



Your Free Trial ended on Jul 02, 2026... But there's still time!
Renew ET Prime at Flat 40% Off with our limited time offer.

Avail
Offer

THE ECONOMIC TIMES | Opinion

English Edition ▼ | 04 July, 2026, 02:48 PM IST | Today's ePaper

Sebi's new compliance norms spark debate over officer's role, board independence, and governance

ET CONTRIBUTORS Last Updated: Oct 31, 2025, 10:55:00 PM IST

Synopsis

In a significant move, India's market regulator Sebi has restructured the reporting line for Compliance Officers in publicly listed companies. Instead of reporting directly to the board, these officers will now report one level beneath the CEO or Managing Director. This shift, effective from December 12, 2024, emphasizes management's role over board oversight in compliance matters.



Pratik Solanki

The author is a company secretary



S N Ananthasubramanian

The author is a company secretary



The compliance landscape for listed entities is undergoing a significant transformation. A June [Sebi expert committee](#) consultation paper sought to redefine how compliance is structured and perceived. Recognising mounting regulatory complexity and increasing expectations of compliance professionals, it proposed a stronger, more visible and empowered role for compliance officer (CO), one that commands not just procedural oversight but also influences governance.

The committee's key recommendation was that CO should be designated as [key managerial personnel](#) (KMP) under Companies Act 2013, and be positioned no more than one level below the board of directors. This would ensure that CO has the authority, visibility and unrestricted access required to discharge statutory responsibilities effectively, and to interact directly with the board and its committees.

In the consultative process that followed, stakeholders broadly supported the intent, but suggested a practical tweak: to position CO one level below CEO, MD, WTD or manager, instead of directly below the board. Their reasoning was operational. Such placement would preserve CO's functional autonomy while maintaining proximity to the executive leadership that drives business decisions. Many emphasised that the compliance function should be an independent advisory arm - neither subordinate to legal or finance departments, nor isolated from management.

After evaluating industry inputs, the committee reiterated that CO must be a KMP and shouldn't be more than one level below the board. It observed that in many companies, the role was placed too low in the hierarchy, often reporting to CFO or legal head, a structure that diluted both its authority and visibility.

Accepting this recommendation, in September 2024, the regulator approved amendments to Sebi ([Listing Obligations and Disclosure Requirements](#)) Regulations 2015, effective from December 12, 2024. This appeared to mark a decisive step towards enhancing accountability and [corporate governance](#) within listed entities.

But the clarity did not last long. On April 1, 2025, Sebi issued a clarification stating that CO should be one level below MD/WTG/CEO. Two days later, in an informal guidance to [DCB Bank](#), Sebi explained that the term 'level' refers to the structural or hierarchical position within the organisation, not merely the reporting relationship.

Masterclasses by **THE ECONOMIC TIMES**

Financial Freedom Masterclass ▶ Build Lifelong Wealth & Achieve Financial Freedom.  10 Day live online session  Starts 11th July 2026  Enroll Now Limited Seats Lefts!	AI For Founders & Marketing Leaders Masterclass ▶  Be an ET Certified AI professional  25 & 26 July (Weekend) Live Online	Young Mind Entrepreneurship Program ▶ Bridging Education with Future Skills  Get Certified by The Economic Times  5 week Live Online  Enroll Now Only 15% Seats Left
--	--	---

While the clarification aimed to standardise interpretation, its effect was to alter the spirit of the original recommendation. By linking CO's position to CEO or MD, rather than to the board, the new interpretation effectively re-subordinated compliance to management, precisely what the expert committee had sought to avoid.

The difference between one level 'below the board' and 'below the CEO' is more than semantic. It defines whom CO ultimately serves - the board, representing shareholders and governance oversight, or management, which executes business strategy. By choosing the latter, Sebi's clarification has moved closer to stakeholder feedback, rather than the committee's reformist intent. The outcome is a watering down of CO's structural independence.

In governance terms, this divergence is not trivial. The compliance function's effectiveness depends not only on professional competence but also on positional authority and direct access to the board. Any ambiguity in this hierarchy risks eroding the checks and balances that underpin corporate accountability.

Given this evolving debate, it may be worth reimagining the role itself. The title CO may no longer capture the breadth and gravity of responsibilities involved. A more appropriate designation, chief governance officer (CGO), would better reflect the intended empowerment, independence and strategic role of the position. CGO would not merely ensure regulatory compliance but also act as a steward of governance integrity, bridging management execution and board oversight.

Notably, Sebi's regulations - for intermediaries such as MFs, depositories and portfolio managers - each prescribe appointment of a CO. Yet, the intent, scope and accountability of these roles differ substantially from that of a listed company's CO under Listing Obligations and Disclosure Requirements (LODR), both in their intent and purpose.

As per LODR regulations, CO of a listed entity must continue to be a qualified company secretary - recognition of the profession's central role in upholding governance standards. But if CO is to truly serve as the conscience-keeper of India Inc, its structural positioning must reflect that responsibility in both form and substance. CO's role must be to serve the board, not be subsumed by management. Empowerment must not only be symbolic but also systemic.

Add **ET** as a Reliable and Trusted News Source



(Disclaimer: The opinions expressed in this column are that of the writer. The facts and opinions expressed here do not reflect the views of www.economictimes.com.)