Address by Shri Tuhin Kanta Pandey, Chairman, SEBI
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"Making Capital Markets More Efficient in Uncertain Times"
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Good morning everyone!

It is a pleasure to be here today with this distinguished gathering of leaders from finance, business, policy makers, media, and the wider ecosystem. I would like to thank Moneycontrol for bringing together such a diverse gathering of participants.

Today's theme — 'Making Capital Markets More Efficient in Uncertain Times' — is both timely and important.

If we look at the global economic landscape today, one word appears repeatedly: uncertainty.

Technological change — particularly the rise of artificial intelligence — is reshaping industries and business models across the spectrum.

At the same time, geopolitical tensions continue to influence economic relationships. Conflict in middle-east has disrupted energy supplies and created volatility in oil and gas markets across the world.

Yet, when we look back at similar episodes in the past, one lesson becomes clear: periods of extreme volatility never last forever. In the recent past, we have witnessed the disruptions caused by the COVID-19 pandemic, followed by the Russia–Ukraine conflict, which had triggered market volatility across the world.

Markets experienced turbulence — but they eventually stabilised.

Even today, while the ongoing tensions in parts of the world have created uncertainty in energy markets, global efforts are underway to restore stability.

For many investors - especially retail investors - the best strategy during such period of uncertainty is to remain patient.

Markets today operate in a very different information environment. Capital flows now respond not only to economic fundamentals, but also to rapid shifts in sentiment, information and narratives.

This raises an important question.

Can markets remain efficient when uncertainty itself becomes the norm?

Or perhaps a more relevant question is this:

Are our markets designed to function efficiently despite uncertainty?

Because uncertainty, as history tells us, is not an exception in financial markets. It is a recurring feature.

The real test of a market is not whether volatility appears.

The real test is whether the system continues to function smoothly, fairly and efficiently when it does.

Why efficiency matters even more during uncertainty

Efficient capital markets play a stabilising role in an uncertain world.

They enable transparent price discovery.

They help absorb shocks without destabilising the broader financial system.

And perhaps most importantly, they sustain investor confidence.

Efficiency is the foundation of trust in the financial system. Without that trust, capital hesitates. Investment slows. And growth becomes more difficult to sustain.

India's Capital Market Journey

In fact, the true test of efficiency is not in theory but in how markets evolve and perform over time. India's experience over the past decade offers a compelling illustration of this evolution.

India's capital markets have expanded significantly over the last decade. Since FY15:

- Our market capitalisation has grown at a CAGR of about 15%.
- The corporate bond market has expanded steadily, at a CAGR of around 12%.
- The primary market has remained an important channel for capital formation, facilitating around ₹9.7 trillion of capital raising annually.
- The number of unique investors in the securities market has grown at roughly 21% CAGR, indicating a broadening investor base and rising household participation.
- Mutual fund AUM have expanded at over 20% CAGR.
- The AIF ecosystem has witnessed rapid expansion, with investments growing at more than 50% CAGR - channelling capital into start-ups, innovation and emerging sectors.

These numbers tell an important story. India's capital markets are no longer merely expanding. They are deepening, diversifying and becoming increasingly resilient.

But as markets grow in scale and complexity, they also become more closely connected to global developments. And that brings us to the changing landscape in which today's market operate.

The Changing Landscape of Global Markets

The environment in which our markets function is evolving rapidly. One important shift is **economic fragmentation**. Trade corridors are changing. Supply chains are being restructured. And investment flows are responding to these shifts.

Another major transformation is driven by **technology**. Algorithmic trading, artificial intelligence and advanced data analytics are accelerating the speed at which markets operate.

Liquidity conditions are also becoming more episodic. Global capital flows can move quickly across geographies.

But perhaps the most striking change is the **velocity of information**. News travels quickly. Opinions travel even faster. And most importantly - markets today react almost instantly to the narratives.

And therefore, the question before policymakers and market participants alike is: *How do we ensure that speed does not compromise stability?*

Strengthening Market Efficiency: Recent Initiatives

In recent years, SEBI has undertaken a number of initiatives to strengthen the efficiency of the market ecosystem.

- We have reduced the settlement cycle to lower the settlement risk and improve operational efficiency across the market.
- To strengthen the debt ecosystem, thresholds under the Electronic Book Mechanism have been reduced, and the scope of EBP[1] platforms has been extended to include REITs and InvITs.
- In a measure aimed at further facilitating capital raising and easing minimum public offer requirements for larger issuers, the Central Government has just yesterday notified changes to the SCRR. These changes allow companies to list with different levels of initial public float consistent with adequate liquidity and provide a longer, phased timeline to achieve the minimum public shareholding requirement of 25 percent.
- We have strengthened the AIF ecosystem with lower threshold for LVFs[2], and strengthened the framework for accredited investors.

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[1] Electronic Book Provider
[2] Large Value Funds

- For global investors, our effort has been to make access simpler and more seamless.
- Measures such as simpler regulations for IGB-only funds, introduction of common contract note, SWAGAT-FI, relaxed block windows – all are aimed at enhancing ease of doing business and bringing in operational efficiency.

Expanding Investor Participation

Another area of our focus is - *how we can increase the investor participation?*

- To improve the investor access in debt market, we have reduced the investment threshold for privately placed bonds.
- Issuers are permitted to offer incentives in public issues of debt securities.
- To promote greater participation in mutual funds, distributor incentive structures have been revised.
- For NRIs, certain KYC requirements have been eased - facilitating smoother participation in Indian markets.
- Our efforts are underway to further simplify the investor onboarding processes by enabling enhanced information sharing through KRAs.

Strengthening Investor Protection and Governance

While expanding participation, investor protection remains central to the regulatory framework.

- Tools such as Validated UPI handles and SEBI Check enable investors to verify intermediary accounts before making payments.
- Monitoring of social media platforms helps identify misleading or manipulative content.
- Initiatives such as PaRRVA are helping standardise and verify performance data presented by intermediaries.

With an aim to strengthen the governance standards and accountability across the ecosystem, we have taken several measures like -

- Mandating external independent performance evaluations for MIIs
- Designating compliance officer in regulated entities as a Key Managerial Personnel
- Strong emphasis on independence, diversity and accountability in board composition
- Mandate for regulated entities to disassociate from unregulated entities that make unverified claims on returns or performance.

These efforts aim to ensure that market development remains anchored in transparency, accountability and investor trust

A Shared Responsibility

However, efficient markets cannot be built by regulation alone. They require the collective commitment of the entire ecosystem.

Listed companies must uphold high standards of governance and disclosure.

Intermediaries must promote a culture of compliance and integrity.

Institutional investors must contribute to responsible market development.

And market infrastructure institutions must continue strengthening resilience and operational excellence.

Efficient markets are, in essence, a shared responsibility.

Looking Ahead

As India continues its economic journey, capital markets will play an even more important role.

The next phase of development will require deeper bond markets, stronger institutional participation and continued technological innovation.

Today capital markets are moving from supporting economic growth to shaping economic growth.

Ensuring that this growth remains transparent, resilient and efficient will be one of our most important collective tasks.

Let me conclude with one final thought.

In uncertain times, the strength of a capital market does not lie in the absence of volatility. Volatility is a natural feature of markets. The real strength lies in the confidence that the system will function fairly, transparently and efficiently even during periods of stress.

If we continue to strengthen our institutions, deepen participation and uphold governance, India's capital markets will not only navigate uncertainty — they will emerge stronger from it.

And that is a journey we must pursue together.

Thank you.