CHAPTER 1

INTRODUCTION

1.1 YEAR IN REVIEW

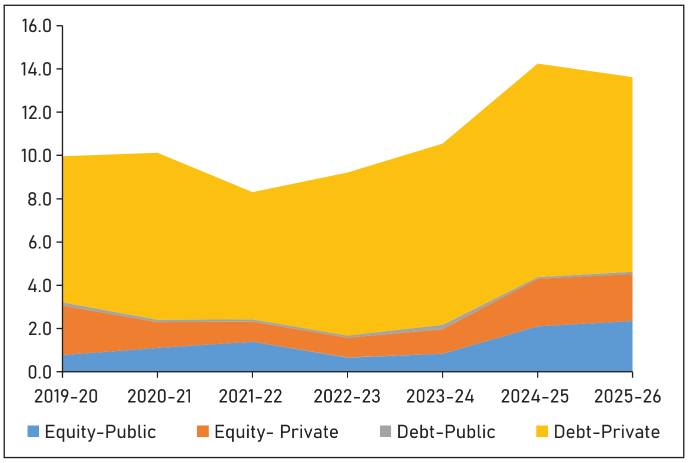
During the financial year 2025-26, the Indian securities market demonstrated remarkable resilience and strength, amid an uncertain global economic and geopolitical environment. The sustained momentum was driven by robust and diversified capital raising by corporates across equity, debt, and hybrid avenues and increased participation of domestic investors. Indian markets continued to rank among the leading global avenues for initial public offerings (IPOs), reflecting strong macroeconomic fundamentals, improving corporate performance and the deepening financialisation of household savings. While uncertainties arising from shifting trade policies, geopolitical conflicts, and capital outflows posed challenges to markets, domestic institutional investors (DIIs) and consistent retail participation provided resilience and stability.

The year also saw further progress in regulatory initiatives aimed at enhancing market integrity, improving ease of investing and doing business, strengthening risk management frameworks, and fostering innovation. Together, these developments reinforce the growing depth, efficiency and resilience of Indian securities markets, firmly positioning them as a trusted engine for sustained capital formation.

Primary Markets

India's primary market serves as a transparent and regulated gateway for capital formation, bridging savings and productive investments. In 2025-26, the market demonstrated continuous depth and maturity by mobilizing a total of ₹13.6 lakh crore. Although this represents a 4.4 per cent decline from the preceding year, the overall performance underscores the primary market's vital role as a catalyst for national economic growth (**Chart 1.1**).

Chart 1.1: Corporate Financing through Primary Market



Public equity fundraising through IPOs, FPOs, and rights issues reached a historic ₹2.3 lakh crore, an increase of 11.7 per cent over the preceding year. This performance was driven by robust macroeconomic fundamentals and expanding retail participation, which helped shield the domestic market from global challenges and foreign portfolio investor (FPI) outflows. While overall equity fundraising through IPOs and FPOs remained almost same at ₹1.9 lakh crore, the total number of newly listed companies grew from 320 to 366. Notably, main board IPOs successfully raised ₹1.8 lakh crore, an 8.9 per cent increase over the previous year.

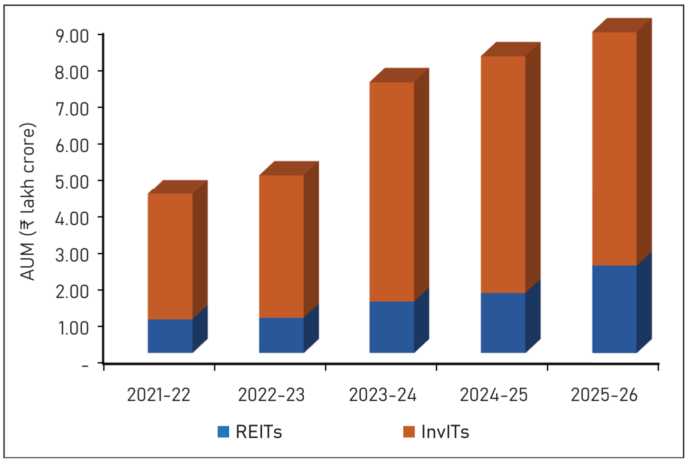
The small and medium enterprises platform continued its momentum, listing 257 companies and raising ₹11,587 crore, 18.1 per cent increase from the past year. Preferential allotments also experienced substantial growth, surging by 76.3 per cent to reach ₹1,48,219 crore. Conversely, Qualified Institutional Placements plummeted by 50 per cent to ₹67,853 crore, though the average issue size grew significantly. Additionally, the Social Stock Exchange expanded its footprint as five non-profit organizations raised ₹21.9 crore, up from the ₹14.8 crore mobilized in the preceding year.

Total funds mobilized through debt issuances fell by 8.4 per cent to ₹9,11,078 crore. This dip was primarily triggered by a hardening of corporate bond yields and widespread risk aversion amid macroeconomic uncertainties. Fund raising through private placements, which accounted for 98.8 per cent of the market share, faced its first contraction since 2021-22, with total fundraising declining 8.8 per cent to ₹9.0 lakh crore. Meanwhile, public debt issuances grew by 39.2 per cent to ₹11,343 crore across 43 public issues. The municipal bond market also witnessed a substantial surge, raising ₹1,756 crore through 14 issues, a massive leap from the single ₹100 crore issuance recorded the year before.

Furthermore, Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) have been playing a pivotal role in bridging the infrastructure financing gap. By financialising large-scale physical assets, they offer investors an attractive alternative asset class. During 2025-26, InvITs mobilised ₹21,026 crore, while REITs raised ₹9,300 crore through three issues. At the end of March 2026, the net AUM of REITs and InvITs stood at ₹2.4 lakh crore and ₹6.4 lakh crore (**Chart 1.2**).

Supporting this entire ecosystem, SEBI continues to maintain robust regulatory frameworks for primary market intermediaries to ensure market integrity, protect investors, and enhance the ease of doing business.

Chart 1.2: Growth of REITs and InvITs

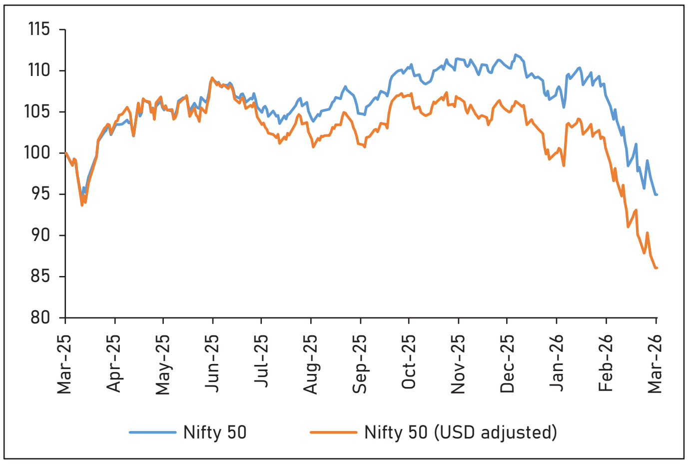


Secondary Markets

During the fiscal year 2025-26, the Indian securities market demonstrated exceptional resilience against a backdrop of heightened geopolitical risks, persistent FPI outflows, and trade wars. Although the benchmark Nifty 50 achieved a historic peak of 26,328.6 in early January 2026, subsequent geopolitical tensions in the Middle East prompted a 15.2 per cent correction from its peak, ending the year with an annual decline of 5.1 per cent. In U.S. dollar terms, the Nifty 50 recorded a more pronounced contraction of 13.9 per cent, reflecting the dual pressures of domestic market corrections and a sharp depreciation of the Indian Rupee (**Chart 1.3**).

Despite this volatility, Domestic Institutional Investors (DIIs), comprising Banks, DFIs, insurance, mutual funds and NPS, acted as a critical countervailing force, absorbing foreign divestments with a record cumulative net inflow of ₹8.5 lakh crore, heavily supported by consistent mutual fund SIPs. This led to a significant structural realignment, lifting DII equity holdings to an all-time high of 17 per cent by March 2026, while FPI ownership dropped to a 15-year low of 15.8 per cent. Aggregate market capitalization moderated marginally to ₹411.6 lakh crore, yet India maintained its position as the world's fifth-largest stock market.

Chart 1.3: Movement of Benchmark Indices



Note: All the indices have been indexed to 100 as on March 28, 2025

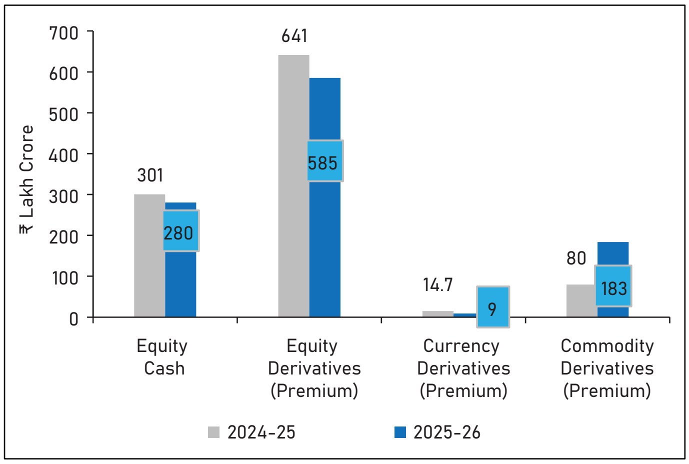
Source: Bloomberg

Trading activity within the cash equity segment reflected a general moderation, with total exchange turnover declining by 6.8 per cent to ₹280 lakh crore and the market capitalization-to-GDP ratio contracting from 130.1 per cent to 118.8 per cent **(Chart 1.4)**. This deceleration was influenced by valuation concerns and a shift in retail savings toward alternative safe-haven assets like gold and silver. Broad market indices generally tracked this downward trend, though sectoral performances diverged notably as Nifty PSU Bank and Nifty Metal posted strong gains of 25.7 per cent and 22.5 per cent, respectively, while the Realty and IT sectors emerged as the weakest performers.

The quality of market participation improved, as evidenced by an increase in delivery-to-traded quantity and value ratios to around 30 per cent, indicating a growing preference for asset ownership over speculative intraday activities. Retail engagement also expanded fundamentally post-COVID-19, with total demat accounts reaching 22.5 crore, driven by simplified digital onboarding processes and mobile trading applications offered by discount brokers.

The secondary corporate debt and hybrid markets experienced robust expansion during the period, with the traded value of settled corporate bonds rising by 27.9 per cent to ₹21.2 lakh crore, predominantly led by listed instruments. Off-market settlements via depositories also grew by 65.5 per cent to ₹89,293 crore, consisting mostly of unlisted corporate bonds.

Chart 1.4: Trading Activity across Market Segments



There was an exponential growth in electronic trading resulting in a 5.9-fold increase in trades executed via the electronic Request for Quote platform, which pushed average monthly turnover to ₹60,985 crore. Furthermore, the Limited Purpose Clearing Corporation, operating through AMC Repo Clearing Limited, gained substantial traction for corporate debt tri-party repos, increasing its average monthly trading volume by 2.6 times to ₹63,893 crore.

Conversely, the equity derivatives segment witnessed contrasting dynamics; while overall combined notional turnover edged up by 4.3 per cent to ₹1,10,418 lakh crore, total contract volumes in options declined by 51.5 per cent. This sharp decline in derivatives volume was primarily driven by targeted SEBI policy interventions including enhanced contract sizes, rationalized weekly expiries, and mandatory upfront premium collections alongside an upward revision in the securities transaction tax to mitigate systemic risks from retail speculation.

The derivatives landscape for commodities, currencies, and interest rates was heavily shaped by macroeconomic shifts and policy mandates. The commodity derivatives market boomed, with futures turnover rising 133.1 per cent to ₹166.4 lakh crore and options premium turnover jumping 107.2 per cent, fuelled by a global surge in energy and precious metal prices driven by safe-haven demand, while trading in major agricultural contracts remained suspended.

In the currency arena, despite a weakening global U.S. Dollar index, the Indian Rupee hit a historic low of ₹94.8 against the dollar on March 20, 2026 due to capital outflows and a widening trade deficit, resulting in 11 per cent annual depreciation. In the midst of this exchange rate pressure, currency derivative premium turnover plummeted by 39.6 per cent on account of the extant participation restriction to only those with verifiable underlying exposure. Finally, the interest rate derivatives market also experienced a significant contraction, with aggregate turnover dropping 23.4 per cent.

Asset Management

The Indian mutual fund industry is playing a pivotal role in the ongoing structural shift, driving the continuous reallocation of household savings away from traditional instruments and toward financial assets. This evolution is propelled by enhanced digital onboarding ecosystems, rising financial literacy, and regulatory reforms that support deeper market penetration beyond major metropolitan centers. The industry recorded a year-on-year growth of 12.2 per cent, with assets under management (AUM) rising to ₹73.7 lakh crore in March 2026 from ₹65.7 lakh crore a year earlier (**Chart 1.5**).

The unique investor base expanded by 13.2 per cent to 6.1 crore, driven by Tier II cities, where investor count rose by 37.6 per cent. Tier III cities hold the largest share of 55 per cent, highlighting deepening market penetration and the success of outreach efforts beyond traditional metro and urban centers.

During 2025-26, total gross resource mobilization by mutual funds climbed by 14.9 per cent, although a concurrent 16.5 per cent rise in liquidations/ redemptions caused overall net inflows to decline by 9.7 per cent to ₹7.4 lakh crore.

Passive investment instruments witnessed sustained traction, as the number of registered index funds and exchange-traded funds (ETFs) advanced significantly, drawing total net inflows of ₹2.1 lakh crore. Notably, net allocations into gold ETFs surged 4.6 times to ₹68,868 crore, reflecting heightened global geopolitical risks and domestic inflation concerns. Individual investors remained the bedrock of this expansion, holding 97.7 per cent of the industry's 27.4 crore total folios and accounting for 58.3 per cent of aggregate AUM. This retail momentum was heavily reinforced by systematic investment plans (SIPs), which saw total active accounts rise to 10.45 crore, while the average net monthly SIP contribution advanced by 25.8 per cent to a record ₹16,413 crore (**Chart 1.6**).

The number of Alternative Investment Funds (AIFs) increased to 1,829 entities by March 2026, with total commitments increasing by 25.6 per cent to ₹16.9 lakh crore by March 2026, anchored predominantly by Category II AIFs. Total cumulative net investments under AIFs reached an AUM of ₹6.8 lakh crore (**Chart 1.7**).

The Portfolio Management Services segment recorded 6.8 per cent increase in registered managers to 504, expanding its client base to over 2.15 lakh investors and growing its total AUM by 9.6 per cent to ₹41.4 lakh crore.

Foreign Portfolio Investors

Foreign Portfolio Investors (FPIs) continue to occupy a central position in India's capital market architecture, playing a vital role in enhancing market liquidity and supplementing domestic

Chart 1.5: Asset Management Ecosystem

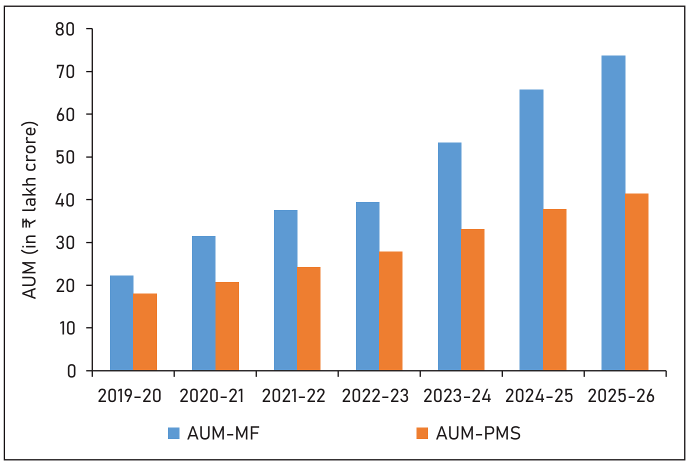


Chart 1.6: Trends in SIP Investments

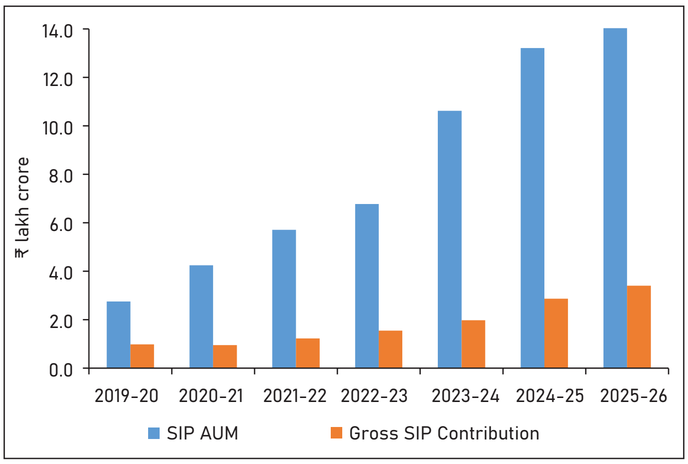
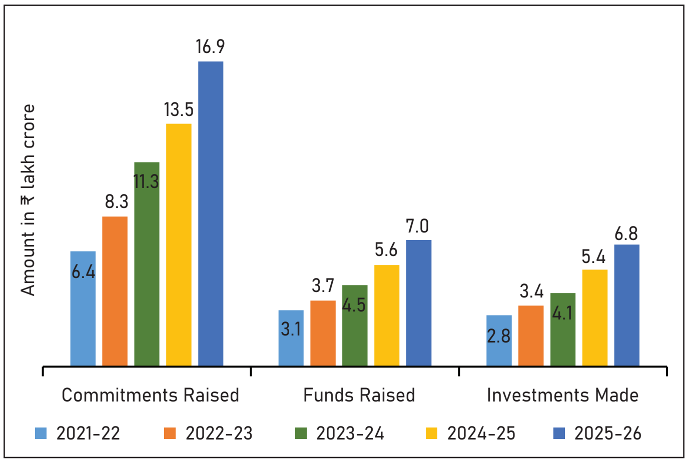


Chart 1.7: Growing Alternative Investment Fund Ecosystem



Notes: The above numbers are cumulative net figures at the end of each financial year.

capital formation. However, the 2025-26 fiscal year introduced a highly challenging external environment that accelerated cross-border capital outflows from the domestic market. Global macro pressures, including heightened risk aversion due to geopolitical tensions in West Asia, elevated crude oil prices, and rising U.S. bond yields, prompted widespread portfolio rebalancing toward technology-focused global markets. This external stress was further compounded by domestic headwinds, such as persistent depreciation of the Indian Rupee, relatively elevated equity valuations, moderating corporate earnings growth and a general underperformance of Indian equities relative to their major global peers.

As a consequence of these overlapping pressures, total FPI investment in Indian securities turned negative during 2025-26, registering a record net outflow of ₹1,52,692 crore. This historic exit represented a stark reversal from positive net inflows of ₹20,018 crore in 2024-25 and robust net inflows of ₹3,39,066 crore observed in 2023-24. Despite the unprecedented magnitude of the aggregate withdrawal, ratio of net FPI flow to asset under custody (AUC) ratio standing at 2.1 per cent, which indicates that the liquidations were relatively moderate compared to the overall scale of accumulated FPI holdings.

1.2 PERFORMANCE HIGHLIGHTS

SEBI remains committed to its core mandate of investor protection, market development, and regulatory oversight to safeguard India's securities market ecosystem. SEBI addresses the challenges of a rapidly evolving, technology-driven market landscape by introducing strategic policy updates, expanding data-driven supervision, investor education and integrating stakeholder feedback to improve governance and risk monitoring.

1.2.1 Policy Measures

Recognising the increasing scale, complexity and technology-driven transformation of securities markets, SEBI implemented several policy initiatives during 2025-26. These measures reflected its balanced approach towards market development, investor protection and systemic stability while also supporting innovation and ease of doing business.

The policy development process during 2025-26 remained anchored in extensive stakeholder engagement and institutional deliberation. The feedback received from market participants on any draft proposal was comprehensively analysed and further examined through Advisory Committees and Industry Standard Forums. During 2025-26, Advisory Committees held 49 meetings, in which 203 agendas related to policy and regulatory frameworks were discussed. A total of 82 consultations (includes consultation papers, draft circulars and investor charters) were issued for public comments during the year. Further, 69 meetings of Industry Standard Forums were held during the year, in which 148 agenda items were deliberated.

As part of its continuing efforts to simplify regulatory compliance and improve ease of doing business, SEBI consolidated and rationalised various regulatory directions through the issuance of 16 master circulars, thereby providing market participants with a single-point reference for applicable regulatory framework.

Further, SEBI issued 103 circulars, encompassing primary and secondary markets, market intermediaries, and asset management. This excludes circulars issued for clarificatory purposes and timeline extensions.

Some of the significant policy measures during 2025-26 are listed below:

1. Strengthening Regulatory Framework

i. The scope of compulsory dematerialization prior to DRHP filing was expanded significantly beyond promoters to include the promoter group, selling shareholders, KMPs, senior management, QIBs, directors, employees, shareholders with special rights, and all entities regulated by financial sector regulators.

ii. To mitigate risks from non-regulated businesses, Regulations were amended permitting Merchant Bankers and Debenture Trustees (DTs) to undertake non-SEBI regulated activities under strict safeguards and isolation rules.

iii. The reporting framework for issuers of non-convertible securities was streamlined for ensuring that DTs received timely information to protect investor interests and monitor security cover effectively. DTs were given explicit right to call for information from issuers.

iv. An operational framework was rolled out for social, sustainability, and sustainability-linked bonds.

v. To address hyperactivity on expiry days, stock exchanges were advised to designate either Tuesday or Thursday as uniform weekly/monthly expiry day. Exchanges can offer only one weekly benchmark index options contract; all other derivative products must have a minimum tenure of one month. A real-time intraday position monitoring mechanism was implemented for equity index options. Additional eligibility criteria were mandated for launching derivatives on non-benchmark indices.

vi. Calendar spread margin offset for single-stock derivatives on the exact expiry day of the near-month leg was discontinued.

vii. Rules governing the appointment, reappointment, termination, or resignation of KMPs of MIIs were prescribed. A mandatory cooling-off period was instituted for directors and KMPs joining a competing MII.

viii. To improve compliance efficiency, MIIs must set up a first-level appellate mechanism under their governing board for actions taken against members of MIIs by the Member Committee.

ix. A revised framework was introduced for capacity planning and real time performance monitoring of the critical information technology systems and supporting components in the commodity derivatives segment of the MIIs.

x. AIFs managers were mandated to upload the Net Asset Value (NAV) of their respective ISIN units directly to depositories to give unitholders a unified view of their holdings.

xi. The SEBI (Custodian) Regulations, 1996 were amended to strengthen the compliance and governance framework.

2. Fostering Market Development

i. SEBI (ICDR) and (LODR) Regulations were amended to include additional legal structures such as trusts registered under Indian Registration Act, 1908 as well as Schedule VII of Companies Act for CSR to the existing list of eligible activities.

ii. To enhance participation of long-term institutional investors in the IPO process, the anchor investor allocation framework was revised. Key changes include raising the overall anchor book portion to 40 per cent (from 33 per cent), dedicating 7 per cent exclusively to insurers and pension funds, and updating the number of permitted anchor investors.

iii. To address risk-appetite mismatches while expanding the availability of seed capital for start-ups, the regulatory framework for Angel Funds was thoroughly revised by lowering minimum deal sizes to ₹10 lakh, expanding the maximum investment cap to ₹25 crore, and eliminating the 25 per cent single-startup concentration limit, allowing contributions from more than 200 investors, removal of 5 year limit of drawing down capital etc.

iv. To facilitate increased participation of large trades in the large blocks and enhance normal market liquidity, the block deal price bands were widened from +/-1% to +/-3% and the minimum order threshold was raised from ₹10 crore to ₹25 crore, routing smaller block trades to the regular trading order book.

v. To align closing price discovery with international standards, a dedicated 20-minute closing auction session for the equity cash segment was introduced and will be implemented in a phased manner starting August 2026.

vi. Request for Quote platform was upgraded to offer real-time cash flow tracking for corporate bonds, improving price discovery.

vii. Mandatory Electronic Book Provider (EBP) Platform issuance threshold was lowered from ₹50 crore to ₹20 crore. Private placements of Securitised Debt Instruments, REITs, SM REITs, and InvITs were permitted on EBP platform.

viii. The conditions for the issuance of debt securities and non-convertible redeemable preference shares at a reduced face value of ₹10,000 on a private placement basis were amended to include Zero Coupon Bonds with fixed maturities to encourage wider participation.

ix. Sectoral Debt Fund was introduced to deepen the corporate bond market. Life Cycle Funds was introduced to promote goal-based and long-term investing through a predefined glide path that aligns asset allocation with the investor's life stage or target date.

x. To align asset valuation with domestic market conditions, physical gold and silver held by MF schemes is required to be valued as per polled spot prices published by recognized stock exchanges.

xi. Electricity Futures were launched at MCX on July 10, 2025, and at NSE on July 14, 2025.

xii. A separate type of AIF schemes exclusively for Accredited Investors (AIs) was introduced, with significant relaxations. Category I and II AIFs were permitted to offer 'Co-investment Schemes' to AIs.

xiii. REITs has been re-classified as equity instruments for purpose of investment by mutual fund investment including Specialised Investment Funds (SIFs), making REITs eligible for index inclusion and frees up the combined hybrid limits to be used exclusively by InvITs.

xiv. The definition of 'Strategic Investors' in public offerings by REITs and InvITs was widened to include all QIBs, registered intermediaries and family trusts with a minimum net worth of ₹500 crore, and RBI-registered Middle, Upper, and Top-layer NBFCs.

xv. REITs and InvITs investment criteria in liquid mutual funds have been broadened to include schemes which invest in securities rated AA and above.

xvi. Allowing REITs, SM REITs, and InvITs to deal in interest rate derivatives for hedging.

xvii. To encourage project-based municipal bond issuances for civic infrastructure, CRAs were permitted to apply an Expected Loss based rating scale alongside traditional Probability of Default metrics to better capture long-term recovery prospects.

3. Enhancing Ease of Doing Business

i. Following a comprehensive review, new regulations have been notified during the year, to simplify and modernize the existing regulatory frameworks by prioritizing transparency, structural simplicity, and investor protection. The newly notified list includes: SEBI (Registrars to an Issue and Share Transfer Agents), Regulations, 2025; SEBI (Stock Brokers Regulations), 2026 and SEBI (Mutual Funds) Regulations, 2026.

ii. To facilitate ease of doing business, LODR provisions were amended to introduce scale-based thresholds based on the annual consolidated turnover of the listed entity to determine material Related Party Transactions (RPTs). It simplified approvals for subsidiary RPTs and eased disclosures for smaller transactions.

iii. Special measures were approved to ease the voluntary delisting of Public Sector Undertakings (PSUs) where the Government or other PSUs hold 90 per cent or more of the shares (excluding banks, NBFCs, and insurance companies).

iv. Placement documents for QIP by listed entities were simplified and streamlined by leveraging existing public information to reduce or eliminate data duplication and by shifting to concise summaries.

v. The minimum public offer and minimum public shareholding rules were revised to improve ease of doing business and encourage large listings, allowing lower initial dilution for large issuers and provides extended timelines to meet the 25 per cent MPS threshold.

vi. The threshold for identifying High Value Debt Listed Entities (HVDLE) was increased from an outstanding debt of ₹1,000 crore to ₹5,000 crore. Further, corporate governance norms for HVDLEs were aligned with equity-listed companies for ease of doing business.

vii. DTs were allowed to use the Recovery Expense Fund for specific legal, asset recovery, and voting expenditures, without prior debenture holder consent, provided holders are intimated via mail or website.

viii. InvITs with leverage exceeding 49 per cent were permitted to utilize fresh borrowings for capital expenditure, major maintenance, and refinancing the principal component of eligible debt.

ix. To enhance ease of doing business for SM REITs, the public issue process and disclosure requirements were simplified to make it easier for smaller real estate projects to access capital markets.

x. The conversion process of private listed InvITs into public vehicles was streamlined by relaxing sponsor minimum contribution boundaries during conversion public issues and aligning listing disclosures directly with Follow-on Public Offer rules.

xi. Single Window Automatic and Generalised Access for Trusted Foreign Investors (SWAGAT-FI) framework was launched to minimize regulatory hurdles and streamline compliance for FPIs.

xii. A new Digital Signature Certificate application mechanism was integrated inside the Common Application Form portal, digitising FPI onboarding process.

xiii. A dedicated website, India Market Access, has been developed to serve as a single source of procedural and regulatory information for global FPIs.

xiv. A category was introduced for FPIs investing exclusively in Government Securities granting certain relaxations in onboarding and ongoing compliance requirements.

xv. FPI Regulations were amended to allow retail schemes in IFSCs with resident Indian sponsors/managers to register as FPIs, align fund sponsor limits with IFSCA specifications, and allow overseas mutual funds to include Indian mutual funds as investment constituents.

xvi. To facilitate ease of compliance by FPIs, additional disclosures framework was amended to increase the threshold under size criteria for submission of additional disclosures from ₹25,000 crore to ₹50,000 crore.

xvii. Accreditation framework for AIFs were simplified to enhance privacy and operational ease. The requirement to disclose granular asset-liability details in net worth certificates was removed to protect privacy. Furthermore, managers can execute contribution agreements with AIs based on internal due diligence prior to final certificate issuance, provided no capital is called.

1.2.2 Investor Education and Empowerment

Several investor-centric measures have been undertaken during 2025-26 to educate, empower and protect investors.

i. To increase retail participation, a concise and standardized summary of offer documents was mandated at the Draft Red Herring Prospectus stage.

ii. Public debt issuers were allowed to offer targeted financial incentives to specific categories like senior citizens, women, serving/ retired defence personnel, and retail individual investors. These benefits apply exclusively to initial allottees and terminate upon transfer.

iii. The minimum investment value for individual investors in Social Impact Funds was reduced from two lakh rupees to one thousand rupees to enhance retail participation on the SSE.

iv. The maximum permissible exit load that can be charged on MF schemes was capped at 3 per cent (down from 5 per cent), ensuring the collected load continues to be credited back to the scheme to protect remaining unitholders.

v. An incentive structure for MF distributors in respect of investments from new individual investors from B30 cities and new women individual investors has been introduced. The incentive is capped at 1 per cent of the first application amount (in case of lumpsum investment) or total investment during the first year (in case of SIP) subject to a maximum of ₹2000.

vi. Transaction charges and upfront commissions payable by investors in MF investments have been discontinued, with the principle that distributors, as agents of AMCs, should be remunerated solely by the AMCs for services rendered.

vii. Investor Charter for REITs and InvITs was introduced outlining services, legal rights, "Do's and Don'ts," and grievance redressal mechanism.

viii. To safeguard investors from cyber frauds, a new sub-system of UPI – "Validated UPI handles" have been enabled for securities market. w.e.f. October 01, 2025. The 'Valid UPI Handles' and the 'SEBI Check' utility of SEBI has created a secure digital pathway for investors, ensuring that payments go only to registered intermediaries.

ix. To combat the problem of fake trading apps, SEBI has collaborated with Google to introduce a first-of-its-kind "Verified" Label on the Google Play Store. Any stock trading app that belongs to a genuine, SEBI-registered broker will display a "Verified" badge. Investors are encouraged to use the "CVV" (Check, Validate, Verify) protocol within the Saa₹thi app to ensure legitimacy and to verify app authenticity, a move backed by the Ministry of Finance designating SEBI as an authorized agency.

x. To enhance investor trust and distinguish regulated content from that of unregistered persons, SEBI has mandated that all regulated entities and their agents must prominently disclose their registered name and SEBI registration number on Social Media Platforms.

xi. In order to provide investors with independent verification of the risk and return metrics claims of IAs, RAs and algorithmic trading providers, a "Past Risk and Return Verification Agency (PaRRVA)" for risk-return performance verification was introduced.

xii. In an effort to enhance investor protection and curb financial fraud, SEBI has advised its regulated/ registered entities to only use the '1600' phone number series exclusively for service and transactional voice calls to their existing customers.

xiii. To enhance digital security for mutual fund holdings, SEBI introduced a voluntary debit freeze facility for both demat and non-demat folios, allowing investors to prevent unauthorized debits through a secure locking and unlocking mechanism managed via the MF Central platform.

xiv. To enhance investor convenience and reduce operational risks, SEBI dispensed with the issuance of the Letter of Confirmation, enabling the direct credit of securities into demat accounts and reducing the service timeline from approximately 150 days to 30 days.

Public Outreach and Awareness Campaigns

In order to enhance the visibility of SEBI's initiatives and also to give public quick access for various updates from SEBI, an official X Account @SEBI_updates, was launched on April 04, 2025.

SEBI, in co-ordination with MIIs, carries out investor education and awareness programmes across different parts of the country. During 2025-26, a total of 63,176 programmes were conducted free of cost, in various regional languages besides Hindi and English. These were complemented by digital platforms like SEBI investor website and Saa₹thi Mobile App. To strengthen investor protection and actively combat financial fraud and scams, the 'SEBI vs SCAM' campaign, was undertaken. SEBI Check campaign was also rolled out with an aim to develop a culture of "Verify Before You Pay" among retail investors. A nationwide training initiative for block level/ panchayat representatives was initiated to promote financial literacy and investor education at grassroots level.

1.2.3 Surveillance

The role of surveillance has become increasingly critical in ensuring the integrity and stability of the securities market, particularly in light of the substantial rise in trading activity in recent years. Stock exchanges perform real-time surveillance of market segments to flag irregularities in trading activities.

In addition, SEBI has a robust in-house surveillance infrastructure capable of monitoring activities across equity, equity derivatives, and commodity derivatives segments. This system is designed to detect market abuse, including emerging and sophisticated manipulative practices. In furtherance of its efforts to detect and address market misconduct, SEBI, conducted various Search and Seizure operations during 2025-26, covering 48 entities across 46 locations spanning 14 cities throughout the country.

1.2.4 Supervision

During 2025-26, comprehensive offsite inspections of MIIs were conducted by SEBI to assess compliance with relevant regulations, systemic risk management, technological resilience against technical glitches or cyber-attacks. Further, SEBI conducted inspections of the surveillance functions of NSE, BSE and MSEI, NSDL and CDSL, alongside listing related compliance audits at three exchanges.

To streamline data sharing, SEBI developed a cloud-based platform for the secure exchange of inspection data and alerts with brokers and depository participants (DPs), facilitating faster corrective actions. During 2025-26, SEBI and exchanges jointly conducted 179 inspections of 106 brokers. Independently, exchanges completed 973 inspections of 822 brokers across various market segments. Further, SEBI and depositories conducted 28 joint inspections of 23 DPs, while depositories executed 617 inspections of 583 DPs to safeguard securities holding systems.

SEBI employs a risk-based supervision framework to monitor MFs, portfolio managers, and RTAs. SEBI initiated inspections of 23 portfolio managers, 23 mutual funds, and two RTAs. Furthermore, SEBI leverages its advanced offsite monitoring for MFs and portfolio managers, by integrating multi-source data from AMCs, RTAs, valuation agencies, index providers, custodians and AMFI into an algorithm-driven alert ecosystem. As of March 31, 2026, 217 alerts were deployed for mutual funds, 17 alerts for SIFs and 90 alerts for portfolio managers, to ensure real-time compliance.

During 2025-26, SEBI took up 402 cases for formal investigations pertaining to various violations of securities laws, and 338 cases were completed. To undertake capacity building, development and enhancement of skills of officers of SEBI in the fields of digital forensic, forensic accounting, cyber security, SEBI has entered into an MoU with National Forensic Sciences University.

1.2.5 Technology

Rapid technological advancements are reshaping the market ecosystem by increasing the speed, complexity, and interconnectedness of financial systems. SEBI is actively adopting emerging technologies like data analytics, artificial intelligence (AI), and advanced surveillance tools to strengthen market supervision, enhance real-time monitoring, improve cyber risk preparedness, and ensure more robust, efficient investigations.

Several key IT and AI systems were operationalised during 2025-26. An API-based framework in collaboration with social media platform providers was implemented to ensure that only verified, SEBI-registered intermediaries can run advertisements related to the securities market. To safeguard retail investors from the proliferation of financial frauds and scam setups on social media, SEBI operationalized Project SUDARSAN, an AI-powered intelligence platform. To strengthen investor protection and ensure regulatory compliance within the Indian securities market, an AI-powered monitoring and enforcement support tool, R(AI)DAR, was developed and deployed for AMCs. Single Universal Platform for Communications (SUPCOMS) was launched to improve the efficiency and speed of communication with external entities. A next-gen E-adjudication portal was launched to digitally enable quasi-judicial proceedings. Further, an AI-enabled platform, Cyber-Sec Audit Compliance (C-SAC), has been designed to fully automate the cybersecurity audit tracking and oversight of regulated entities.

1.3 LOOKING FORWARD

As the Indian securities market continues to evolve in scale and complexity, SEBI remains committed to fostering a proactive, technology-driven regulatory landscape. SEBI's focus for 2026-27 centres on ease of doing business, market deepening, investor empowerment, and digital transformation.

1.3.1 Investor Education and Empowerment

Recognizing that a protected investor is an informed investor, SEBI plans to launch:

- **Project Jagrook:** A comprehensive, nation-wide campaign that seamlessly integrates both physical and digital initiatives towards investor awareness and education. With a multi-linguistic approach and 360-degree media reach, this project is a unified mission under the umbrella of SEBI and securities market partners including exchanges, depositories, AMFI and NISM. The aim of this project is to ensure that the securities market is an accessible, inclusive space with wider participation across the country in responsible manner.
- **Pan-India Public Awareness through WhatsApp:** An 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, investor grievance redressal mechanism, etc.

- **Revamped SEBI Investor Website:** A complete revamping of the SEBI Investor Website with improved UI/UX and advanced search capabilities.
- **Nomination Reforms:** Modifying norms for nominations in demat accounts and mutual fund folios to simplify the onboarding and ease the nomination process.

1.3.2 Enhancing Ease of Doing Business

SEBI aims to reduce the compliance burden on market participants without compromising risk management. Key initiatives include:

- **Regulatory Streamlining:** A comprehensive review of the SEBI (LODR) Regulations (2015), SEBI (Depositories and Participants) Regulations (2018), and SEBI (Portfolio Managers) Regulations (2020) to streamline the regulations, remove ambiguities and simplify language.
- **Fast-Track Launch of AIF schemes:** Introduction of a fast-track mechanism for processing private placement memorandums (PPMs) filed with SEBI, leveraging sophistication level of AIF investors and the increased experience of Merchant Bankers with respect to due-diligence of PPMs.
- **Rationalising Intermediary Frameworks:** A dedicated Working Group will review and assess the existing regulatory frameworks for IAs and Mutual Fund Distributors to provide actionable recommendations for a more cohesive advisory ecosystem.

1.3.3 Corporate Bond and Hybrid Markets

- **SDI Regulation Alignment:** SEBI proposes to align certain provisions of Securitized Debt Instrument (SDI) Regulations with the revised directions issued by the RBI in September 2021 on Securitization of Standard Assets Directions, to enhance ease of compliance.
- **Municipal Bond Framework Expansion:** Amending the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 to expand municipal bond market by specifying the requirements for refinancing, allowing pooled finance vehicle for two or more municipal corporations, and introducing measures to encourage retail participation in municipal debt securities.
- **REITs and InvITs Depository Receipts:** Specifying a framework for issuance of depository receipts on units of REITs and InvITs within permissible jurisdictions providing an additional investment option for foreign investors.
- **ESG Rating Providers (ERPs) Framework Review:** Reviewing the existing ERP regulatory framework and the Master Circular on ERPs based on stakeholder feedback and final recommendations of the dedicated Working Group.

1.3.4 Modernizing the Market Intermediary Interface

- **SEBI Setu Portal:** Launching a unified, one-stop portal to provide intermediaries with seamless, user-friendly access to regulatory information, tracking and registration processes.
- **Unified Standards:** Introducing a Common Advertisement Code, a uniform penalty structure for Investment Advisers and Research Analysts, and simplified and standardized transmission procedures for securities.
- **Digital Onboarding:** Simplifying client onboarding by reducing repetitive KYC requirements and rationalising risk management at KYC Registration Agencies (KRAs).
- **Single Window Clearance for multi-MII Intermediaries**: Developing a streamlined single-window mechanism for processing of registration and post-registration applications for intermediaries associated with multiple MIIs to enhance operational efficiency and reduce inconsistencies.

- **Centralised Post-Registration Processing:** Creating a framework for one-stop processing of post-registration applications of intermediaries having multiple distinct registrations with SEBI.

1.3.5 Deepening Commodity Derivatives

Recognising the vital role of the commodity derivatives market in the Indian economy, SEBI aims to enhance liquidity and market participation through the following initiatives:

- **FPI Participation:** Evaluating risk management frameworks to allow FPIs in non-cash settled non-agricultural commodity derivative contracts.
- **Ecosystem Strengthening:** Implementing recommendations from working groups focused on agricultural segment, with a specific focus on resolving delivery and settlement challenges faced by Farmer Producer Organizations.

1.3.6 Technology & Cybersecurity

SEBI plans to adopt emerging technologies, particularly AI-led process transformations and Generative AI initiatives (on premise and cloud ecosystems), to support ease of doing business, ensure investor protection, and strengthen technology risk preparedness.

- **AI and Analytics Initiatives:** An internal AI-enabled platform will be implemented to serve as a knowledge repository and institutional memory with an intuitive interface, enabling non-technical users to query data in natural language and produce standardised reports. SCORES portal will be enhanced with advanced AI capabilities for automatic complaint analysis, optimised routing and flagging of emerging issues. Furthermore, SEBI will be developing a market surveillance visualization platform and automating investigation workflows for corporate frauds and front running detection.
- **SEBI Intermediary Portal:** Revamping SEBI's primary digital interface with its regulated entities, integrating it with Digital Public Infrastructure to provide single window registration, and self-service capabilities to intermediaries.
- **Tokenization of corporate bonds:** SEBI is planning a pilot project on tokenization of corporate bonds aiming to evaluate the feasibility of tokenization of securities using Distributed Ledger Technology. The project will assess potential benefits such as faster settlement, operational efficiencies, programmability through smart contracts and integration with CBDC-based settlement mechanisms.
- **Quantum Readiness:** To prepare market for quantum-era risks and opportunities, SEBI will advance its initiatives through quantum readiness compliance, cryptographic bill of materials and its active global engagements as Vice-Chair of IOSCO's Quantum Working Group.
- **10-Year MII Tech Roadmap:** A working group will take a holistic and forward-looking view on adoption of emerging technologies by MIIs such as AI/ML, distributed ledger technology, cloud computing, SupTech and RegTech solutions, tokenisation, and quantum-safe systems and provide a 5 and 10 years Technology Roadmaps for MIIs.
- **Standardised Incident Reporting Portal:** SEBI will be launching a standardised incident reporting portal with defined workflows and timely dissemination of Indicators of Compromise to market participants to enable faster collective response.
- **Capacity Building:**

  a. To tackle cyber risk and ensure cyber resilience due to emerging technologies, SEBI will be conducting comprehensive sector specific cyber security trainings in collaboration with Rashtriya Raksha University and NISM.

  b. Capacity building initiatives on modern practices like Vibe Coding, DLT, Tokenisation etc. for SEBI employees will also be taken up to improve delivery speed, strengthening quality, and standardisation.