FICCI 23rd Annual Capital Markets Conference # CAPAM 2026

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Regulating for Growth: Balancing Investor Protection, Innovation and Market Development

Good afternoon, everyone

When we look at the title of today's session, '*Regulating for Growth: Balancing Investor Protection, Innovation, and Market Development*', we are addressing core paradox of modern finance.

Historically, regulation and growth were viewed as a zero-sum game. The traditional school of thought dictated that you could either have rapid, unbridled market innovation, or you could have an iron-clad, risk-averse regulatory framework. If you accelerated growth, you exposed investors to systemic risk. If you over protected the market, you hindered innovation.

As a regulator, I am here to tell you that this binary worldview is outdated.

In today's era, regulation is no longer an emergency brake to be pulled after a crisis. It is the catalytic guardrail that allows capital formation to travel safely at high speed.

As the popular saying goes, "There is no such thing as a free lunch." Every phase of growth carries risk. Our objective at SEBI is not to prevent risk. Our goal is to ensure that this risk is accurately measured, transparently priced, and managed within a resilient ecosystem.

A. Investor Protection

We are witnessing an unprecedented democratization of wealth in India. Capital is no longer concentrated in a few metropolitan boardrooms. It is flowing from Tier-2 and Tier-3 cities via systematic investment plans (SIPs) and equity.

Our recent Investor Survey 2025 highlights this diverse demographic participation across India. It also reinforces our mandate to expand financial literacy and enhance grievance redressal mechanism.

For example, during FY 2026, more than **55% of unique mutual fund investors were from Tier III cities while 23.1% from Tier II cities.**

Financial Year	Total unique investors	Tier I	Tier II	Tier III
2024-25	5,42,48,635	20.9%	19.0%	60.2%
2025-26	6,14,05,970	21.8%	**23.1%**	**55.2%**

When a retail investor enters the market, they must have absolute clarity on who they are dealing with. To ensure this, SEBI launched a **'verified label' for the stock trading apps** of registered brokers on Google Play Store in March 2026. The **'Valid UPI Handles'** and the **'SEBI Check'** utility have created a secure digital pathway for investors, ensuring that payments go only to registered intermediaries.

The line between institutionalized financial advice and unverified financial influence must remain sharp, clear, and non-negotiable. In this context, we operationalised the **Past Risk and Return Verification Agency (PaRRVA)** to ensure performance claims are accurate and verified.

Protection also means better disclosures. We cannot expect a retail investor to read 400 pages to understand a product. Mandating inclusion of **draft abridged prospectus and QR codes and links in advertisements** were all steps in this direction, to offer simplified, summarised and seamless access of information to retail investors. Trust is built when transparency is accessible, not when it is buried in fine print.

To further anchor this vision, we launched '**Project Jagrook'** in April 2026. Project Jagrook is SEBI's national mission to unify investor education through a multi-lingual, 360-degree outreach campaign that promotes responsible investing and strengthens awareness across diverse sectors, from farmers to MSMEs. By leveraging partnerships with key market institutions, this initiative aims to empower every market participant with the knowledge needed for informed and secure participation. SEBI is also initiating **a pan-India AI enabled multilingual public awareness campaign through WhatsApp and other digital platforms** to disseminate verified information on safe investing practices and identification of fraudulent schemes etc.

B. <u>Technology, AI and Nurturing Innovation</u>

We are living through a massive technological paradigm shift. Artificial intelligence, algorithmic execution, and tokenization of real-world assets are live market realities today.

To adapt to the pace of technology, this year, SEBI introduced several pivotal IT solutions, such as

- **SUPCOMS**: A Single Universal Platform for Communications with external entities.
- **e-adjudication portal**: A next-gen platform to digitally enable quasi-judicial proceedings
- **C-SAC:** A platform to strengthen cybersecurity supervision of SEBI-regulated entities

- **SUDARSAN** is web-intelligence and content analysis tools developed in-house. In a span of just five months since launch in November 2025, we have identified over 20,000 instances of fraudulent content on social media, significantly reducing the manual oversight while upholding market integrity.
- **AI driven tools are being used for processing and analysis of offer documents** for risk, irregularities and compliances, auto generation of observation letters, etc. enhancing operational efficiency and transparency.
- **Tokenisation/Demat 2.0:** MIIs, under the guidance of SEBI are piloting tokenization – a next-generation market infrastructure using Distributed Ledger Technology. Starting with corporate bonds, issuance, transfer and settlement of bond tokens on permissioned ledger may facilitate near real time settlement through Central Bank Digital Currency. The pilot will run under SEBI's regulatory sandbox.
- Compliance has been streamlined through initiatives such as a **common reporting platform** - **Samuhik Prativedan Manch** - eliminating duplication across exchanges.
- In collaboration with MIIs and industry bodies, SEBI launched the **Securities Market TechSprint as a part of Global Fintech Fest**. It invites tech experts to innovate and design cutting-edge digital solutions for bolstering securities market and empowering retail investors.

Technology initiatives in pipeline

- SEBI is advancing market tech through **a proposed IT Resilience Index (ITRI)** for MII systems and transitioning STP architecture from a centralized hub to API-based exchange to reduce latency and costs. We have already come out with consultation papers on these topics in March 2026 and May 20206, respectively.

We are, in essence, Fighting Tech with Tech. Technological innovation is a double-edged sword. While it facilitates participants in many ways, it also brings risk and creates avenues for abuse. From deepfake financial advice to algorithmic manipulation, the threat vectors are also rapidly evolving with technological innovations.

To strengthen our surveillance, SEBI is heavily investing in **real-time, AI-driven market surveillance systems**. We are building capabilities to identify anomalous trading patterns and digital misinformation campaigns before they can cause widespread systemic damage. SEBI is therefore establishing a comprehensive ethical framework, integrating the IOSCO AI Supervisory toolkit to ensure our markets are not only innovative but also profoundly secure and accountable.

C. Market Development

India stands at a pivotal juncture where the demand for long-term capital must be met with a sophisticated, market-based financial architecture. As we look toward true economic expansion, our mandate at SEBI is clear: we must foster growth while rigorously managing risk. It is about creating a market that is deep, liquid, and resilient enough to support the ambitions of a rising India.

For this, we cannot rely on equity alone. We are proactively taking various steps for development of bond market. Recently, we formed an **Expert Working Group to comprehensively review Debenture Trusteeship** activities. The **pan-India issuer outreach programme** launched by SEBI in February this year aims to foster closer engagement with issuers and investors to support efficient capital formation and deepen market participation. Last month, we launched **targeted Investor Awareness Videos** specifically for the Corporate Bond Market.

For corporate entities, particularly those spearheading long-gestation infrastructure projects, a liquid secondary bond market is a necessity. In this context, as proposed in the Union Budget of 2026-27, SEBI is also **working on introduction of market making frameworks and tokenization of corporate bonds** as mentioned earlier.

Reforms in the block deal framework and the introduction of the Common Contract Note for institutional trades were few measures already taken to bring greater clarity and consistency to large transactions. The **introduction of Closing Auction Session** in the equity cash segment is another major step. It ensures that the closing price reflects collective market consensus. It also enables large institutional passive funds to transact at the closing price, helping reduce the tracking error.

For ease of doing business SEBI took several measures in commodity derivatives segment as well, for instance;

- **Optimised requirement of Settlement Guarantee Fund** by removing 50% coverage
- **Extended "Early Pay-In"** facilities to all commodity derivatives, including Options. This provided significant margin relief to participants.

For developing the commodities market, SEBI is also considering:

- **Access to FPIs for noncash settled non-agri derivatives** with tiered safeguards and appropriate monitoring mechanism.
- **Cash settlement for new or thinly traded contract** before transitioning to mandatory physical delivery.

- **Expand Vault Manager regulations** (presently cover only EGRs) for all bullion instruments such as ETFs and derivatives to further strengthen market integrity and liquidity. (Consultation Paper – August 2026)
- We are also **reviewing position limits for clients and penalty provisions** concerning absence of upper limit for the penalty, especially for unintentional breaches. (Consultation Paper – May 2026)

Our commitment to "optimum regulation" is also focused on speeding up capital formation. We have made significant improvement in primary market. **IPO timelines have been slashed, rights issues accelerated, and listing norms rationalized** to make fund raising smoother, faster and more transparent while ensuring that the investors are well protected.

Further, by enabling mechanisms such as **SWAGAT for foreign investors, facilitating 'reverse flipping' for home-grown entrepreneurs**, **fast-track mechanism for AIF Placement Memorandums,** we are ensuring that India remains the listing destination of choice, providing a seamless bridge between global capital and Indian innovation.

D. <u>Conclusion</u>

The path ahead is of shared purpose and partnership. SEBI needs continuous, open conversations with industry bodies like FICCI to make sure our regulatory frameworks support development and innovation with ease of doing business.

Ultimately, innovation brings efficiency, development brings scale, but it is *trust* that brings capital. If we protect that trust, we secure the foundation for India's economic growth for decades to come.

Thank you.

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