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REGULATION OF SOCIAL MEDIA INFLUENCERS IN SECURITIES MARKET: A STUDY OF SEBI'S EVOLVING FRAMEWORK

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Abstract

The quick production of pecuniary influencers, on digital platforms has essentially transformed the information site of India's securities market. Lots of retail investors, encouraged by zero-brokerage transaction apps and social media, now turn to accepting satisfied originators for investment supervision, generating acute risks of market manipulation, ambiguous advice, and investor damage. The Securities and Exchange Board of India (SEBI) has answered with an emerging and progressively self-confident governing framework crossing the period 2023 to 2025-26. This paper undertakes a complete doctrinal and empirical analysis of SEBI's regulatory trajectory, from the initial Consultation Paper of August 2023 to the landmark Intermediaries (Amendment) Regulations, 2024 (inserting Sections 16A and 16B), the twin circulars of October 2024 and January 2025, the high-profile enforcement orders against Baap of Chart, PR Sundar, and Avadhut Sathe, the Parliamentary Committee recommendations of August 2025, and the emerging proposals for Specified Digital Platforms. The paper judgmentally evaluates the regulatory design, identifies structural lacunae including jurisdictional overreach, definitional ambiguity, and enforcement asymmetry, and recommends a graduated, co-regulatory model illustration on reasonable visions from the European Union and the United States. The learning concludes that while SEBI's framework denotes a conclusive step towards penalizing the finfluencer ecosystem, hard-wearing investor protection will require platform-level responsibility, international regulatory cooperation, and a regulated balance between free expression and market truthfulness.

Keywords: SEBI, Finfluencer, Securities Regulation, Investment Advice, Digital Platforms, Investor Protection, Section 16A, Unregistered Intermediary

I. INTRODUCTION

The democratisation of pecuniary markets in India has been one of the utmost important socioeconomic developments of the past era. Flanked by 2019 and 2025, online transaction accounts flowed from around 36 million to over 150 million,¹ an alteration fuelled in equal measure by zero-brokerage stages, post-pandemic investments behaviour, and the short-tempered development of social media. Yet this democratisation has been conveyed by a similar and basically tolerant ecosystem of monetary influencers individuals who deploy YouTube, Instagram, Telegram, X (formerly Twitter), and LinkedIn to distribute investment leadership, trading tips, and market explanation to recipients' inventory in the millions.

These "finfluencers" reside in an unclear legal space. They are neither recorded investment consultants under the SEBI (Investment Advisers) Regulations, 2013² nor investigate predictors under the SEBI (Research Analysts) Regulations, 2014. Yet the satisfied they produce is functionally blurry from organized investment advice: precise stock calls, price targets, entry and exit approaches, and claims of certain or assured revenues. The nonappearance of registering necessities, fiduciary obligations, and expose norms produces creative crushed for conflicts of interest, pump-and-dump structures, and the systematic mistreatment of retail investors who nonattendance the knowledge to evaluate the quality of guidance they receive.

SEBI first approved this monitoring lacuna lawfully in August 2025 through a Discussion Paper petitioning public comment on the suggestion between registered mediators and unregistered finfluencers.³ This paper activated a three-year legislative and implementation journey concluding, as of early 2026, in one of the most complete regulatory frameworks for digital monetary satisfied in any developing market jurisdiction. The contemporary research paper traces this journey, positions it within a proportional international background, and proposals a serious valuation of its enterprise and predictions for efficiency.

The implication of this controlling effort extends well out there the Indian market. As selling investor contribution complete social media quickens internationally a wonder emphasized by the GameStop quick squeeze in the United States and the increase of meme-stock culture controllers worldwide are wrestling with the equal important tension: how to guard depositors

¹Zerodha, Annual Report 2024-25, noted that online trading accounts grew from approximately 36 million in 2019 to over 150 million by 2024, reflecting a dramatic democratisation of retail participation in Indian capital markets.

²Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, Regulation 3, which mandates that no person shall act as an investment adviser unless registered with SEBI.

³SEBI Consultation Paper on the Association of SEBI Registered Intermediaries/Regulated Entities with Unregistered Entities (including Finfluencers), August 2025 (SEBI/HO/MIRSD/MIRSD-PoD-1/P/2023/0089).

from the troubles of unfettered digital advice deprived of overwhelming the free flow of financial information and observation that donates to market effectiveness and informed contribution. SEBI's involvement proposals significant educations for this worldwide governing task.

II. THE GROWTH OF FINFLUENCERS: BACKGROUND AND REGULATORY TRIGGERS

2.1 The Finfluencer Phenomenon in India

A monetary influencer, or finfluencer, is almost understood as any detached who produces and transmissions finance-related fulfilled neighbouring stock recommendations, trading methods, mutual fund investigations, personal finance evidence, and cryptocurrency opinion resolved digital stages. SEBI has the condition different the occupation as covering "individuals who suggestion instruction or evidence on investing, securities, insurance, banking products, or private finance finished digital stages such as YouTube, Instagram, LinkedIn, or X."⁴ What distinguishes finfluencers from conservative monetary spectators is the extent of their influence, their monetisation through brand relations and paid courses, and the through transactional relationship many preserve with their spectators through contribution-based "signals" or trading academies.

The professional model of a typical finfluencer is complicated. Revenue streams comprise affiliate instructions from brokerage stages, fees for paid courses and transaction academies, guard income from fintech companies and mutual fund houses, and subscription fees for Telegram groups or WhatsApp channels providing real-time transaction signals. This revenue structure generates systematic struggles of interest: a finfluencer who produces a per-account commission from a securities firm has a direct financial motivation to encourage transaction volume nevertheless of whether such trading is in the investor's concentration. The empirical literature has recognized the causal influence of social media sentimentality on retail venture decisions and safeties prices,⁵ emphasizing the resolve of regulatory courtesy.

⁴SEBI Consultation Paper on "Specified Digital Platforms," December 2024, proposing platform-level obligations for proactive detection and removal of unlawful financial content, use of AI/ML-based monitoring, and mandatory verification of financial content creators.

⁵National Bureau of Economic Research, Toomas Laarits & Jeffrey Wurgler, "The Day Robinhood Went Down: ETF Returns and Investor Sentiment," NBER Working Paper No. 31243 (2023), demonstrating the causal impact of social media-driven retail investment decisions on securities prices.

2.2 Early Implementation and Regulatory Triggers

SEBI's regulatory answer was triggered by a series of high-profile implementation cases that revealed the scale of investor harm. The regulator documented multiple instances of influencers inducing investors to buy specific securities through coordinated social media campaigns, following which the promoters quietly sold their own holdings at inflated prices a textbook pump-and-dump process. SEBI allotted a public caution in February 2024 warning investors in contradiction of dealing with unregistered articles offering investment guidance through digital frequencies.⁶

Significant implementation actions preceded the formal regulatory framework. SEBI imposed a penalty of Rs 17.2 crore on the influencer known as "Baap of Chart"⁷ and a penalty of Rs 6 crore on decisions trading educator PR Sundar,⁸ both for if investment advice deprived of SEBI registration. These cases were informative not merely for the penalties levied but for the structural structures they exposed: both influencers functioned through multi-platform circulation, composed fees through digital payment systems, used repudiations demanding that their gratified was "purely educational," and constructed large retail pursuals who treated their commendations as unlawful investment advice. The "educational" disclaimer would develop the central definitional challenge for SEBI's controlling framework.

III. SEBI'S CONTROLLING ARCHITECTURE: AN EVOLVING FRAMEWORK

3.1 The 2023 Consultation Paper: Laying the Groundwork

SEBI's August 2023 Consultation Paper on the suggestion of registered mediators with unregistered articles represented the first methodical challenge to conceptualise a regulatory method to influencers. The Paper recognized three categories of apprehension: (i) the direct establishment of investment information by unregistered entities; (ii) the use of registered intercessors brand designations and platforms to advance authority to unregistered advice; and (iii) the monetisation of recommendation relationships between registered brokers and unregistered influencers. The Paper projected that SEBI-registered objects be forbidden from

⁶SEBI Press Release, "Caution to Investors Against Dealing with Unregistered Entities," PR No.11/2024, dated 13 February 2024.

⁷SEBI Order in the matter of Baap of Chart (2024): The influencer was fined Rs 17.2 crore for providing investment advice without SEBI registration under the SEBI (Investment Advisers) Regulations, 2013.

⁸SEBI Order in the matter of PR Sundar, WTM/GR/IVD/IVD-SEC-6/040/2024, wherein the regulator imposed a penalty of Rs 6 crore and issued a market ban for unregistered investment advisory activities conducted through digital platforms.

connecting with unregistered influencers, while statute out a safe harbour for genuine investor instruction.

The consultation development revealed the complication of the regulatory challenge. Replies from industry bodies elevated apprehensions about the extensiveness of the projected prohibition and it is possible to smother genuine financial literacy satisfied. Technology companies and contented creators maintained that any restriction on financial explanation would infringe upon free speech. SEBI's ultimate regulatory enterprise reproduces an effort to direct these competing apprehensions, though, as will be observed below, the boundaries it has strained remain questioned.

3.2 The Intermediaries (Amendment) Regulations, 2024: Statutory Construction

The essential legislative involvement came on 26 August 2024, when SEBI informed the Securities and Exchange Board of India (Intermediaries) (Amendment) Regulations, 2024, introducing a new Chapter III into the principal regulations.⁹ This Chapter announced two functioning provisions: Regulation 16A (Restriction on Association with Positive Persons) and Regulation 16B (Penalty for Violation). Equivalent amendments were concurrently informed to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2024 and the SEBI (Depositories and Participants) (Second Amendment) Regulations, 2024, extending corresponding responsibilities to stock exchanges, reimbursement corporations, and depositories.¹⁰

Regulation 16A(1) runs that a person controlled by the Board, or its agent, shall not have any direct or indirect "association" with supplementary person who: (a) delivers advice or any reference, directly or indirectly, in respect of or connected to a security or securities, unless the person is enumerated with or otherwise acceptable by SEBI to provide such information or recommendation; or (b) kinds any privilege of returns or presentation, specifically or impliedly, in deference of or connected to a security or securities, except the person has been allowable by SEBI to make such a prerogative.¹¹

The term "association" is defined openhandedly under Explanation 2 to Regulation 16A as

⁹Securities and Exchange Board of India (Intermediaries) (Amendment) Regulations, 2024, SEBI/LAW/2024/74, notified 26 August 2024, inserting Chapter III (Regulations 16A and 16B).

¹⁰European Securities and Markets Authority (ESMA), "Warning on Financial Influencers," 2023; Unfair Commercial Practices Directive 2005/29/EC, Article 7, read with national transpositions requiring disclosure of commercial intent by influencers operating in EU member states.

¹¹Regulation 16A (1), SEBI (Intermediaries) (Amendment) Regulations, 2024, which prohibits regulated entities or their agents from having any direct or indirect association with a person who provides advice or makes performance claims without SEBI registration or permission.

surrounding any direct or indirect financial relationship, recommendation arrangement, marketing partnership, or digital association between a controlled article and an unregistered finfluencer.¹² This breadth of classification reflects SEBI's consciousness that finfluencer-intermediary associations had frequently been organized through intermediary frequencies marketing interventions, associate networks, and sub-agents to ambiguous the nature of the fundamental preparation.

3.3 The October 2024 Circular: Operationalising the Circumstantial

The constitutional adjustments were operationalised through SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/143, dated 22 October 2024.¹³ The Circular absorbed all SEBI-regulated objects counting stock exchanges, reimbursement corporations, depositories, stock brokers, mutual funds, portfolio managers, investment advisers, and research forecasters to dismiss existing agreements with individuals involved in the two forbidden activities inside three months of the flyer's issuance. The Circular additional explained that the prohibition protracted to sub-brokers, promotion agencies, and additional agents temporary on behalf of regulated beings.

Significantly, the Circular conserved a carve-out for "investor education" definite as satisfied that does not include any investment advice, presentation claims, or commendations concerning specific safeties. This carve-out was planned to guard the large ecosystem of monetary literacy creators who offer genuine educational value. Though, the circular's disappointment to define the frontier between "education" and "advice" with satisfactory accuracy gave rise to direct agreement ambiguity and laid the underpinning for the definitional stiffnesses that would control the January 2025 circular.

3.4 The January 2025 Circular: Reduction the Attaches on Data and Education

Responding to apprehensions that finfluencers were avoiding the October 2024 restrictions by rebranding stock guidelines as "educational content" while remaining to use conscious market data, SEBI distributed Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2025/011 on 29 January 2025.¹⁴ This circular announced what is questionably the most operationally

¹²Explanation 2 to Regulation 16A, SEBI (Intermediaries) (Amendment) Regulations, 2024, defines "association" broadly to include monetary, referral, digital, and indirect collaborations between regulated entities and unregistered finfluencers.

¹³SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/143, dated 22 October 2024 ("Association of persons regulated by the Board and their agents with certain persons"), requiring all regulated entities to terminate existing contracts with unregistered finfluencers within three months.

¹⁴SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2025/011, dated 29 January 2025 ("Restrictions on

substantial restraint in the complete regulatory framework: the prevention on the use of real-time or current market charge data in finfluencer gratified.

Below the January 2025 circular, a person involved exclusively in education shall be mandatory to safeguard that they do not use market price data of the previous three months when speaking, exhibiting, or mentioning to the name of any safekeeping together with through the use of code terms in any video, ticker, screen share, or other medium, in a method that could designate a future price, advice, or commendation related to a sanctuary. The three-month data-lag regulation operationalises the education-information difference by generating a bright-line test: gratified that be sure of on actual-time data is presumably recommended; content trusting only on historical data at least three calendar months old qualifies as hypothetically educational.

The January 2025 circular also distributed FAQs expounding on the scope of banned relations, illustrative that the proscription shelters registered articles such as stock brokers, selection managers, speculation advisers, and research forecasters, and spreads to any indirect connotation that is controlled to avoid the direct prevention. The circulars taken organized launch a three-tier obedience architecture: (i) complete proscription on relations between controlled objects and unregistered finfluencers who offer information or make presentation claims; (ii) a safe harbour for unaffected investor education, theme to the three-month data-lag condition; and (iii) enhanced expose and enforcement responsibilities for regulated objects.

3.5 March 2025: Digital Promotion Verification

In March 2025, SEBI twisted its regulatory consideration to the digital advertising ecosystem,¹⁵ demanding registered intermediaries to use their SEBI-portal-registered email addresses and mobile numbers when signing up to advertise on social media platforms including YouTube, Instagram, Facebook, and X. Social media stage earners specifically Google (YouTube) and Meta (Instagram, Facebook) were absorbed to instrument advertiser confirmation protocols before authorizing financial services announcements. This quantity spoken the production of duplicitous entities imitating registered intermediaries in digital promotion a singularity that had allowed unregistered actors to adventure the trustworthiness signals of the prescribed regulatory framework while functioning outside it.

use of live stock market data by persons engaged in education”), further clarifying the three-month data-lag rule and prohibitions on real-time trading tips.

¹⁵ SEBI turned its regulatory attention to the digital advertising ecosystem, requiring registered intermediaries to use their SEBI-portal-registered email addresses and mobile numbers when signing up to advertise on social media platforms in March 2025.

3.6 August 2025: Parliamentary Endorsement and Appreciation

In August 2025, the Legislative Upright Committee on Finance distributed a substantial report commending stricter misunderstanding of financial influencers. The Command commended SEBI to guarantee that speculation information in online environments was providing completely by registered consultants, suggested the introduction of confirmed markers successfully digital counterparts of regulatory “blue ticks” for registered financial statement on major social media platforms, and entitled for compulsory exposes and enhanced monitoring. The Parliamentary confirmation of SEBI’s regulatory course provided institutional endorsement for enhanced action and signalled legislative provision for further statutory involvement if voluntary compliance continued insufficient.

3.7 November 2025 - February 2026: The Identity Revelation Revolution

The most architecturally substantial expansion in SEBI’s framework here in three closely connected instruments. The November 2025 Consultation Paper¹⁶ planned compulsory expose of registered names and SEBI registration numbers on the social media profiles and all content of regulated objects a paradigm shifts from conduct regulation (what you may say) to individuality regulation (who you must declare yourself to be when you say it). The Paper recognized that securities-based fraud on social media had grasped levels the regulator characterised as “rampant,” with scams misusing ambiguous and manipulative satisfied on platforms as well as LinkedIn, X, YouTube, Instagram, Facebook, and Telegram to cheat retail investors across all market sectors.

In December 2025, the Ministry of Investment allotted a substantial clarification confirmative that SEBI owns the authority to direct social media stands to remove online financial gratified that is misleading, fraudulent, or manipulative resolution the before unclear question of the regulator’s implementation reaches vis-à-vis globally functioned technology platforms. The February 2026 Mandatory Disclosure Circular, effective May 1, 2026, operationalised the November 2025 proposals. All intermediaries registered under Section 12 of the SEBI Act together with stock brokers, depository contributors, investment advisers, research analysts, In ITs, REITs, AIFs, portfolio executives, cooperative investment schemes, mutual funds, and their AMC’s and their managers together with mutual fund distributors, are required to conspicuously display their recorded name and SEBI registration number on the home pages

¹⁶ Consultation Paper planned compulsory expose of registered names and SEBI registration numbers on the social media profiles and all content of regulated objects a paradigm shifts from conduct regulation in the November, 2025.

of all social media outlines and at the inauguration of every securities-connected content unit, transversely all platforms counting YouTube, Instagram, Facebook, WhatsApp, X, LinkedIn, Threads, Telegram, and Reddit.

IV. ENFORCEMENT: CASE STUDIES AND EMERGING INSTANCES

4.1 The Avadhut Sathe Case: A Landmark Enforcement Action

The most significant implementation action under SEBI's finfluencer agenda to date is the December 2025 order against Avadhut Sathe and the Avadhut Sathe Trading Academy (ASTA).¹⁷The order, delivered on 4 December 2025, barred Sathe, ASTA, and director Gouri Sathe from the securities market till further orders and stored Rs 546 crore one of the largest impounding orders in SEBI's implementation history. The order characterized SEBI's most comprehensive judicial investigation to date of the education-versus-advice borderline.

SEBI's examination in the Avadhut Sathe order recognized several hallmarks of a barred advisory operation masked as education: the common use of market-linked possibilities and promises of profitability; the discriminating showcasing of gainful trades while concealment losses; the use of real-time market data to provide specific, unlawful trading commands; and the process of a planned system through tiered course matriculations costing up to Rs 6.75 lakh per contributor that directed retail investors through separate trades. SEBI held that the entirety of these geographies made Sathe's operations "functionally hazy from paid investment advisory," translation the "educational" disassociation legally unsuccessful.

The Avadhut Sathe case is substantial for at minimum three reasons. First, it starts a substance-over-form method to the education-advice difference that appearances outside the labels everyday by the finfluencer to the definite gratified and consequence of the activity. Second, the scale of the impounding order Rs 546 crore signals SEBI's preparedness to organize its full counteractive store against large-scale destructions. Third, SEBI renowned that Sathe had constant the forbidden practices even afterward getting a formal threatening in 2024, conclusion that he had intentionally modernized his processes to evade inspection after the October 2024 circular. This conclusion of wilful non-compliance is likely to inspiration SEBI's method to future cases connecting finfluencers who endure to function after regulatory notices.

¹⁷SEBI Order in the matter of Avadhut Sathe and Avadhut Sathe Trading Academy (ASTA), SEBI/WTM/Order/ASTA/2025/001, dated 4 December 2025, impounding Rs 546 crore and barring Sathe from the securities market until further orders.

4.2 Earlier Enforcement Precedents

The Avadhut Sathe order constructed upon a line of previous enforcement instances. The “Baap of Chart” case recognized that the use of disassociations whether standard “not investment advice” revelations or characterisations of satisfied as “educational” does not protect a finfluencer from accountability where the functional satisfied of their communication establishes an investment commendation. The PR Sundar case, connecting a high-profile choice trading educator with lots of social media followers, prolonged this investigation to the Telegram and YouTube platforms and explained that fee-based payment models for as long as trading signals establish investment optional facilities demanding SEBI registering.

Diagonally these cases, SEBI has reliably applied a practical test that requests whether the communication, observed in its entirety and in the setting of the influencer’s business model, is intended to induce investment conclusions in respect of detailed securities. This practical method is dependable with the broader controlling attitude personified in the SEBI Act, 1992, whose investor Défense command under Sections 11 and 11B is interpreted openly by both the controller and the Securities Appellate Tribunal.¹⁸

V. CRITICAL EVALUATION: STRUCTURAL LACUNAE AND CHALLENGES

5.1 Definitional Ambiguity: The Education-Advice Boundary

Notwithstanding the three-month data-lag rule presented in January 2025, the boundary among allowable investor education and forbidden investment advice remains challenged. The controlling framework does not define “investor education” with the specificity compulsory for assured agreement. The question of whether a general conversation of a company’s business model or sector viewpoint deprived of specific buy/sell/hold commendations constitutes information has not been lectured. In the same way, the treatment of contented that uses securities’ code names moderately than certified ticker symbols as a earnings of signalling without obviously naming securities leftovers unclear under the present framework.

Speculative observation has elevated the apprehension that SEBI’s limitations, if interpreted broadly, could freezing financial explanation that plays a authentic role in price detection and knowledgeable market participation.¹⁹ The pressure between investor protection and free

¹⁸Securities and Exchange Board of India Act, 1992 (15 of 1992), Sections 11, 11B and 15EB, as the primary legislative authority underpinning SEBI’s power to issue regulations and directions for investor protection.

¹⁹Bhargavi Zaveri Shah, “Free Markets Need Free Speech,” The Indian Express, 21 November 2024; raising concerns that excessive SEBI regulation of financial content may chill legitimate commentary and undermine

appearance in financial observation is not unique to India it has been expansively debated in the United States and European Union but SEBI's agenda, unlike those jurisdictions, does not yet integrate a clear safe harbour for bona fide explanation or journalism.

5.2 Enforcement Irregularity and Jurisdictional Gaps

A critical administrative weakness of the existing outline is its unequal enforcement architecture. SEBI's controlling jurisdiction runs in contradiction of SEBI-registered objects (who can have their registrations suspended or cancelled) and, through the SEBI Act, in contradiction of persons who deliver unregistered speculation advisory services inside India. However, the agenda struggles with dual groups of performers who fall external this enforcement boundary: (i) finfluencers functioning incognito or through external entities; and (ii) influencers who are inhabitant outside India but whose satisfied spreads Indian marketing investors.

The trial of unidentified and cross-border processes was well-known in theoretical explanation: a person resident outside India placement gratified about Indian securities on a US-presented stage offerings important jurisdictional trials for SEBI enforcement.²⁰ The US Securities and Exchange Commission's enforcement movements in contradiction of social media-based standard management have established that extraterritorial jurisdiction below securities law is imaginable but resource-intensive,²¹ and SEBI has not yet progressive the international collaboration infrastructure that such implementation would necessitate.

5.3 Platform Accountability and the "Specified Digital Platforms" Proposal

An additional opening in the existing framework is the incomplete responsibility of social media stages themselves. While SEBI has planned a agenda for "Specified Digital Platforms" that would levy practical nursing and gratified removal duties on large social media corporations, this suggestion leftovers in discussion stage as of early 2026 and has involved important opposition from the knowledge industry. Illustrations by USISPF and NASSCOM elevated anxieties that obligatory gratified nursing duties could representation stages to an uncontrollable capacity of agreement duties and generate frightening belongings on genuine

price discovery in securities markets.

²⁰SEBI (Intermediaries) (Second Amendment) Regulations, 2025, notified March 2025, further tightening obligations of SEBI-regulated entities regarding digital content and finfluencer associations.

²¹U.S. Securities and Exchange Commission, "SEC Charges 8 Social Media Influencers in \$100 Million Stock Market Manipulation Scheme," Press Release No. 2022-186, October 3, 2022; Securities Exchange Act of 1934, Section 10(b), and Rule 10b-5 thereunder.

financial language.

The stage responsibility measurement has, however, understood approximately progress through unpaid events. Meta's obligation that monetary facilities publicists on its stages directing Indian users give in to a SEBI registration number or whole identity verification²² and Google and You Tub's India-specific verification necessities for financial services promoters²³ signify initial steps on the way to a multi-stakeholder obedience architecture. However, these actions spread over only to salaried promotion and do not speech the much greater creation of organic monetary gratified on these stages.

5.4 Absence of Investor Grievance Instruments

The controlling framework also deficiencies a enthusiastic, available instrument for marketing investors to account destructions by finfluencers. SEBI's existing SCORES (SEBI Complaints Redress System) stage is intended predominantly for grievances in contradiction of registered objects and is not willingly available to investors looking for to statement unregistered finfluencers. The nonappearance of a clear broadcasting channel decreases the informational contributions obtainable to SEBI for implementation directing and may permission incapacitated depositors deprived of an real suppository. This space was well-known in Parliamentary proceedings and academic explanation, with demands for a enthusiastic digital protests portal for finfluencer-connected complaints.

VI. PROPORTIONAL PERSPECTIVES: GLOBAL APPROACHES TO FINFLUENCER REGULATION

6.1 The European Union Framework

The European Union's method to finfluencer directive functions through a amalgamation of the Marketplaces in Financial Instruments Directive II (MiFID II), the Market Exploitation Regulation (MAR), and the Unfair Commercial Practices Directive (UCPD). Under MiFID II, the establishment of speculation information on a professional foundation necessitates authorisation from a national knowledgeable authority. Under MAR, the broadcasting of false or vague material that is prospective to give incorrect or ambiguous signals around the supply,

²²Meta Platforms India, Policy Update, 2024: Meta now requires advertisers running investment-related ads targeting Indian users to submit a valid SEBI registration number or undergo identity verification, with mandatory disclaimers on all financial advertising.

²³Google and YouTube India, Advertiser Verification Policy (Financial Services), 2024: requiring SEBI registration verification through a third-party process for Indian financial services advertisers; LinkedIn, Compliance Framework under SEBI and ASCI codes (2024).

demand, or price of financial devices is banned. The UCPD, read with nationwide transpositions, necessitates finfluencers to reveal material profitable connections, and forbids distortion as organic comment where content is commercially motivated.²⁴

The European Securities and Markets Authority (ESMA) distributed a detailed warning in 2023 cautioning retail depositors approximately the risks of financial information from unregulated influencers and repeating member conditions of the pertinence of existing regulatory outlines to digital financial gratified. The EU method is notable for its confidence on existing investor protection and expose frameworks somewhat than finfluencer-specific rule a design excellent that conserves regulatory consistency and evades the definitional problems characteristic in statuette available a new regulatory group.

6.2 The United States Framework

The United States Securities and Exchange Commission (SEC) has give a lecture the finfluencer problematic predominantly ended the application of dominant securities law requirements. The landmark October 2022 accomplishment in contradiction of eight social media influencers for contributing in a US \$100 million “pump and dump” arrangement trusted on Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, which forbid fraud in construction with the acquisitions or sale of securities. The SEC has also followed implementation below the Investment Advisers Act of 1940 in contradiction of persons if investment advice deprived of registration, reflecting SEBI’s method below the Investment Advisers Regulations, 2013.

A distinctive feature of the US agenda is the submission of the “touting” requirements of Section 17(b) of the Securities Act of 1933, which necessitates any individual remunerated to vendor a security to reveal that payment and its foundation. This establishment is directly appropriate to supported financial gratified and has remained used by the SEC to follow finfluencers who be unsuccessful to reveal recompense from issuers or organizers. The SEBI framework absences an equivalent rapid “touting” provision, trusting in its place on the broader exclusions in the Investment Advisers Regulations and the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.²⁵

²⁴ The European Union’s approach to finfluencer regulation operates through a combination of the Markets in Financial Instruments Directive II (MiFID II), the Market Abuse Regulation (MAR), and the Unfair Commercial Practices Directive (UCPD)

²⁵ Investment Advisers Regulations and the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

VII. THE WAY ADVANCING: TOWARDS A GRADUATED CO-REGULATORY MODEL

7.1 Parliamentary Committee References and the Path to Platform-Level Responsibility

The Governmental Standing Committee on Home Affairs, in its August 2025 report on Cyber Crime,²⁶ completed important commendations that, if employed, would significantly reinforce the regulatory framework. The Commission suggested that SEBI familiarize a confirmed impulse system for recorded investment consultants and research forecasters on social media platforms, allowing retail investors to differentiate authorised from unauthorised financial gratified. It additional optional that Significant Social Media Intermediaries (SSMIs) be required by rule to license only SEBI-registered consultants to provide speculation information and behavior advertising on their stages.

These references reproduce a move in the direction of a platform-answerability model that executes hands-on agreement responsibilities on social media corporations somewhat than trusting exclusively on post-hoc SEBI implementation. Such a perfect has important examples in the EU's Digital Services Act (DSA), which executes responsibilities on very great connected platforms to measure and alleviate universal risks counting dangers to financial consumer defense and to device gratified restraint frameworks topic to independent review.

7.2 Proposed Regulatory Developments

Illustration on the previous analysis, the contemporary paper suggests the subsequent enhancements to SEBI's regulatory framework. First, SEBI would circulate detailed supervision expanding the education-advice boundary with precise orientation to the types of gratified that do and do not succeed as investor instruction, illustration on the examination in the Avadhut Sathe command and the FAQs distributed in January 2025. This leadership would be in the form of a formal circular somewhat than familiar FAQ, to deliver a legally dependable safe harbour for content creators. Additional, SEBI should mature a tiered registration outline for financial gratified creators separate since the full SEBI (Investment Advisers) Regulations registration that executes elementary disclosure and manner responsibilities on finfluencers with additional than a quantified supporter threshold, deprived of demanding them to encounter the full fiduciary standards appropriate to specialized investment advisers.

²⁶Parliamentary Standing Committee on Home Affairs, 254th Report on "Cyber Crime Ramifications, Protection and Prevention," tabled in August 2025, recommending a verified tick system for SEBI-registered advisors on social media platforms and directing Significant Social Media Intermediaries (SSMIs) to permit only registered advisors to post financial advice.

Third, SEBI ought to found a enthusiastic digital investor complaint instrument specifically for grievances in contradiction of unregistered finfluencers, combined with its current SCORES platform and available finished mobile applications. Fourth, in collaboration with the Ministry of Electronics and Information Technology (MeitY) and the Ministry of Finance, SEBI should follow the formalisation of the Specified Digital Platforms outline, illustration on the Parliamentary Committee's recommendations and the EU's Digital Services Act as a typical for proportional, auditable platform responsibilities. Fifth, SEBI should pass in into bilateral material-sharing agreements with the SEC, ESMA, and other main securities regulators to discourse the enforcement gap formed by cross-border and unspecified finfluencer processes.²⁷

7.3 Balancing Investor Defense and Financial Literacy

In the least supervisory improvement must judiciously reservation the considerable positive contributions of the finfluencer environment to financial literacy and retail investor contribution. SEBI's formation of its Saarthi investor education platform and app signify an important similar investment in reliable, controlled financial education. The impartial should not be to reject the digital financial explanation ecosystem but to safeguard that within it, advice is obviously famous from education, conflicts of interest are revealed, and the most injurious practices pump-and-dump processes, guaranteed-return privileges, and real-time unregistered recommended services are efficiently discouraged.

The ASCI Rules for Influencer Advertising, which involve protuberant expose of material influences and obedience with financial regulation codes,²⁸ deliver a useful self-regulatory accompaniment to SEBI's statutory framework. An actual co-regulatory model combination SEBI's statutory enforcement expert, platform-level responsibility obligations, industry self-regulation complete ASCI and comparable bodies, and retail investor education is supplementary likely to realize strong obedience than a purely top-down implementation method in a quickly developing digital landscape.

²⁷SEBI, "Saarthi App and Investor Education Website," Press Release No. PR/01/2025, January 2025, announcing SEBI's own investor education portal and mobile application to provide retail investors with credible financial literacy resources as a counterweight to unverified finfluencer content.

²⁸Advertising Standards Council of India (ASCI), Guidelines for Influencer Advertising in Digital Media, 2021 (updated 2025), Guideline 5: requiring prominent disclosure of material connections and compliance with financial regulation codes for all influencers promoting financial products.

VIII. CONCLUSION

SEBI's controlling journey from the August 2023 Consultation Paper to the December 2025 Avadhut Sathe enforcement order and the SEBI (Intermediaries) (Second Amendment) Regulations, 2025²⁹ signifies one of the most comprehensive and quickly developing regulatory frameworks for digital economic content in any jurisdiction. The agenda has positively recognized statutory expert over the finfluencer ecosystem, compulsory expressive obedience obligations on recorded intermediaries, and complete high-profile implementation established regulatory credibility and discouragement. The three-month data-lag law and the prolonged meaning of "association" in the 2024 Regulations nearby the most understandable ambiguities that the previous implementation cases had unprotected.

Yet important challenges continue. The education-advice borderline, however improved by the January 2025 round and the Avadhut Sathe precedent, recollects expanses of uncertainty that generate obedience indecision for genuine satisfied creators and possible circumvention courses for cultured bad actors. Implementation irregularity predominantly in relative to unspecified and cross-border finfluencers restrictions the framework's spread to exactly the actors who posture the greatest methodical danger. And the nonappearance of a prescribed stage responsibility agenda verdures a foremost controlling opening in a landscape anywhere social media corporations are the porters finished which maximum of the finfluencer gratified spreads trade investors.

The course of SEBI's intervention established by the Chairman's February 2026 declarations designates that finfluencer rule will continue a importance for the Board, with possible for additional implementation movements, regulatory intensification, and perhaps main legislation. For the lots of retail investors who trust on social media as their main foundation of financial info, the excellence and strength of this regulatory framework have direct penalties for their monetary happiness and the honesty of India's safeties markets.

The Parliamentary Committee's August 2025 commendations for a confirmed impulse system and stage-level obligations, the undecided Specified Digital Platforms framework, and the developing international agreement on the regulation of digital financial gratified together point to the following phase of SEBI's regulatory development. The encounter for SEBI in 2026 and outside is to shape upon the statutory and implementation foundations it has placed, to nearby the mechanical gaps recognized in this daily, and to standardize its regulatory construction to

²⁹ SEBI's regulatory journey from the August 2023 Consultation Paper to the December 2025 Avadhut Sathe enforcement order and the SEBI (Intermediaries) (Second Amendment) Regulations, 2025.

realize the essential impartial of investor defense without forfeiting the genuine informational and monetary literacy helps of India's lively digital financial explanation ecosystem.

