	Source of Funds	Details of Dealer from whom purchased	
					Name of Dealer	Address of Dealer

NAME OF THE EMPLOYEE:
SUBMISSION DATE: