

Improving regulatory outreach and regulatory response of Securities and Exchange Board of India by establishing adequate physical local presence at various State Capitals/ Cities in India

1. Objective

1.1. This memorandum seeks approval of the Board to establish physical local presence at various State Capitals/ Cities in India, in phased manner, apart from the existing Regional Offices and a local office.

2. Background

2.1. In terms of Section 3(3) of the Securities and Exchange Board of India Act, 1992, the Head Office (HO) of the Board shall be at Mumbai. It is noted that Section 3(4) empowers the Board to establish offices at other places in India. The Board has four Regional Offices (ROs) at Ahmedabad, New Delhi, Kolkata and Chennai. The Board also has one local office at Indore.

2.2. The Board at its meeting held on March 25, 2011 suggested that SEBI may explore the scope of strengthening its regional offices. Pursuant to internal discussions, it emerged that in order to strengthen regional offices there is need to delegate additional activities to them. Further, investor should also get the services of SEBI at their door step to promote a balanced, pan India securities market. Accordingly, the Board at its meeting held on July 28, 2011 [**Memorandum No. 25/2011- Annexure 1**] approved establishment of Local Offices (LO), in phases, at various state capitals to service investors. To begin with locations such as Hyderabad, Guwahati and Lucknow were selected.

2.3. Based on the above approved principle, over the years, SEBI established local offices at the following locations under the jurisdiction of the four Regional Offices:

Table 1:

Sr. No.	Local Office	Regional Office	Sr. No.	Local Office	Regional Office
1	Jammu	Northern Regional Office	10	Bangalore	Southern Regional Office
2	Shimla		11	Kochi	
3	Dehradun		12	Hyderabad	
4	Chandigarh		13	Vijayawada	
5	Lucknow		14	Bhubaneshwar	Eastern Regional Office
6	Jaipur	Western Regional Office	15	Patna	
7	Indore		16	Ranchi	
8	Panaji		17	Guwahati	
9	Raipur				

2.4. The activities undertaken at Local Offices(LO) were as under:

- 2.4.1. Redressal of investor grievances emanating from local areas
- 2.4.2. Investor awareness and financial literacy through seminars, investors association programs etc.
- 2.4.3. Gathering market intelligence
- 2.4.4. Registration of certain types of intermediaries
- 2.4.5. Inspection of certain intermediaries
- 2.4.6. Handling of enforcement and litigation matters

2.5. SEBI in 2022 undertook restructuring of activities/ functions of Regional Offices(RO) and Local Offices(LO). Post restructuring of activities at RO/ LOs, some of the activities such as registration of intermediaries, vetting of offer documents, Treasury and Accounts related activities were centralized at HO, Mumbai.

2.6. Subsequent to centralization of aforesaid activities, the Board at its meeting held on March 29, 2023 [**Memorandum No. 4/ 2023 – Annexure 2**] decided to disengage all local offices of SEBI excluding Indore LO in the Financial Year 2023-24. It was also decided that MILs would be encouraged to establish Investors' Service Centres (ISC). The rationale in this regard was given as follows:

- a. In respect of physical presence, the same can be ensured in a quick and time bound manner if Stock Exchanges organize the setting up of ISCs in as many places as possible for educational and grievance redressal needs of the investors. ISCs can be funded by the Stock Exchanges from their own resources or Investors Service Fund. This will ensure that ISCs will physically attend to local issues and requirements. SEBI will continue with on-line outreach programmes through HO and ROs
- b. SEBI can reach out to investors of the country by leveraging and optimally using technology.

2.7. The Board by way of majority, approved the proposal contained in the **Memorandum No. 4/ 2023.**

3. Review of activities undertaken by Investors' Services Centre

3.1. MII's have so far established around 50 Investor Service Centres across various locations in India. The regulatory activities conducted at these centres are as follows:

- a) Investor assistance in filing/ registration of complaint, defaulter claims, facilitating online meetings etc.
- b) Investor assistance in arbitration
- c) Conducting Investor Awareness/ Education programs

3.2. It is gathered that while ISCs remain useful in handling standardized queries of Investors, they lack the authority and capability to gather local market intelligence, or undertake coordination with local law enforcement agencies. During interactions with investors in awareness programs, the feedback received is that presence of SEBI officials in such programs shall make them more impactful. Thus, passive role of ISCs contrasts with the proactive engagement possible through physical presence of SEBI officers at local level to achieve greater investor outreach.

4. Evolving nature of Securities Market – regulatory gaps and newer challenges arising out of lack of physical presence

4.1. Increasing number of investors:

4.1.1. As on August 13, 2025 the total number of non-unique investors at BSE stood at 22.42 Crores (**Annexure 4**). This is 20.75% higher compared to previous year i.e. August 13, 2024. As per the report “Population Projections for India and States 2011-2036” of the National Commission on Population (Ministry of Health and Family Welfare) the population of India shall increase from about 141 Crores in 2025 to 151 Crores in 2036. The current number of non- unique investors as percentage of total population is 15%. Further, as per United Nations, about 68% of our population is above the age of 15. Thus, a significant number of persons would be entering the earning age in the future and the number of Investors in securities market are likely to increase.

4.1.2. It is also noted from the data that out of 22.42 Crores existing non unique investors of BSE, the top locations are Maharashtra, Uttar Pradesh, Gujarat, Rajasthan, West Bengal, Karnataka, Madhya Pradesh, Tamil Nadu, Delhi and Bihar. Out of these top 10 locations, SEBI does not have any presence at 4 locations. In terms of numbers, out of the 22.42 crore investors, SEBI currently does not have local presence in the form of its office, where 11.75 crore investors (52.45%) are located.

4.1.3. MII's initiative of establishing ISCs are playing a vital role in building investor awareness. However, presence of SEBI officials would act as a catalyst in improving the quality and depth of such interactions, which may build up confidence in the small investors. Such interactions also play an important role in gathering actionable market intelligence for SEBI. Further, officers would not just undertake Investor Awareness activities at the premises, but would also promote and participate in such activities at places within their jurisdiction.

4.2. Development and Surveillance in Commodities Markets

4.2.1. Commodities markets are significantly different from traditional securities

markets on certain aspects such as (i) delivery process, (ii) quality of physical asset, (iii) warehousing and (iv) delivery notice period etc.

4.2.2. Further, spot prices in commodities are dependent on various factors such as supply/ demand, quality etc. In order to have effective surveillance and gather market intelligence of any manipulations, it is essential that field visits are made to major mandis and warehouses. Regular interactions should be held with all stakeholders such as farmers, traders, exporters, arbitrageurs etc.

4.2.3. Currently, exchanges undertake the responsibility of field visits. However, a significant lacuna exists in terms of reach of SEBI to these stakeholders.

4.3. Monitoring of unregulated activities such as Unregistered intermediaries and crowd sourcing platforms

4.3.1. The last few years have seen a surge in mass media-led stock manipulation, unregistered Investment Advisers & Research Analysts & PMS, Fin-influencers, pump & dump, unsolicited tips, Ponzi schemes, and investment through fake apps etc. targeting retail investors. Further, as seen in cases of unregistered/unauthorized money mobilization schemes such as Sahara/PACL etc., that once illegal fund mobilization acquires traction, the entities succeed in raising huge sums of money.

4.3.2. Such unscrupulous activities may have remained undetected due to lack of direct field presence, slowing SEBI's ability to act promptly. A strong local presence will help SEBI to engage with the local public, media outlets and law enforcement agencies which will enable more prompt action in such cases in the initial stages itself. For example, Indore Local Office was instrumental in garnering local intelligence and unearthing the modus operandi in respect of an unregistered CIS (Growpital Platform). SEBI also passed interim and confirmatory orders in the matter.

4.3.3. The presence of SEBI office in every state has a practical deterrence effect on operators of fraudulent schemes. It also instils confidence amongst investors at large and signals to them that the regulator is actively watching and is accessible.

4.3.4. SEBI has enhanced its Investor awareness activities and has recently also launched a campaign 'जागरूक निवेशक सुरक्षित निवेशक' on All India Radio. Further, in collaboration with Ministry of Panchayati Raj, SEBI has also launched a nationwide training initiative for Block level Panchayat representatives to promote financial literacy and investor education. While SEBI continues to leverage technology for imparting investor education and awareness, presence of SEBI officers at ground level enhances the outreach and precision of such programs.

4.4. Enhanced and effective search and seizures

4.4.1. SEBI has been undertaking significant number of search and seizure operations to gather evidence and market intelligence of market malpractices. The locations of these search and seizures are no longer limited to Mumbai or Ahmedabad. Some of the challenges for an effective search and seizures are as follows:

- a) Undertaking of recce, understanding entry and exit points, possible hurdles in undertaking search and seizure etc. for locations other than where SEBI offices are present is difficult since there is no local support.
- b) Establishing contact and eliciting co-operation from local law enforcement becomes a challenge without an already established point of contact of SEBI with such law enforcement department.

4.5. Assistance in Recovery and Refund proceedings

4.5.1. SEBI initiates recovery proceedings against defaulters who have failed to pay the penalty fees, disgorgement amount. SEBI also deals with activities related to monies to be refunded to investors out of disgorgement.

4.5.2. At present, most of the functions pertaining to recovery and refund is handled through HO as most financial assets can be frozen and disgorged through correspondence with Banks, and Depositories. However, in case of physical assets, the matter becomes difficult as the procedure involves serving a prohibitory order to Defaulters with a copy to relevant registrars/ sub-registrars etc. followed by auction process. The properties are sold

on as is where is basis, and in case if it is occupied, it becomes challenging to ascertain value, ensure successful auction without assistance from law enforcement agency.

4.5.3. The activities for physical recovery can be handled more effectively through local presence as well as liaising with local law enforcement agencies.

4.5.4. It is noted that CAG in its review has emphasized that SEBI needs to expedite its recovery proceedings.

4.5.5. In the matter of PACL it is noted that more than 23000 properties are to be auctioned/ sold which are located in states where SEBI does not have any physical presence.

4.6. Deeper engagement with Issuers forum- especially SME, SSE , REITs and New Age Start-ups

4.6.1. Access to capital for issuers through securities market is an important developmental goal for SEBI. Towards this aim, Issuers in larger cities will benefit from access to engage with Regulators in respect of navigating the regulatory framework and necessary positive steps they must undertake in order to enable them to raise capital in securities market.

4.6.2. While such measure would definitely help SME companies, it is noted that in states such as Karnataka, Andhra Pradesh and Telangana there are many new age tech companies which are gearing up for public issue. SEBI presence at such locations will definitely auger well for Issuers, especially in terms of ease of access to Regulator.

4.6.3. Social Stock Exchange, Municipal Bonds and REITs are other emerging fund raising avenues which require hand holding by Regulators at local level for development.

4.7. Targeted monitoring of Social Media and Online advertisements focussed on specific geographies

4.7.1. Many a times, malpractices in securities market, are contained at local

level by targeting social media campaigns and advertisements to a specific geographical location. Thus, monitoring of Social Media becomes essential at various geographical locations in India.

4.8. Litigations across India where SEBI does not have any physical presence

4.8.1. It is noted that SEBI in the FY 2024-25 had more than 1600 matters (excluding matters at SAT and Supreme Court) pending at various High Court, lower court, consumer court and other fora. Out of these, a total 489 matters which were dealt pertain to States where SEBI has no physical presence. As on end of FY 2024-25, 383 matters continue to be pending. Going forward, with increasing investor participation and awareness, the number of litigation other than those at SAT and Supreme Court, are bound to increase.

4.9. Introduction of E-office

4.9.1. As SEBI moves towards inculcating the usage E-office amongst its staff, the movement of office notes and correspondence between Local Office and Regional Office and Head office would be instantaneous thereby ensuring faster response time.

4.10. Costs related to running local office

4.10.1. In 2022 it was estimated that approximately INR 10 lakhs are required to operate a local office per month, excluding fixed costs. Out of this, INR 4 lakhs was the salary paid to SEBI employees. Given that employee cost is a fixed cost for SEBI, the actual operating expense of a local office would have been INR Rs 6 lakhs. Assuming a 20-30% increase in other variable costs such as rent, security, salary for support staff, utilities etc. the total cost of operating a local office would be around INR 7-8 lakhs excluding SEBI staff salary.

5. Proposals

5.1.1. In view of matters mentioned at Paragraph 3 and 4 above, SEBI has been regularly reviewing its approach to enhance its investors reach and financial inclusion. Towards this while ISCs have been able to provide basic services

to handle investor grievances and engagement but, next level engagement for effective regulatory support remains a challenge. SEBI has tried to bridge this gap by leveraging technology; but still physical presence is found to be essential and best suited regulatory approach to fulfil regulatory mandate. Thus, it is felt that establishment of Local offices at State Capitals and other major cities may be considered by the Board. This would also provide much needed support in performing various functions such as market intelligence etc. The modalities of establishing Local offices is as below:

Operationalization

5.1.2. Local Offices may be established in phased and graded manner. On priority, areas where there is significant investor population without SEBI presence and areas which require developmental support may be considered.

5.1.3. Accordingly, in Phase I cities where local offices may be established over the course of next one year are Chandigarh (Haryana/ Punjab), Jaipur (Rajasthan), Lucknow(Uttar Pradesh), Guwahati (Assam), Bhubaneswar(Odisha), Vijayawada (Andhra Pradesh), Hyderabad (Telangana) and Bengaluru (Karnataka).

5.1.4. In Phase II states where local offices may be established subsequently are Jammu, Himachal Pradesh, Uttarakhand, Bihar, Chhattisgarh, Jharkhand, Tripura and Kerala.

5.1.5. In Phase III other remaining states/ union territories may be considered. Further, large states /states with high investor population which are already being served by Regional offices may be served by additional Local Offices where significant number of investors present at exited stock exchange locations eg: Rajkot, Coimbatore, etc.

Responsibilities/ Activities of Local Office:

5.1.6. The following activities/ areas of operation may be undertaken by Local Office

- a) Point of contact for various department of SEBI to undertake inspection, search and seizure, recovery etc.

- b) Gathering market intelligence including through social media monitoring and reporting to relevant department
- c) Investor awareness and Investor Education in collaboration with ISCs, other industry bodies as well as independently.
- d) Establishing channel of regular communication with State Secretariat, local law enforcement agencies for enhanced co-operation.
- e) Awareness and education on fund raising through Capital Markets
- f) Any other activity as may be entrusted by Head Office from time to time

Staffing:

5.1.7. A local office, at a minimum, may be headed by Deputy General Manager/ General Manager. On an average at least 3 officials in either Assistant Manager/ Manager/Assistant General Manager designation may be posted at a local office. If required, additional postings of officials may be made based on assessment of needs. While posting officials at local office, it may be endeavoured that at least half of the officials are conversant with local language in order to ensure deeper local connect. Further, this shall also ease challenges relating to staff transfers. Support staff including security, data entry operators etc may be hired locally on contract.

Premises

5.1.8. Premises or land for establishment of local office may be sought from respective state department where other financial regulators or government offices are located. While this may be an ideal state which will require significant time to fructify, until then SEBI may operate from leased premises. SEBI would have to undertake furnishing expenses to make the premises functional.

6. Proposal to the Board

6.1. The Board is requested to consider and approve the proposal mentioned at paragraph 5 above.

6.2. The Board is also requested to authorize the Chairman to take consequential and incidental steps to give effect to the decisions of the Board.

Encl.:

1. Annexure I – Board Memorandum No. 25/2011 (Pages 1 to 3)
2. Annexure II – Board Memorandum No. 04/2023 (Pages 1 to 9)
3. Annexure III – This has been excised for reasons of confidentiality.
4. Annexure IV- Extract from BSE website – Registered Investors (Pages 1 to 2)

Annexure I

Available on SEBI website

(<https://www.sebi.gov.in/sebiweb/about/AboutAction.do?doBoardMeeting=yes&year=2011>)

Annexure II

Available on SEBI website

(<https://www.sebi.gov.in/sebiweb/about/AboutAction.do?doBoardMeeting=yes&year=2023>)

Annexure III

(This has been excised for reasons of confidentiality)

Annexure IV

Extracted from BSE website on August 13, 2025

(https://www.bseindia.com/markets/keystatics/KeyStat_ClientStat.aspx)