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BBA | Semester II | UK2MDCMGT101

# Stock Market Operations

Course Code: UK2MDCMGT101 • Module 5 Notes

# Module 5: Regulatory Framework and Investor Protection

Course: Stock Market Operations (UK2MDCMGT101) • Semester II • BBA FYUGP Kerala University

## 1. The Securities and Exchange Board of India (SEBI): Genesis, Mandate, and Statutory Evolution

The regulatory governance of modern capital markets is predicated upon the absolute necessity of maintaining public investor trust, market integrity, and systemic stability. Prior to the 1990s, the Indian securities market was governed under the obsolete and bureaucratic regime of the **Controller of Capital Issues (CCI)** under the Capital Issues (Control) Act, 1947. Operating under the Ministry of Finance, the CCI functioned as a rigid price-fixing and volume-rationing authority that evaluated corporate capital issuances based on outdated historic accounting formulas. The CCI possessed zero market surveillance infrastructure, zero investigative authority, and virtually no power to protect ordinary retail investors from rampant corporate fraud, misleading prospectuses, insider enrichment, and broker price rigging.

To establish a modern regulatory oversight mechanism, the Government of India initially constituted the **Securities and Exchange Board of India (SEBI)** on April 12, 1988, as a non-statutory administrative body. However, lacking legal teeth, SEBI was powerless to prevent the catastrophic 1992 securities scam orchestrated by Harshad Mehta, which exposed catastrophic systemic flaws in the nexus between commercial banks and stockbroker cartels.

Recognizing the urgent imperative for an autonomous, empowered statutory regulator, the President of India promulgated the **Securities and Exchange Board of India Ordinance** on January 30, 1992, which was subsequently enacted by Parliament as the landmark **Securities and Exchange Board of India Act, 1992 (SEBI Act)**, granting SEBI full statutory autonomy effective April 4, 1992. The CCI was simultaneously abolished, inaugurating the contemporary era of free market pricing grounded in exhaustive statutory disclosure.

### Statutory Mandate and Tripartite Objectives

The statutory preamble of the SEBI Act, 1992, encapsulates SEBI's overarching legal mandate across three cardinal objectives:

> *"To protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto."*

### Board Composition and Institutional Architecture

Under Section 4 of the SEBI Act, the general superintendence, direction, and management of the affairs of the Board are vested in a nine-member Board of Directors appointed by the Central Government, structured to ensure multi-stakeholder independence:

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- **The Chairman:** Appointed by the Central Government, typically an eminent civil servant, jurist, or financial economist of high standing.
- **Two Members:** Selected from officials of the Union Ministry of Finance and Ministry of Corporate Affairs dealing with economic affairs and company administration.
- **One Member:** Nominated by the Reserve Bank of India (RBI) from among its central board of directors or executive officers, ensuring institutional coordination between monetary policy and capital markets.
- **Five Other Members:** Nominated by the Central Government, of whom at least three must be permanent, Whole-Time Members (WTMs) possessing specialized expertise in law, corporate finance, economics, and securities operations.

## 2. Regulatory, Developmental, and Protective Functions of SEBI

The comprehensive operational mandate of SEBI under Section 11 of the SEBI Act is analytically partitioned into three core functional categories:

### 1. Regulatory Functions

The regulatory powers of SEBI establish legal standards, licensing rules, and operational boundaries for market participants:

- **Registration and Licensing of Intermediaries:** Regulating the entry and operations of stockbrokers, sub-brokers, merchant bankers, underwriters, registrars to an issue, share transfer agents, depositories, depository participants, custodians, credit rating agencies, portfolio managers, investment advisers, and research analysts. No intermediary can operate in Indian capital markets without a valid Certificate of Registration from SEBI.
- **Supervision and Auditing of Stock Exchanges:** Exercising continuous regulatory oversight over stock exchanges and clearing corporations, inspecting their books of accounts, approving amendments to their bye-laws, and conducting periodic comprehensive institutional audits.
- **Regulation of Collective Investment Schemes and Mutual Funds:** Framing and enforcing comprehensive operational guidelines under the SEBI (Mutual Funds) Regulations, 1996, governing Asset Management Companies (AMCs), net asset value (NAV) computations, total expense ratios (TER), and mandatory portfolio disclosures.
- **Regulation of Substantial Acquisitions and Takeovers:** Administering the **SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST Regulations)**, governing corporate takeovers, mandatory open offer thresholds (triggered when an acquirer's holding reaches 25%), and minority shareholder exit rights.
- **Levying Fees and Inspections:** Exercising statutory powers to levy fees, administrative charges, and penalties on market intermediaries, listed corporations, and mutual fund houses.

### 2. Developmental Functions

SEBI actively fosters institutional innovation, market efficiency, and national financial inclusion:

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- **Promoting Technological Modernization:** Pioneering nationwide screen-based trading, dematerialization via NSDL and CDSL, transitioning the clearing cycle from T+5 down to T+1 and T+0, and deploying UPI-based retail IPO bidding.
- **Training and Professional Certification:** Establishing the **National Institute of Securities Markets (NISM)** to conduct mandatory professional certification examinations for securities market professionals, research analysts, and compliance officers.
- **Developing Novel Financial Products:** Introducing and regulating innovative investment structures, including Exchange-Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), Green Debt Securities, and the Social Stock Exchange (SSE).
- **Expanding Market Access:** Developing the BSE SME and NSE Emerge platforms to enable young small-and-medium enterprises to raise growth capital under streamlined regulatory regimes.

### 3. Protective Functions

SEBI acts as the fierce statutory guardian of public capital, eradicating predatory malpractice:

- **Prohibition of Fraudulent and Manipulative Schemes:** Enforcing zero-tolerance protocols against price rigging, fictitious trades, circular trading, and synchronized orders designed to manufacture artificial market activity.
- **Prohibition of Insider Trading:** Eradicating unfair exploitation of confidential corporate information by company insiders, enforcing severe civil penalties and criminal prosecutions.
- **Public Investor Education:** Conducting nationwide investor awareness campaigns, publishing multilingual educational literature, operating the *Saarthi* mobile application, and funding retail education initiatives.
- **Enforcing Strict Disclosure Standards:** Ensuring that all corporate prospectuses, quarterly financial statements, and material event disclosures provide complete, unvarnished, and audited truth, holding directors and merchant bankers personally liable for misleading statements.

## 3. Legal Powers and Quasi-Judicial Authority of SEBI

Under the SEBI Act, 1992, SEBI is endowed with unique, formidable legal powers that combine **quasi-legislative**, **quasi-executive**, and **quasi-judicial** authorities, making it one of the most powerful economic regulatory authorities in the democratic world:

| Institutional Authority | Statutory Scope and Legal Manifestation |
|---|---|
| **Quasi-Legislative Power** | The power to draft and notify binding, statutory Subordinate Legislation and Regulations (e.g., SEBI ICDR Regulations, SEBI LODR Regulations, SEBI PIT Regulations) that carry the full force of parliamentary law across all capital market participants. |
| **Quasi-Executive** | The administrative power to conduct market surveillance, initiate investigations, inspect books of accounts, summon witnesses, issue administrative circulars, and execute surprise |

| Institutional Authority | Statutory Scope and Legal Manifestation |
|---|---|
| **Power** | search and seizure operations. |
| **Quasi-Judicial Power** | The judicial power to conduct formal evidentiary hearings, pass binding statutory orders, impose massive monetary penalties, impound illegal profits, suspend trading licenses, and debar corporate directors and promoters from the capital market. |

## SEBI ICDR Regulations: Primary Market Disclosure Architecture

To eliminate fraudulent capital mobilization, the **SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations)** establish rigorous statutory gates that every corporate issuer must satisfy prior to raising public capital:

- **Issuer Eligibility Norms:** Under Regulation 6(1), an issuing company must demonstrate: (a) Net tangible assets of at least ₹3 crores in each of the preceding three full financial years; (b) Minimum average operating profit of ₹15 crores during the preceding three years; and (c) Net worth of at least ₹1 crore in each of the prior three years. If an unlisted entity does not satisfy these financial profitability metrics, Regulation 6(2) allows access to capital markets strictly through the Book Building route, mandating that at least **75%** of the net public issue be allocated to Qualified Institutional Buyers (QIBs).
- **Mandatory Risk Factor Disclosures:** Issuers must disclose all material risks categorized into *Internal Risk Factors* (such as pending statutory tax litigations, historical debt defaults, customer concentration, and promoter legal proceedings) and *External Risk Factors* (such as foreign exchange fluctuations, inflation, and regulatory policy shifts).
- **Monitoring Agency Mandate:** If the fresh capital raised exceeds ₹100 crores, the issuer must statutorily appoint an independent **Monitoring Agency** (such as a scheduled commercial bank or credit rating agency) to submit quarterly public reports tracking whether capital proceeds are being spent strictly on the stated objects of the issue without diversion.
- **The 90% Minimum Subscription Invariant:** Under Regulation 45, if the issuing enterprise fails to achieve a minimum public subscription of at least **90%** of the issued capital (including underwriter obligations), the entire capital issuance is legally void. The issuer is bound to refund all application monies within four days of issue closure; failure to do so triggers mandatory penal interest of 15% per annum.

## Regulatory Framework for Intermediaries and Credit Rating Agencies

The integrity of the secondary market relies on the objective conduct of financial intermediaries and analytical agencies:

- **Fit and Proper Person Criteria:** Under Schedule II of the Intermediaries Regulations, every applicant seeking a license must satisfy rigorous integrity standards: financial solvency, professional competence, absence of criminal convictions, and clean regulatory disciplinary records.

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- **Credit Rating Agencies (CRAs):** Governed under the SEBI (Credit Rating Agencies) Regulations, 1999, agencies like CRISIL, ICRA, CARE, and India Ratings evaluate the creditworthiness and default probability of debt instruments. SEBI enforces strict operational firewalls to eliminate conflicts of interest, prohibiting agencies from providing non-rating consultancy services to entities whose bonds they rate, and mandating standardized rating symbols (e.g., AAA, AA, BBB) to avoid misleading the investing public.

## 4. Landmark Regulatory Enforcement Case Studies

The modern regulatory architecture of Indian capital markets was forged through the crucible of major historical financial scandals, each prompting pivotal statutory interventions:

### 1. The Harshad Mehta Securities Scam (1992)

In 1992, stockbroker Harshad Mehta exploited structural deficiencies in the inter-bank government securities market. By forging fake **Bank Receipts (BRs)** through cooperative banks (such as Bank of Karad and Metropolitan Cooperative Bank), hundreds of crores of uncollateralized public bank funds were diverted into Dalal Street to artificially pump up shares of select companies (e.g., ACC, which surged from ₹200 to over ₹9,000). The subsequent collapse of the speculative bubble triggered massive bank insolvency and market panic.

*Regulatory Consequence:* The scam served as the direct catalyst for the immediate enactment of the **SEBI Act, 1992**, granting SEBI full statutory teeth, introducing automated screen-based trading, and replacing physical bank receipts with the computerized Negotiated Dealing System (NDS).

### 2. The Ketan Parekh Technology Bubble (2001)

In 2001, broker Ketan Parekh utilized circular trading and massive funds borrowed from Madhavpura Mercantile Cooperative Bank and global corporate houses to manipulate a basket of ten technology, media, and telecom stocks (known as the "K-10" stocks). When the speculative bubble burst, it triggered severe payment crises on the Calcutta Stock Exchange and broker insolvencies nationwide.

*Regulatory Consequence:* SEBI executed structural reforms: completely abolishing the archaic *Badla* forward-trading system, mandating T+3 and subsequent T+2 rolling settlements, and enforcing the complete **Demutualisation and Corporatisation** of all Indian stock exchanges under the Kania Committee mandates.

### 3. The Sahara India Real Estate (SIRECL) Landmark Case (2012)

Two unlisted companies of the Sahara Group mobilized over ₹24,000 crores from more than 3 crore rural citizens by issuing **Optionally Fully Convertible Debentures (OFCDs)**. Sahara contended that because the companies were unlisted and the instruments were offered via private placement to "friends and associates," SEBI possessed zero regulatory jurisdiction, arguing that the Ministry of Corporate Affairs (MCA) held sole authority.

*Regulatory Consequence:* In a monumental ruling, the Supreme Court of India upheld SEBI's jurisdiction, ruling that any offering made to fifty or more persons (now 200 under Companies Act

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2013) constitutes a **Public Issue** by operation of law, irrespective of corporate intent. The court ordered Sahara to refund the entire ₹24,000 crores with 15% interest to SEBI, affirming SEBI's paramount authority to protect retail investors across any corporate structure mobilizing public savings.

## 5. Legal Powers and Quasi-Judicial Authority of SEBI

### Specific Enforcement Powers under Sections 11, 11B, and 11C

- **Civil Court Powers (Section 11(3)):** Under the Code of Civil Procedure, 1908, SEBI is endowed with identical legal powers as a civil court in respect of summoning and enforcing the attendance of persons, examining them on oath, requiring the discovery and production of books of accounts, and issuing commissions for witness examinations.
- **Power to Issue Binding Directions (Section 11B):** SEBI possesses statutory jurisdiction to issue sweeping interim or final directions to any listed company, market intermediary, director, or individual to protect investor interests or preserve market integrity. This includes:
  - Suspending the trading of any security on a stock exchange.
  - Restraining persons from accessing securities markets and prohibiting them from buying, selling, or dealing in securities.
  - Directing listed companies not to dispose of or alienate corporate assets.
  - Impounding and retaining proceeds from transactions under investigation.
- **Search and Seizure Authority (Section 11C):** Upon reasonable grounds to believe that vital records, documents, or digital hard drives are being concealed or fabricated, an Investigating Authority appointed by SEBI can obtain a warrant from the Designated Magistrate to enter, search premises, and seize books and computer systems.
- **Disgorgement of Ill-Gotten Gains:** SEBI is statutorily empowered to order the **Disgorgement** of illegal profits—the full financial forfeiture and stripping away of all ill-gotten gains earned through insider trading or market manipulation, redistributing recovered funds to victimized investors or transferring them to the Investor Education and Protection Fund.

## 6. Market Integrity: Prohibition of Unfair Trade Practices (FUTP) and Insider Trading (PIT)

The preservation of market integrity requires relentless enforcement against two cardinal market sins: deceptive market manipulation and insider trading.

### 1. SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (PFUTP)

The PFUTP Regulations prohibit all deceptive, manipulative, or fraudulent schemes designed to distort secondary market price discovery. Key prohibited practices include:

- **Price Rigging and Churning:** Artificially inflating, deflating, or pegging the market price of a security through coordinated trading among collusive operators.

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- **Circular Trading:** A fraudulent scheme where a closed cartel of synchronized brokers simultaneously trade identical quantities of a stock back and forth among themselves at progressively escalating prices. While no genuine change in beneficial ownership occurs, the manufactured trading volume deceives naive retail investors into believing the stock is in high organic demand.
- **Wash Sales:** Executing transactions where a trader simultaneously buys and sells the same security, creating the optical illusion of intense trading liquidity without transferring beneficial economic ownership.
- **Pump-and-Dump Schemes:** Unscrupulous operators accumulate cheap penny stocks, artificially inflate the price through aggressive social media hype, deceptive Telegram/WhatsApp tipping channels, or paid "finfluencer" endorsements (the "Pump"), and subsequently dump their massive holdings onto unsuspecting retail investors at peak prices, leaving retail buyers with worthless paper as prices collapse (the "Dump").
- **Front-Running:** An illegal practice where a stockbroker, mutual fund dealer, or research analyst possesses prior advance knowledge of a massive pending institutional purchase order (which will inevitably drive up share prices), and executes trades in their personal or relative's account immediately prior to executing the institutional order, unlawfully capturing the resulting price surge.
- **Marking the Close:** Purchasing or selling securities at the very close of the trading session (the final minutes before 3:30 PM) to manipulate the official closing benchmark price of the day.

## 2. SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations)

**Insider Trading** represents the unlawful practice of buying or selling securities of a listed company by individuals who possess access to material, non-public, price-sensitive corporate information. Insider trading destroys market fairness by exploiting an unearned informational asymmetry at the expense of ordinary shareholders.

### Key Statutory Definitions and Architecture

- **Unpublished Price Sensitive Information (UPSI):** Any information relating to a company or its securities, directly or indirectly, that is not generally available to the public, which upon becoming public is likely to materially affect the market price of the securities. UPSI encompasses:
  1. Quarterly or annual financial results.
  2. Dividends (interim or final declarations).
  3. Mergers, demergers, acquisitions, delistings, or substantial business sales.
  4. Changes in capital structure (rights issues, bonus issues, share buybacks).
  5. Changes in Key Managerial Personnel (CEO, CFO, Managing Director).
- **Insider:** Defined under Regulation 2(1)(g) as any person who is:
  - A *Connected Person* (directors, senior executives, statutory auditors, legal counsel, bankers, promoters).

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    - In possession of or having access to Unpublished Price Sensitive Information (UPSI). Crucially, even a third-party tippee (a friend or family member who receives a confidential leak) is classified as an Insider under Indian law.

- **The Structured Digital Database (SDD):** Under Regulation 3(5) of the PIT Regulations, every listed entity is statutorily mandated to maintain a secure, tamper-proof internal digital database recording the exact names, Permanent Account Numbers (PAN), and timestamped identities of every single individual with whom UPSI is shared for legitimate business purposes. The SDD cannot be altered retroactively, providing an immutable audit trail for SEBI investigators.
- **Trading Window Closure Protocols:** Listed companies must formally close the "Trading Window" for all designated persons (promoters, directors, key executives) from the end of each financial quarter until **48 hours after** the quarterly financial results are publicly broadcast to the stock exchanges, ensuring complete public absorption before insiders can trade.
- **Pre-Clearance of Trades:** Designated persons intending to trade company shares above prescribed threshold limits (e.g., transactions exceeding ₹10 lakhs) during open trading windows must secure prior written pre-clearance from the company's designated Compliance Officer.

## 7. Investor Protection, Rights, and Statutory Funds

A thriving capital market requires that retail investors are empowered with clear legal rights, transparent information, and statutory safety nets against corporate default or broker insolvency:

### Statutory Rights and Legal Entitlements of Retail Investors

1. **Right to Timely Information:** The right to receive published annual reports, notice of general meetings, and audited quarterly balance sheets.
2. **Right to Corporate Distributions:** The absolute right to receive declared dividends within 30 days of declaration, along with allotted bonus shares and rights entitlement letters.
3. **Corporate Governance Participation:** The right to attend Annual General Meetings (AGMs) and exercise voting power—either physically or through electronic voting (e-voting) portals—on key corporate resolutions.
4. **Right to Liquidity and Safe Custody:** The right to hold securities safely in electronic Demat accounts and execute trades freely on recognized stock exchanges.
5. **Right to Grievance Redressal:** The statutory entitlement to prompt resolution of complaints against listed companies, brokers, depositories, or mutual funds.

### The Investor Education and Protection Fund (IEPF)

Under Section 125 of the **Companies Act, 2013**, the Central Government established the **Investor Education and Protection Fund (IEPF)**, administered by the autonomous IEPF Authority under the Ministry of Corporate Affairs:

- **The 7-Year Statutory Transfer Rule:** Any corporate dividend, matured deposit, matured debenture, or application money remaining unclaimed or unpaid by shareholders for a period of

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consecutive **seven years** must be legally transferred by the company into the IEPF, accompanied by interest.

- **Mandatory Share Transfer:** Crucially, all underlying equity shares in respect of which dividends have remained unpaid or unclaimed for seven consecutive years are also transferred directly into the Demat account of the IEPF Authority.
- **Shareholder Recovery:** Investors or their legal heirs whose funds or shares have been transferred to the IEPF retain the perpetual legal right to claim them back by filing digital electronic Form IEPF-5 through the MCA portal, verifying identity and title.
- **Educational Deployment:** Capital accumulated within the IEPF is statutorily deployed to fund nationwide investor awareness initiatives, financial literacy workshops, and educational programs conducted across rural and urban India.

## 8. Grievance Redressal Mechanisms and Appellate Hierarchy

India maintains a multi-layered, technologically sophisticated institutional framework to resolve investor grievances rapidly and provide fair legal recourse:

### 1. SCORES 2.0 (SEBI Complaints Redress System)

In 2011, SEBI inaugurated **SCORES**—a centralized, web-based electronic grievance redressal portal. In 2024, SEBI launched **SCORES 2.0**, integrating enhanced automation, auto-routing of complaints, and stringent two-tier escalation:

- **End-to-End Digital Workflow:** An aggrieved investor files a complaint online via the SCORES portal or mobile application against a listed company, registrar, stockbroker, or mutual fund, attaching supporting digital evidence.
- **Mandatory Time-Bound Resolution:** The concerned corporate entity or intermediary is statutorily required to examine the grievance, take corrective action, and submit an Action Taken Report (ATR) within a strict deadline of **21 calendar days**.
- **Two-Tier Escalation:** If the investor is dissatisfied with the resolution, the complaint is automatically escalated to the first review tier (Designated Stock Exchange / Association of Mutual Funds in India). If still unresolved, it escalates to the second review tier directly supervised by SEBI regulatory officers. Failure to resolve grievances triggers severe administrative penalties and halts corporate market approvals.

### 2. The SMART ODR (Online Dispute Resolution) Mechanism

In July 2023, SEBI issued a landmark circular establishing the **SMART ODR Portal (Securities Market Approach to Resolution Through ODR)**, pioneering modern alternative dispute resolution for the Indian capital market:

- **Conciliation and Digital Arbitration:** Aggrieved investors whose complaints are not resolved through internal intermediary escalation or SCORES can initiate online dispute resolution on the SMART ODR platform.

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- **Empaneled Independent Arbitrators:** Disputes are adjudicated by independent, accredited conciliators and legal arbitrators via secure video conferencing, eliminating the prohibitive expense and years-long delays of traditional civil litigation.
- **Enforceability:** Arbitral awards rendered on the SMART ODR platform possess identical legal standing to binding civil court decrees under the Arbitration and Conciliation Act, 1996.

### 3. The Appellate Hierarchy: SAT and Supreme Court of India

The rule of law in Indian capital markets ensures comprehensive judicial review of all regulatory enforcement actions:

- **The Securities Appellate Tribunal (SAT):** Established under Section 15K of the SEBI Act, 1992, and situated in Mumbai, SAT is an autonomous statutory judicial body headed by a Presiding Officer (who is a retired Judge of the Supreme Court or retired Chief Justice of a High Court) and Judicial Members. Any person, broker, corporate director, or listed entity aggrieved by an order or penalty passed by SEBI or the Insurance Regulatory and Development Authority of India (IRDAI) or Pension Fund Regulatory and Development Authority (PFRDA) can file a statutory appeal directly before SAT within 45 days.
- **Appeals to the Supreme Court of India:** Under Section 15Z of the SEBI Act, 1992, any party aggrieved by a final decision or order of the Securities Appellate Tribunal (SAT) may file an appeal directly before the **Supreme Court of India** within 60 days, strictly on any *substantial question of law*. This clear appellate hierarchy establishes constitutional checks and balances, safeguarding market participants against regulatory overreach while upholding robust capital market governance.

## 9. Modern Investor Protection Frontiers: Upstreaming of Client Funds and Digital Safeguards

In response to emerging fintech complexities and past institutional failures (such as the Karvy Stock Broking default where brokerages illegally pledged client shares to fund real estate subsidiaries), SEBI has deployed cutting-edge systemic safeguards:

### 1. Mandatory Upstreaming of Client Funds to Clearing Corporations

In 2023, SEBI notified revolutionary rules regarding the custody of retail client money. Historically, unutilized client funds rested in stockbrokers' private current accounts, creating systemic hazards of fund diversion:

- **Zero Broker Retention:** Stockbrokers are legally barred from retaining client funds overnight. All unutilized client cash balances must be upstreamed at the end of each day directly to the Clearing Corporation.
- **Sovereign Allocation:** Upstreamed funds can only be held by Clearing Corporations in the form of cash, Central Bank deposits, or pledged in sovereign 91-day Treasury Bills, ensuring absolute capital safety.

- **Electronic Pledging (Margin Pledge-Repledge Mechanism):** Shares residing in an investor's Demat account can never be transferred out without an explicit OTP/TPIN authorization. When an investor pledges shares for trading margins, the shares remain legally locked in the investor's own Demat account with a lien marked in favor of the Clearing Corporation, completely eliminating fraudulent broker re-hypothecation.

## 2. The SEBI Saarthi Mobile Application and Financial Literacy

To empower the millions of young retail investors entering the capital markets through mobile apps, SEBI developed the **Saarthi** mobile platform:

- **Educational Curricula:** Delivers interactive, dynamic learning modules covering mutual fund investing, KYC processes, IPO application protocols, risk-return profiles, and grievance redressal channels.
- **Combating Unregistered Finfluencers:** Educates retail traders on identifying fraudulent advisory schemes, unregistered investment tipsters, and dubious WhatsApp/Telegram trading rooms, reinforcing that all investment advice must emanate strictly from SEBI-registered Research Analysts (RAs) or Investment Advisers (RIAs).

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