Address by
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“Navigating Evolving Market Dynamics: Role of Financial Intermediaries in Strengthening Investor Protection and Market Integrity”
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Distinguished guests, leading investment managers, bankers, trustees, industry leaders, ladies and gentlemen, a very good morning to you all!

It is a pleasure to join you today at this forum that brings together those who shape the capital markets of our country. I would like to thank Morningstar for making this interaction possible.

One cannot overstate the importance of financial intermediaries in ensuring the smooth and efficient functioning of our financial market. These institutions—such as banks, investment firms, mutual funds, brokers and distributors - act as vital bridges between savers and enterprises, facilitating the flow of funds from those with surplus capital to those in need of financing.

Today’s marketplace is characterised by high speed, interconnectedness, product innovation and rising retail participation. But with these advantages come new risks — operational risks, cyber vulnerabilities, and changing business environment.

In such a landscape, market intermediaries are far more than conduits. By facilitating investments, managing risks, following due diligence and promoting financial awareness, they are contributing to financial inclusion, wealth creation, greater stability and confidence in the market. The capital market, in particular, depends heavily on their expertise and efficiency to channel investments into productive sectors - thereby supporting economic growth, innovation, and long-term development.

And so, today, we must aim to explore how the intermediaries can step up,

How the regulatory framework can support them,

What challenges lie ahead of such institutions, and

How we can work together to elevate investor protection and integrity from talk to action.

What does investor protection and market integrity really mean?

Investor protection and market integrity are often used as regulatory slogans — but they must translate into real-world outcomes.

Investor protection simply means that-

The investor receives timely, accurate, understandable information;

The investor's assets are held securely, segregated from others;

The intermediary acts in the interest of the investor, avoiding unfair practices or conflicts, and,

When things go wrong, the investor has access to redress.

Similarly, Market integrity means:

Transparent, fair, orderly transactions — no hidden costs, no preferential access, no manipulation.

It means strong internal controls, sound governance and audit trails – maintained by the Intermediaries.

It means a market infrastructure resilient to shocks — technical, operational, or behavioural.

These are not separate tracks — they are interwoven. An investor who believes that the market is rigged will shy away. If investor trust is exploited, market will suffer from lower liquidity, higher costs, and ultimately slower growth. The intermediary sits at the junction of these two tracks and plays an important role in maintaining trust and market integrity.

Intermediary's role: beyond the checklist

Let me take you through some of the domains where intermediaries need to act decisively — in order to deliver on those twin promises of protection and integrity.

Client fairness

Today's investors expect not just access to markets, but access on fair terms. That means transparency in dealings, transaction execution and pay-outs. Intermediaries must ensure that their own book, client flows are clean, separate and auditable.

Disclosure and due diligence

As new products proliferate in the market, they must come with clear disclosures of underlying risks, costs and business model assumptions. Intermediaries have the responsibility to conduct robust due diligence before offering the product to clients, continuously monitor changes in product structure, and to ensure that clients are aligned with product risk-return profiles.

Asset custody and operational resilience

When an investor invests in shares, debenture, units of mutual fund, REITs or InvITs — the expectation is that his/her assets are safe — even when the intermediary or institution is under stress. This demands strong back-office controls, cyber-resilience, and contingency planning — as breakdown in an intermediary can shake the confidence of the entire market.

Grievance resolution and accountability

When mistakes occur — whether operational errors or compliance lapses — the speed, transparency, and quality of the remedy matter more than the mistake itself. Intermediaries that systematically learn from each complaint, refine their practices, and proactively address systemic issues build enduring market trust.

Culture, ethics and governance

Institutions often invest heavily in technology, processes, and controls — yet culture can remain the weakest link. It reveals itself in how sales incentives are designed? Whether promotions reward sustainable client outcomes or just short-term gains? Whether the whistle-blower channel is credible and respected? And whether senior leaders model the right behaviours? In today's markets, culture is the invisible infrastructure that ultimately underwrites investor trust.

Regulatory Measures - Strengthening the Foundations of Trust

If culture is the invisible infrastructure of trust, regulation is the visible framework that reinforces it. A sound regulatory architecture ensures that good intent is anchored in clear standards, transparent processes, and credible enforcement. Yet, even the most thoughtfully designed regulations deliver results only when market institutions translate rules into responsible conduct.

Against this backdrop, SEBI has continued to strengthen the ecosystem through a series of proactive measures focused on enhancing investor protection and market integrity. Some of the key steps include:

- Introduction of "Validated UPI Handles" to prevent cyber frauds and enable instant verification of genuine intermediary bank accounts or UPI ID via the "SEBI Check" facility.
- Active monitoring of social media platforms to detect and curb misleading, manipulative, or illegal market-related content and unregistered financial influencers. In this regard, we have escalated of over 1 lakh misleading contents to major social media platforms (Google, Meta, X, Telegram, etc.) for appropriate action.
- Mandating direct pay-out of securities/funds into clients' demat/bank accounts to prevent misuse of investor assets.

- Introduction of facility for voluntary freezing/blocking of trading accounts by investors in case of suspected unauthorized activity.
- Launch of the MITRA platform to help investors track inactive mutual fund folios, ensure KYC compliance, and reduce fraud risk, and
- Introduction of framework to facilitate safer participation of retail investors in algorithmic trading through brokers.

We have revamped SEBI Complaint Redress System (SCORES) to strengthen the investor complaint redress mechanism by making the process more efficient through auto-routing, auto-escalation, monitoring and reduction of timelines.

We have reinforced market stability through stronger governance of stock exchanges and clearing corporations, regular stress testing for mutual funds, and enhanced transparency in primary market issuance and secondary market trading.

Regulated entities have been mandated to disassociate from unregulated entities, which provide recommendations or unverified claims on return and performance.

Each of these initiatives is not an end in itself but a means to a larger goal — creating a market ecosystem that is fair, transparent, and resilient.

Navigating the New Landscape — Emerging Challenges for Intermediaries

Yet, as markets evolve, new technologies, and global linkages bring fresh complexities. The next frontier, therefore, lies not only in compliance but in anticipating risks before they surface.

Intermediaries today navigate a landscape defined by rapid technological change, interconnected markets, and rising stakeholder expectations.

Cybersecurity remains a foremost concern for all market participants. Firms must safeguard sensitive client data and critical infrastructure from sophisticated threats. Third-party and outsourcing risks have grown with greater reliance on technology vendors and service providers, requiring stronger oversight and due diligence. The rise of algorithmic and high-frequency trading brings efficiency but also demands robust risk controls, real-time monitoring, and compliance safeguards.

Intermediaries must also ensure operational resilience, maintaining business continuity and readiness amid market volatility and rapid digital transformation.

Meeting client expectations for faster and personalized service may add further pressure on systems. At the same time, effective and timely grievance redressal is crucial to maintaining investor confidence.

Collectively, these challenges call for a culture of vigilance and adaptability - where technology and compliance advance hand in hand to uphold market confidence and investor protection.

Way forward

As we look ahead, the real differentiator for our market institutions will not be how swiftly they comply with regulations, but how meaningfully they internalise them. The strongest and most respected firms will be those that see compliance not as a ceiling, but as a foundation — building upon it a culture of integrity, resilience, and transparency that earns investor trust every day.

Institutions must recognise that the ultimate measure of success lies in the experience and confidence of investors - tracking how promptly grievances are resolved, how accurately settlements occur, and how transparently disclosures are reported. When institutions make such transparency a habit, they begin to transform investor relationships from transactional to enduring.

We, on our part, are conscious that effective compliance must also be practical. To make the process simpler and less burdensome, we have facilitated a single submission of compliance reports by trading members at one exchange instead of multiple submissions across exchanges.

Continuing this approach of simplification and rationalisation, we are also reviewing the SEBI (Stock Brokers) Regulations, 1992, to make them more relevant, simple and streamlined.

We are also mindful of the needs of long-term investors who, despite their rightful ownership, face legacy operational hurdles. To address this, we are proposing to allow investors who had purchased physical securities prior to FY20 but could not lodge such transfers earlier to now complete them and have those securities transferred in their name. This measure will provide long-awaited relief to physical shareholders.

Each of these initiatives — whether simplifying compliance, rationalising regulation, or easing investor access aims to make our markets more efficient, transparent, and inclusive.

As we chart the road ahead, I urge each of you — the institutions that form the backbone of our markets — to lead in governance, in innovation, in culture, and in collaboration. Because when our financial institutions lead with integrity, markets follow — and when markets follow, the economy thrives.

Thank you.