Address by Shri Tuhin Kanta Pandey, Chairman, SEBI
Launch of the Past Risk and Return Verification Agency
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Shri Kamlesh Varshney, Shri Sandip Pradhan, Whole Time Members of SEBI, Mr. Ashishkumar Chauhan, MD & CEO, NSE, Mr. Mehul Pandya, MD & CEO, CARE Ratings, Shri Jeevan Sonparote, ED, SEBI, esteemed colleagues from SEBI, distinguished guests, and members of the securities market ecosystem - a very good morning to all!

We are taking an important step to strengthen the integrity and transparency of India's securities market. The launch of **Past Risk and Return Verification Agency** or PaRRVA introduces a pioneering mechanism for SEBI-registered intermediaries to showcase verified past returns to investors.

Several international jurisdictions recognise the risks of unverified performance claims in securities markets. However, we have taken the lead to establish an independent mechanism to validate these claims.

With the launch of PaRRVA, India will be setting a new international benchmark for transparency, accountability, and investor protection.

Need for Independent Verification

Performance reporting in securities markets has long posed risks for investors. Finfluencers often lure investors with exaggerated or fabricated returns. Unscrupulous intermediaries further fuel investor uncertainty with exaggerated claims.

SEBI-registered intermediaries such as stock brokers, IAs, and RAs cannot refer to past performance, making it difficult to establish their credentials[1]. Meanwhile, unregistered entities make unverified claims, drawing investors away from regulated intermediaries. Well-regulated entities struggle to attract investors despite genuine track records.

SEBI's investor survey highlights the need for investor access to credible information:

- Only 36% investors possess adequate knowledge about the securities market, making them vulnerable to unverified claims.
- Prospective investors are heavily influenced by finfluencers and peers, with nearly 62% making decisions based on finfluencer recommendations.
- 23% prospective investors are primarily triggered by the possibility of quick gains.
- Information gaps and risk-return concerns are primary barriers for new investors.

These findings highlight the need for credible performance data to manage expectations and promote "responsible investing". If we can enable registered intermediaries to communicate

[1] Interim arrangement has been provided for IAs and RAs to provide certified past performance for pre-PaRRVA period.

their performance, which is validated, it will allow investors to take an informed decision about their investments.

How PaRRVA Works

PaRRVA is built on a simple idea - **investors deserve performance numbers they can trust**.

The framework connects a SEBI-registered CRA acting as PaRRVA with a recognised stock exchange serving as the PaRRVA Data Centre (PDC). Together, the PaRRVA and the PDC will independently verify past returns, using a transparent and standardised methodology.

As an investor safeguard, intermediaries will not be permitted to selectively display PaRRVA verified returns of any specific product or service. Further, the verified performance shall be for specified periods and arbitrary selection of dates or time-periods to present favourable outcome will not be permitted.

The PaRRVA and the PDC will be monitored by an Oversight Committee. Its main focus will be on ensuring that the PaRRVA adheres to the published verification methodology and to maintain data privacy.

Initially, PaRRVA is being operationalized for SEBI registered Investment Advisers, Research Analysts, and Stock brokers who provide algorithmic trading services. Investors will now have access to comparable information across these industries, presented in one uniform format, with clear disclaimers.

A Structural Reform for the Future

PaRRVA is a tech-driven, data-backed system that brings credibility and consistency to performance reporting. With digital audit trails, reduced mis-selling, and better data for supervision, PaRRVA will strengthen trust and help investors and intermediaries to operate on a level playing field.

For investors, PaRRVA gives clarity and confidence. PaRRVA, in due course, will provide investors with credible performance data related to investment services offered to them. For regulated entities, PaRRVA will provide a platform to showcase genuine performance to clients.

For SEBI, investor transparency is the cornerstone of sustainable market development. PaRRVA reaffirms our unwavering commitment to keeping India’s securities markets fair, transparent, orderly, and resilient.

As I conclude, I take this opportunity to acknowledge the collective efforts of teams involved who have contributed to operationalizing this agency.

Let us continue to work towards a system where every investor is truly empowered to participate actively in the securities market ecosystem. Our commitment to innovation, adoption of technology, and investor centric solutions will be instrumental in building a robust and inclusive securities market.

Thank you. Jai Hind!