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Educators or Advisers? Mapping the Regulatory Void Governing 'Finfluencers' in India's Retail Investment Ecosystem

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Educators or Advisers? Mapping the Regulatory Void Governing 'Finfluencers' in India's Retail Investment Ecosystem

ABSTRACT

India's securities markets are witnessing an unprecedented retail investment boom. The National Stock Exchange accounts for over twenty-four crore unique investor accounts as of November 2025, compared to about four crore demat accounts in FY 2020.¹ A sizeable proportion of these new investors are introduced to the markets by social-media 'finfluencers' – persons who give stock-tips, trading advice and portfolio guidance on YouTube, Instagram, Telegram and X but are not registered with the Securities and Exchange Board of India ("SEBI") as investment advisers or research analysts under the SEBI (Investment Advisers) Regulations, 2013 or the SEBI (Research Analysts) Regulations, 2014. This paper explores the regulatory response to this phenomenon, focusing on the SEBI (Intermediaries) (Amendment) Regulations, 2024 and the clarificatory circular of October 2024 and January 2025 which seek to sever the connection between finfluencers and SEBI-regulated entities.² While these notifications address the supply-side engagement with finfluencers, the demand-side connection between finfluencers and retail investors is only indirectly regulated, as most finfluencer content is not provided "for consideration" within the meaning of Regulation 2(1)(m) of the SEBI (Investment Advisers) Regulations, 2013. Through doctrinal and policy-analytical research, this paper examines SEBI's regulatory perimeter in relation to finfluencers, drawing on statutory text, SEBI board meeting minutes, enforcement orders (including the Rs 546 crore impounding order against Avadhut Sathe in December 2025 and the Rs 17.2 crore order against Mohammad Nasiruddin Ansari, 'Baap of Chart'), and comparative jurisprudence in the UK (FCA Guidance FG24/1) and the US.³ The paper concludes that India's approach to finfluencers is reactive, intermediary-focused and narrowly tailored, and makes several recommendations, including

¹ National Stock Exchange of India, Market Pulse, Vol. 7, Issue 1 (January 2025) 59; "NSE Crosses 24 Crore Investor Accounts as Retail Participation Hits New High" ICICI Direct News (13 November 2025).

² SEBI (Intermediaries) (Amendment) Regulations, 2024; SEBI Circular dated 22 October 2024; SEBI Circular dated 29 January 2025.

³ SEBI, Ex-Parte Interim Order against Avadhut Sathe and Associated Entities (4 December 2025); SEBI, Final Order against Mohammad Nasiruddin Ansari (2 December 2024); Financial Conduct Authority, Finalised Guidance FG24/1 (26 March 2024).

a statutory redefinition of 'investment advice', a light-touch registration regime for educational content, mandatory disclosure labelling, and a co-ordinated takedown response by SEBI and the Ministry of Electronics and Information Technology under the Information Technology Rules, 2021.⁴

KEYWORDS

Finfluencer, Investor protection, Retail investors, Securities regulation, Unregistered investment advice.

1. INTRODUCTION

The Indian securities market has witnessed a “retail investor revolution” over the last five years. The National Stock Exchange (“NSE”) records over 13.5 crore new demat account openings between April 2020 and December 2024, with eighteen crore demat accounts and over twenty-one crore registered accounts as of December 2024, rising to over twenty-four crore unique accounts as of November 2025.⁵ The median Indian investor is thirty-two years old, with over forty per cent under the age of thirty, and is much more likely to discover the stock market via short-video social media than through a SEBI-registered investment adviser.⁶ This has created the category of the “finfluencer” – an unregistered person who gains followers by discussing markets and recommending stocks, or selling “education” courses that include trading advice.

The legal challenge presented by finfluencers is that, while most are not directly registered with SEBI, they exert a powerful influence on retail investors. Under Regulation 2(1)(m) of the SEBI (Investment Advisers) Regulations, 2013 (“IAR”), an ‘investment adviser’ is a person who provides advice on securities “for consideration”, and many finfluencers do not directly charge for their advice, instead monetising their followers indirectly through affiliate brokerage codes or advertisements.⁷ SEBI’s response, through the SEBI (Intermediaries) (Amendment) Regulations, 2024 (“Intermediaries Amendment Regulations”) and the October 2024 and January 2025 circulars has been to sever the financial connection between finfluencers and SEBI-regulated entities rather than to directly register finfluencers.⁸ This paper examines this regulatory response, with

⁴ Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021.

⁵ National Stock Exchange of India, India Ownership Tracker (December 2024); National Stock Exchange of India, Market Pulse, Vol. 7, Issue 1 (January 2025) 59.

⁶ National Stock Exchange of India, Market Pulse, Vol. 7, Issue 1 (January 2025) 59.

⁷ SEBI (Investment Advisers) Regulations, 2013, reg. 2(1)(m); “End of the Party for Sin (Fin) Fluencers? SEBI’s Regulatory Crackdown on Finfluencers” India Corporate Law (Cyril Amarchand Mangaldas Blog, 13 September 2023).

⁸ SEBI Circular dated 22 October 2024 and follow-up Circular dated 29 January 2025

three research questions: first, whether the current legal framework adequately captures the direct connection between influencers and investors; second, how India's approach compares with the UK's activity-based "financial promotion" model; and third, what statutory or regulatory reforms would better address the influencer phenomenon.

2. LITERATURE REVIEW

Indian securities regulation scholarship has focused overwhelmingly on intermediaries and insider trading, with relatively little attention paid to influencer-type retail advice until the emergence of influencers in 2023. The Cyril Amarchand Mangaldas note on SEBI's consultation paper in 2023 correctly identified the "for consideration" threshold in the IAR as the primary doctrinal hurdle in regulating influencers, but stopped short of recommending a statutory redefinition of 'investment adviser'.⁹ The following student commentaries in the NLIU Law Review focused on the mechanics of the January 2025 circular, particularly the three-month data-lag rule and the broad definition of 'association', but said little about enforcement practice or comparative law.¹⁰ A more recent practitioner note on the Jus Corpus website usefully frames SEBI's strategy as operating on "two tracks" – direct enforcement against influencers and indirect regulation of intermediaries – but does not develop this insight in detail.¹¹ On the consumer protection front, Indian scholarship on the Consumer Protection Act, 2019 and the Central Consumer Protection Authority's ("CCPA") 2023 Guidelines has not engaged much with either SEBI or the influencer phenomenon, despite potential intersections with misleading advertisements and "dark patterns".¹² Finally, the UK's FCA Guidance FG24/1 on influencers in financial services has received scant attention in Indian law journals, despite its potential relevance to influencer regulation.¹³ This paper synthesises these streams of scholarship, and to the best of the author's knowledge offers the first detailed comparison of the UK's activity-based and India's registration-based approaches to regulating financial influencers.

issued under s. 16A of the SEBI (Intermediaries) (Amendment) Regulations, 2024.

⁹ "End of the Party for Sin (Fin) Fluencers? SEBI's Regulatory Crackdown on Finfluencers" India Corporate Law (Cyril Amarchand Mangaldas Blog, 13 September 2023).

¹⁰ "SEBI's Crackdown on Finfluencers: A Legal and Regulatory Perspective" NLIU Law Review Blog (16 April 2025).

¹¹ "Educators or Unlicensed Advisers? SEBI's Regulatory Crackdown on Finfluencers" Jus Corpus (2025).

¹² Consumer Protection Act, 2019, s. 2(28); Central Consumer Protection Authority, Guidelines for Prevention and Regulation of Dark Patterns, 2023.

¹³ Financial Conduct Authority, Finalised Guidance FG24/1, 'Financial Promotions on Social Media' (26 March 2024).

3. RESEARCH METHODOLOGY

Research Design: Doctrinal-cum-policy analytical.

Sources of Data: Statutes – SEBI Act, 1992, SEBI (IAR), SEBI (Research Analysts) Regulations, 2014 ("RAR"), Intermediaries Amendment Regulations, SEBI circulars, and SEBI enforcement orders. Secondary sources include the NSE Market Pulse data on investor demographics, FCA guidance and enforcement statistics, and practitioner and academic commentary.

Scope: Regulation of individual social-media finfluencers who give securities advice or education in India, with limited comparison with the UK and the US. Cryptoasset promotion and insurance/credit finfluencing are outside the scope of this paper.

Limitations: The regulatory response to finfluencers is still emerging, and the January 2025 circular has been in force for barely over a year – enforcement statistics and empirical studies of investor harm are still limited.

Analytical Framework: Comparative regulatory perimeter analysis.

4. DISCUSSION AND ANALYSIS

4.1 The Statutory Architecture and Its Central Gap

Section 12(1) of the Securities and Exchange Board of India Act, 1992 ("SEBI Act") requires any person "carrying on business as a stock-broker, investment adviser or other intermediary" to obtain a certificate of registration from SEBI – acting in any such capacity without registration is unlawful.¹⁴ The key question in relation to finfluencers is whether they fall within the definition of 'investment adviser' in Regulation 2(1)(m) of the IAR, which in turn depends on whether they provide advice "for consideration". As the SEBI board note of July 2024 puts it, the majority of finfluencers do not directly charge for their advice, but instead monetise their social-media following through affiliate commissions or advertisements.¹⁵ Consequently, most finfluencers have historically been outside the regulatory perimeter of the IAR and the RAR, until SEBI took regulatory action in 2024–2025, discussed below.

4.2 The 2024–2025 Regulatory Response: An Intermediary-Centric Fix

SEBI's response to the finfluencer phenomenon was not to directly regulate them by amending the definition of 'investment adviser' but to adopt a more indirect approach by targeting their financial linkages with

¹⁴ Securities and Exchange Board of India Act, 1992, s. 12(1).

¹⁵ SEBI, Agenda Note for Board Meeting (July 2024), paras 5.5–7.1.

SEBI-regulated entities through the Intermediaries Amendment Regulations. In particular, Regulation 16A prohibits SEBI-regulated entities from “directly or indirectly associating with persons providing unregistered investment advice or making unpermitted performance claims”, with appropriate guidance following in the October 2024 and January 2025 circulars.¹⁶ The October 2024 circular directed SEBI-regulated entities to “disassociate” themselves from such persons within three months, and the January 2025 circular provided guidance on distinguishing between ‘advice’ and ‘education’. In particular, a person providing education on securities who uses market data of the preceding three months, or who indirectly indicates future price movements through code names or screen-sharing, would be deemed to be providing unregistered investment advice.¹⁷ The term ‘association’ was also clarified to include monetary or non-monetary consideration, referral arrangements, marketing partnerships, and technological integration.¹⁸ Notably, the BSE was designated as the Research Analyst Administration and Supervisory Body and the Investment Adviser Administration and Supervisory Body, and an optional fee collection mechanism through exchanges was introduced to encourage influencers to become registered advisers.¹⁹ This is a supply-side response which leaves the demand-side connection between influencers and investors largely unaddressed – a influencer who does not directly charge for his services or receive referral fees from brokers would still not be directly regulated by SEBI even after the 2024–2025 amendments, and could only be taken up under SEBI’s residual and more stringent fraud jurisdiction, discussed below.

4.3 Enforcement Practice: The Residual Fraud Route

SEBI’s enforcement actions against influencers have so far focused on the residual fraud jurisdiction available to it against persons who “fraudulently or misleadingly induce or induce investors to deal in securities”, particularly through the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.²⁰ In May 2023, SEBI barred trader-influencer P.R. Sundar and his entity from dealing in securities for a period of one year and ordered the refund of close to six crore rupees collected through Telegram groups offering

¹⁶ SEBI (Intermediaries) (Amendment) Regulations, 2024, inserting reg. 16A, effective 29 August 2024.

¹⁷ SEBI Circular dated 29 January 2025, para on ‘Persons engaged solely in education.’

¹⁸ “SEBI’s Crackdown on Finfluencers: A Legal and Regulatory Perspective” NLIU Law Review Blog (16 April 2025).

¹⁹ “Finfluencers Feel the Heat as Market Regulator Sebi Crackdown Looms” Business Standard (12 July 2024).

²⁰ SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

paid trading advice.²¹ In October 2023, SEBI passed an interim order against Mohammad Nasiruddin Ansari, who traded under the moniker 'Baap of Chart', for misrepresenting trading recommendations as educational content; the final order dated 2 December 2024 directed Ansari and six associated entities to refund seventeen crore rupees to investors in addition to monetary penalties.²² However, SEBI's largest enforcement action to date was the order dated 4 December 2025, which barred finfluencer Avadhut Sathe and his associated entities from dealing in securities and ordered the impounding of over Rs 546 crore. In particular, SEBI found that Sathe's trading academy had been providing unregistered investment advisory and research services through courses which falsely advertised performance track-records and used a referral system to indirectly collect consideration from investors, despite a caution issued by SEBI in 2024 and an inspection of his premises in August 2025.²³ These enforcement orders demonstrate that SEBI can and does treat finfluencer activity as unregistered investment advice or fraudulent inducement even when the person does not directly charge for his services, but each such order requires a lengthy investigation into the finfluencer's business model to prove that he receives consideration indirectly, which is a resource-intensive process.

4.4 Judicial Underpinning: SEBI's Investor-Protection Mandate

While no High Court or Supreme Court decision directly addresses the finfluencer issue, SEBI's investor-protection mandate is well-set out in *Sahara India Real Estate Corpn. Ltd. v. SEBI*.²⁴ In particular, the Supreme Court has repeatedly held that SEBI is entitled to a wide regulatory jurisdiction under the SEBI Act to protect the interests of investors and to regulate persons and transactions falling within the functional definitions of securities and market intermediaries even when the respondent challenges SEBI's regulatory authority. This functional, purposive approach to interpreting the SEBI Act and the SEBI Regulations is the basis of SEBI's enforcement actions against finfluencers, including the Ansari and Sathe orders, which hold that a person who disguises investment advice as educational content and collects consideration in any form falls within the definition of an 'investment adviser' under Regulation 2(1)(m) of the IAR. The lack of direct judicial scrutiny of the October 2024 and January 2025 circulars suggests, however, that SEBI's intermediary-focused approach may be

²¹ SEBI, Interim/Final Order against P.R. Sundar and Mansun Consulting (May 2023).

²² SEBI, Final Order against Mohammad Nasiruddin Ansari ('Baap of Chart') (2 December 2024).

²³ SEBI, Ex-Parte Interim Order against Avadhut Sathe and Associated Entities (4 December 2025); "SEBI Bans Finfluencer Avadhut Sathe, Seizes ₹546 Crore in Major Crackdown" TechStory (5 December 2025).

²⁴ *Sahara India Real Estate Corpn. Ltd. v. SEBI*, (2013) 1 SCC 1.

vulnerable to a judicial review challenge on the grounds that the circulars impose registration requirements through delegated legislation, and therefore fail the “fair notice” test. In particular, a finfluencer who is not directly registered with SEBI could argue that the circulars’ restrictions on SEBI-regulated entities’ associations with him indirectly impose a registration requirement on him, which SEBI is not entitled to impose without amending the IAR.

4.5 Comparative Perspective: The UK’s Activity-Based Model

The UK takes a different approach to regulating financial influencers. In contrast to India’s status-based, “for consideration” approach, the UK uses an activity-based test – any communication which “invites or induces a person to engage in investment activity” is a “regulated financial promotion” under section 21 of the Financial Services and Markets Act, 2000, irrespective of whether the promoter is paid for the communication or is himself authorised or regulated by the Financial Conduct Authority (“FCA”).²⁵ In particular, the FCA’s Finalised Guidance FG24/1, issued on 26 March 2024, makes it clear that the financial promotion perimeter extends to influencers who communicate on social media, including in private channels such as Reddit, Discord and Telegram, as well as in non-financial content such as memes and gaming streams.²⁶ Furthermore, the guidance holds that firms which contract such influencers to promote their services are responsible for ensuring that their communications fall within the financial promotion perimeter. FCA’s 2024 enforcement statistics show that the regulator has taken action against reality TV personalities and influencers for promoting unauthorised foreign exchange trading services, and that almost two-thirds of 18–29 year olds follow social-media influencers, with almost three-quarters of them trusting the influencers’ advice – a level of engagement which has no direct comparator in Indian law.²⁷ The advantage of the UK’s approach is that it focuses on the nature of the communication – inducing a person to engage in investment activity – rather than on whether the influencer is directly paid for his services, thereby plugging the definitional gap which SEBI’s “for consideration” test leaves open.

4.6 Consumer Protection and Platform-Governance Dimensions

The finfluencer issue has important consumer protection and platform governance dimensions as well. In particular, misleading performance

²⁵ Financial Services and Markets Act 2000, s. 21.

²⁶ Financial Conduct Authority, Finalised Guidance FG24/1, ‘Financial Promotions on Social Media’ (26 March 2024).

²⁷ Financial Conduct Authority, ‘Financial Promotions Data 2024’ (2025); “Likes to Liability: UK FCA Cracks Down on ‘Finfluencers’” A&O Shearman Insights (24 January 2025).

claims by finfluencers may be actionable as “misleading advertisements” under Section 2(28) of the Consumer Protection Act, 2019, and the Central Consumer Protection Authority (“CCPA”) has the power to impose penalties and issue directions under Section 21 of the Act.²⁸ However, the CCPA’s 2022 Endorsement Guidelines and 2023 Dark Pattern Guidelines have so far been applied mainly to e-commerce and celebrity endorsements, and there is as yet no inter-agency coordination between SEBI and the CCPA on finfluencers, let alone a formal Memorandum of Understanding.²⁹ Similarly, while the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 require social-media platforms to remove unlawful content upon receipt of a government or court order, there is no legal requirement for platforms such as YouTube, Instagram or Telegram to label or take down unregistered financial advisory content, in contrast to the requirements in relation to political or health content.³⁰ This creates a potential consumer protection law issue, since even if SEBI successfully takes down a finfluencer’s content through an enforcement order, the underlying video may still be viewable by millions of followers.

4.7 Statistical Picture of Exposure

The potential exposure created by finfluencers is considerable. NSE data shows that 2024 witnessed the biggest annual increase in retail investors in India’s securities market history, with 2.32 crore new investors – of these, Uttar Pradesh recorded the biggest increase in new investor registrations, overtaking Maharashtra to record thirty-three lakh new investors.³¹ NSE’s Market Pulse data shows a wide regional disparity in financial literacy, with states such as Bihar and Jharkhand lagging significantly behind the western states in retail participation – this suggests that the typical finfluencer follower is likely to be a first-time, young investor from a low-income background who is much more susceptible to misleading advice.³² However, SEBI’s enforcement response to the finfluencer problem has been limited – as of October 2024, SEBI had issued warning letters to only twenty unauthorised investment advisers in the previous two months, and the number of final enforcement orders against finfluencers is in single digits as of 2025.³³

²⁸ Consumer Protection Act, 2019, ss. 2(28), 21.

²⁹ Central Consumer Protection Authority, Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022.

³⁰ Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021.

³¹ National Stock Exchange of India, Market Pulse, Vol. 7, Issue 1 (January 2025) 59.

³² “The Retail Investor Revolution: How 19 Crore Demat Accounts Reshape India’s Market” Outlook Business (16 July 2025).

³³ “Finfluencers Feel the Heat as Market Regulator Sebi Crackdown Looms” Business Standard (12 July 2024).

This suggests that SEBI's current enforcement strategy is not scalable.

5. FINDINGS

India's response to the finfluencer phenomenon is intermediary-focused, and leaves the direct connection between finfluencers and investors unregulated unless the former charge consideration for their services.

SEBI's enforcement actions against finfluencers are effective but limited in scope, targeting large-scale operations while leaving numerous smaller finfluencers untouched.

The UK's activity-based financial promotion model plugs the definitional gap in India's securities law by focusing on the nature of the communication rather than on whether the influencer is paid.

There is no inter-agency coordination between SEBI, the CCPA and the Ministry of Electronics and Information Technology on finfluencer content moderation, despite the potential consumer protection law implications.

The typical finfluencer follower is likely to be a young, first-time investor from a low-income background, and SEBI's limited enforcement response may not be sufficient to protect such persons from fraudulent trading advice.

6. RECOMMENDATIONS

1. **Revise the definition of investment advice:** Amalgamate Regulation 2(1)(m) of the 2013 Regulations, or create a separate definition, in order to bring specific, security-identified recommendation within the regulatory purview, on a parity with the inducement-based approach in the UK's Financial Promotion Order.
2. **Carve out an entry-level category:** Create a 'Registered Financial Content Creator' with reduced regulatory requirements but mandatory disclosure obligations to balance the entry costs for legitimate educators against the need for investor protection.
3. **Mandate platform-level disclosure:** In consultation with MeitY, SEBI must issue directions, under the IT Rules 2021, for the placement of a standard disclosure label alongside all financial content pieces and a publicly accessible directory mapping creators to SEBI registrations, akin to political advertisement guidelines.
4. **Establish inter-regulator coordination:** SEBI and the Central Consumer Protection Authority must formalise a standing MoU

for cross-notification of complaints and expedited takedown of misleading content, with both agencies exercising concurrent jurisdiction over unregistered entities.

5. **Publish an enforcement transparency report:** SEBI should publish annual data on warning letters, interim and final orders issued against delinquent finfluencers – modelled on the FCA's Financial Promotion Data series – in order to evaluate the deterrent impact on conduct as well as the regulatory burden of the 2024-25 reforms.

7. CONCLUSION

India's retail investing boom has shown signs of outrunning the regulatory scaffolding around its newest set of investors. The SEBI (Intermediaries) (Amendment) Regulations 2024 and the accompanying circulars are an overdue response to the threat posed to uninformed investors by unscrupulous influencers. The recent series of orders against P.R. Sundar, Mohammad Nasiruddin Ansari and Avadhut Sathe show that SEBI is confident in its ability to use its residual fraud-doctrine jurisdiction to target the worst offenders. However, at the level of definitions, SEBI continues to use the consideration-based approach, which works only for formal advisers. In order to effectively deter middlemen who do not brand themselves as advisers but continue to promote securities in exchange for kickbacks, a regulatory model akin to the UK's activity-based perimeter around financial promotions offers a pragmatic way ahead. India's next billion-dollar capital-raising market needs a regulatory framework that is as visionary as its ambitions.