Mandatory Public Asset Disclosure for Top Officials – SEBI

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Asset Disclosure Latest News

- A SEBI-appointed High-Level Committee has recommended public disclosure of assets, investment restrictions, and post-retirement curbs for senior officials to prevent conflicts of interest and enhance institutional transparency.

Background

- The **Securities and Exchange Board of India** **(SEBI)** is set to introduce a new era of transparency and accountability within the organisation.
- A **High-Level Committee (HLC)** formed by SEBI to review conflict-of-interest policies has recommended significant reforms, including **mandatory public disclosure of assets and liabilities** by its **chairperson, whole-time members (WTMs)**, and senior officials at the **chief general manager (CGM)** level and above.

- The panel, led by **former Chief Vigilance Commissioner Pratyush Sinha**, has presented **10 recommendations**.

Need for Reforms

- The creation of the committee in **March 2025** followed allegations by **Hindenburg Research** against former SEBI Chairperson **Madhabi Puri Buch** and her husband, involving potential conflicts of interest in offshore investments.
- Although the couple **denied all allegations**, the episode triggered a public debate on **ethical standards and transparency within financial regulators**.
- To address these concerns, SEBI constituted the six-member HLC to overhaul its internal ethics framework, drawing inspiration from global best practices in regulatory governance, such as those followed by the **U.S. SEC** and the **U.K. Financial Conduct Authority**.

Key Recommendations of the High-Level Committee

- **Public Disclosure of Assets and Liabilities**
  - The panel proposed that the **chairperson, whole-time members (WTMs), and SEBI officers at the CGM level and above** should **publicly disclose their assets and liabilities**.
  - This includes movable and immovable properties, investments, and liabilities.
  - All other SEBI employees, including contractual staff, must file **internal disclosures** of their assets, relatives' relationships (as defined under the **Companies Act, 2013**), and any professional or financial interests that may pose potential conflicts.
- **Mandatory Conflict-of-Interest Declarations**
  - Applicants for top SEBI positions must **declare all actual, potential, or perceived conflicts of interest**, both financial and non-financial, during the appointment process.
  - These disclosures will enable the appointing authority to assess ethical suitability and mitigate risk before the appointment is finalised.
- **Investment Restrictions and Trading Controls**
  - The committee recommended **uniform restrictions on personal investments and trading** by the SEBI chairperson, WTMs, and employees.
  - New investments can be made only in **professionally managed pooled funds** regulated by the Indian financial sector authorities.
  - At the time of joining, senior officials must choose from **four options** for existing investments:
    - Liquidate the investment
    - Freeze the investment
    - Sell under a pre-approved trading plan
    - Sell without a trading plan after obtaining SEBI approval
  - Additionally, the chairperson and WTMs should be classified as **"insiders"** under the **SEBI (Prohibition of Insider Trading) Regulations, 2015**, making them subject to strict disclosure and trading restrictions.
- **Expanded Definition of 'Family'**

    - To ensure consistency between the SEBI Code of Conduct (2008) and the **SEBI Employees' Service Regulations (2001)**, the HLC proposed a **broader definition of 'family'**. The term would now include:
        - Spouse and dependent children,
        - Individuals for whom the official acts as a legal guardian, and
        - Any person related by blood or marriage who is **substantially dependent** on the employee
    - This change aims to eliminate ambiguity in assessing conflicts arising from family-linked financial interests.
- **Gift and Recusal Policy**
    - The panel recommended a **blanket prohibition on accepting gifts**, directly or indirectly, from individuals or organisations having or likely to have official dealings with SEBI.
    - Further, a **robust recusal mechanism** was proposed to ensure that officials abstain from decision-making in cases involving any real or perceived conflict.
    - A **summary of recusals** by the chairperson, WTMs, part-time members, and senior staff should be **published annually** in SEBI's annual report.

Strengthening Post-Retirement Ethics and Whistle-Blower Mechanism

- **Post-retirement restrictions:** Former SEBI officials, including contractual employees, advisors, and consultants, will be **barred from appearing before or against SEBI** in any adjudication or settlement matter for **two years** after leaving the organisation.
- **Whistle-blower protection:** A **secure, confidential, and anonymous whistle-blower mechanism** should be instituted to report potential or perceived conflicts of interest.
- This mechanism will extend to **external stakeholders** such as market intermediaries, infrastructure institutions, and participants.

Ensuring International Alignment

- The proposed reforms are designed to align SEBI's internal governance with **global standards of regulatory integrity**.
- Similar frameworks exist in institutions like the **U.S. SEC**, where commissioners are required to make **public financial disclosures**, and the **European Securities and Markets Authority (ESMA)**, which enforces **recusal and conflict-prevention protocols**.
- By adopting such practices, SEBI seeks to strengthen its institutional credibility at a time when **public confidence in regulatory independence** is essential for market stability and foreign investor confidence.

Implementation and Next Steps

- The HLC's recommendations, once finalised and approved by the SEBI Board and the **Ministry of Finance**, will form part of SEBI's revised **Code of Conduct and Ethics Policy**, applicable prospectively.
- To ensure smooth adoption, SEBI may implement a **phased rollout**, starting with senior officials and expanding to all employees.
- Public disclosure of assets by top officials could be integrated into SEBI's **annual report or website**.

Source: IE
