Speaking Notes of Shri Amarjeet Singh, WTM, SEBI at the Annual Conference on Macroeconomics, Banking & Finance organized by IIMK and NSE

Information Asymmetry in the Information Age – Markets, Economy & People
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1. Good morning. It is a pleasure to be here today. I thank IIM Kozhikode and NSE for inviting me.

2. We are living in interesting and challenging times. The speed, volume and complexity of what we consume has magnified dramatically. Disclosures are digital, markets move in real time, and a vast amount of research is available at the click of a button.

3. Yet, as the nobel laureate, economist Herbert Simon observed, a wealth of information can create a poverty of attention. And that captures the paradox of our age. The divide today is not between those who have information and those who do not, but between those can filter, interpret and contextualize it— and those who are overwhelmed, misled, or subtly nudged into poor decisions.

4. This conference's theme is therefore both thoughtful and relevant, particularly for regulators. Well-functioning securities markets must be fair and transparent. The Indian securities market has a predominantly disclosure-based regulatory regime- one that relies on placing material information in the public domain so that investors can make informed choices and markets can price risk efficiently.

5. My remarks are in three parts. First, I will briefly outline how information asymmetry has evolved in the information age. Next, I will talk about the regulatory perspective and approach to reducing harmful asymmetry. Finally, I will conclude with a few emerging challenges that we must be mindful of in this rapidly evolving information landscape.

A. Context – information asymmetry in the information age

6. Information asymmetry is a classic form of market failure — and it remains one of the most persistent sources of harm in capital markets.

7. Traditionally, it was most visibly exploited through secrecy and concealment — insider trading, wrong or misleading disclosures. Classic cases include Enron,

where insiders knew the company's precarious position while shareholders were kept in the dark. The global financial crisis was also, in many ways, a story of opacity: complex mortgage-backed securities were widely sold with reassuring triple-A ratings, and only a handful of players truly understood the underlying risks.

8. These issues persist, but the information age has introduced new layers. Today, information may be “out there” — and yet the most important part can still be missed, misunderstood, or ignored.

9. And interestingly, the phenomenon is ages old. A powerful ancient illustration from Mahabharata comes to mind. On the battlefield, Dronacharya was told clearly and loudly “Ashwatthama hatah”—Ashwatthama is dead. The crucial qualifier that followed, “naro vā kunjaro vā” (man or elephant), was either mumbled softly, lost in the noise of battle, or not fully heard by Drona. The statement was technically accurate, yet profoundly misleading.

10. Fast forward several centuries, and the artifice sounds familiar. Until SEBI intervened, the TV ads on securities market products often painted a rosy picture up front, while the risk factors were relegated to rushed, barely intelligible disclaimers. The gap, today, is not only about what is hidden—but also about what is effectively not heard.

11. This is also why over-disclosure can be as problematic as non-disclosure. When key risks are buried in dense documents, framed vaguely, or drowned in boilerplate, the outcome for an ordinary investor can closely resemble no-disclosure at all. “More disclosure” does not automatically mean “better information”. Complexity is a close cousin of asymmetry — it can mask conflicts, obscure risky transactions, and make complex products appear safer.

12. A related modern challenge is noise – particularly from social media. A recent SEBI investor survey shows that finfluencers are highly trusted, with nearly 62% of investors making some or most investment decisions based on their recommendations. When advice is blended with entertainment and incentives that are not always transparent, the risk of mis-leading investors rises sharply. And

with shorts and reels dominating social media, attention spans are shrinking, potentially aggravating information asymmetry.

13. Cognitive biases further widen information asymmetry. Even with the same facts, investors may interpret them differently due to various biases including anchoring, confirmation bias, overconfidence, optimism, or FOMO. The recent surge in retail participation in options trading illustrates how these dynamics can play out. Differences in access to information are relatively easier to address, differences in perceived reality are far harder. These behavioral distortions can lead to sub-optimal choices, mispricing of risk, and adverse selection. Investor education and greater public discourse on these behavioral science aspects are therefore essential complements to regulation.

14. These issues matter even more in view of the rise in retail participation in markets. Indian individuals – directly and through mutual funds – own around 19% of the market, close to a 22 year high. Promoter holdings have meanwhile declined – down to ~50% in December 2025 from a peak of nearly 58% in 2009[1].

15. The implications are therefore far-reaching. Information asymmetry can harm markets, the economy, and people — by weakening trust and integrity in markets, by misallocating capital in the economy, and by exposing ordinary households to mis-selling and exploitation. In the information age, the challenge is less about availability of information, and more about credibility and comprehension.

B. The regulatory perspective

16. Let me now turn to what a regulator can do. Our key objective is to reduce harmful information asymmetry — arising from opacity, manipulation, conflicts, or complexity that defeats comprehension. This is pursued through five broad pillars.

I. Pillar 1 - Keeping it simple

17. One lesson from our market history is that disclosure frameworks must evolve from the mere availability of information to usable information. If I look back, in the early

[1] Source: India Ownership Tracker published by NSE – Q3 FY26

years, IPO offer documents were often thinner and far more promotional in tone — heavy on highlights, lighter on risks. As we insisted on stronger risk disclosures, what sometimes got added was generic risk language — broad, standard risks — rather than risks that were truly specific to the company, its promoters, or its business model. There were also basic issues of readability, with small font size making material information difficult to read. And at one stage, we even saw celebrity-driven marketing around IPOs — until SEBI prohibited it. All of this reinforces a simple point: how information is presented can matter as much as what is presented.

18. Our focus today is to further simplify disclosures and provide an easily accessible summary. SEBI has recently approved a proposal to make draft abridged prospectus available at the DRHP stage, in addition to the existing requirement of filing the abridged prospectus at the RHP stage. The Board has also approved the proposal to rationalise disclosures in the abridged prospectus.

19. In keeping up with the currently popular modes of communication, we have also introduced a ~10-minute Audio-visual (AV) presentation of disclosures made in offer documents of main board public issues. The AV is also accessible through a QR Code.

20. A similar philosophy has guided mutual fund disclosures as well. The Key Information Memorandum (KIM) and Risk-o-meter provide concise, intuitive snapshots of schemes and risks.

II. Pillar II – Conduct and conflict of interest

21. The second pillar is market conduct: clear standards around conflicts of interest, suitability, prevention of mis-selling, and accountability. Many harms attributed to “information gaps” essentially arise from conflict of interest or misaligned incentives.

22. This is why SEBI has emphasised transparency around fees, commissions, and expenses, and strengthened disclosure and approval norms for related-party transactions.

23. With finfluencers, a key risk was the promotion of products for undisclosed compensation. Accordingly, SEBI has prohibited its regulated entities from associating with unregistered advisors while carving out exclusions for genuine, educational activity. We also work with social media platforms to remove misleading content.

24. Information asymmetry may also involve unfair transfer of risk. In securities market transactions, agents may gain on the upside but not share the downside. In such situations, disclosures may not fully neutralize the incentive to take excessive risk. This is where "skin in the game" can complement disclosure, and encourage more responsible behavior. In the MF industry, SEBI has requirements for KMPs to invest in the schemes they manage.

25. To cite another instance, to address selective access to information, we have mandated public disclosure of earnings call recordings and transcripts—so material information is not confined to a privileged few. We have also introduced a framework for rumor verification, so that price-sensitive speculation in the public domain is addressed promptly and transparently.

III. Pillar 3 - Staying dynamic — identifying new gaps and responding quickly

26. The third pillar is to keep the disclosure framework dynamic. Information gaps shift with innovation, business models, and market cycles, and regulation must respond quickly when new asymmetries emerge.

27. For instance, as more new-age, technology-led companies began to access the public markets, where valuation narratives often rely on non-financial metrics, we introduced a framework for KPI disclosures. Issuers are required to disclose key performance indicators that have been shared with investors at any point during the three years preceding the filing of the DRHP/RHP. We also introduced post-listing periodic disclosure of the KPIs.

28. Similarly, when concerns arose about froth building up in the small and mid-cap segments, we introduced requirements for mutual funds to disclose stress testing results, to help investors better appreciate liquidity risks.

IV. Pillar IV – Use of Technology – for better disclosures and monitoring

29. The fourth pillar is technology. Digital filings have made disclosures more consistent, and easy to analyze. System driven disclosures have reduced manual effort and lowered the scope for errors.

30. Technology is also increasingly being used to monitor the information ecosystem itself — especially advertising and digital influence. We have recently launched two additional AI-driven supervisory tools. One is R(AI)DAR (Regulatory AI Driven Advertisement Reviewer) and the second one is Project SUDARSAN (Surveillance of Unauthorized Digital Activity via Real-time Scanner for ANti-fraud). These tools scan social media and advertisements to detect potential fraud and mis-selling.

V. Pillar V – Enforcement as a deterrent

31. The final complementing pillar is enforcement as a deterrent. SEBI, along with the stock exchanges, takes proportionate enforcement action against misuse of insider information and disclosure-related violations, including delays in disclosures, submission of incorrect or misleading information, and omissions of material facts. Such actions—ranging from monetary penalties and disgorgement to adjudication orders, and prohibitions—serve to reinforce the seriousness of compliance with disclosure obligations under the relevant Regulations and protect investors from the harms of information asymmetry.

C. Emerging challenges

32. Let me now turn to some emerging challenges.

33. We have been witnessing a historic capital shift: from financial to intellectual capital. The evidence is overwhelming: the Magnificent Seven, primarily embedded in intellectual capital, now dominate global market capitalization. Explosive growth in fintech, climate tech, maturing start-up ecosystems, data and AI, all confirm that intangibles now drive value.

34. Yet our reporting systems have not fully kept pace. How do we meaningfully measure and disclose these drivers of value- the intangibles, the human capital, the algorithmic advantage, the societal impact? Until we do, we're navigating the future with yesterday's map. Can we confidently say that today's "true and fair" reports truly reflect economic reality?

35. This becomes even more relevant as we see new forms of narrative-led communication, including purpose - washing and green - washing, where aspirational language can sometimes run ahead of verifiable action and measurable outcomes.

36. AI introduces another step-change. AI can be a powerful tool for education, research, and accessibility. But it can also generate convincing misinformation at scale.

37. As adoption grows, companies must be mindful of how they communicate about the use of AI. Exaggerated claims or selective disclosures – the so called "AI-washing" – can mislead markets and erode trust. We have seen instances of market participants making overstated claims about using AI to deliver exceptional returns. In such an environment, transparency, accountability, and evidence-based communication become even more important.

D. Concluding Remarks

To conclude, our goal is towards a market where no one is systematically disadvantaged by opacity, manipulation, hidden conflicts, or engineered confusion. If we get this right, information becomes a bridge — between households and capital markets, between savings and productive investment and ultimately, between participation and prosperity. At stake is not just market efficiency, but public trust in finance as a force for good.

Thanks !