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Capital Markets as the Gateway to India's Future: AI, Financialization and New Investment Frontiers

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THE EXPERTS' VOICE

A Compendium of Articles

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Foreword

India's capital markets have evolved remarkably over the past three decades, emerging as one of the most dynamic and vibrant market ecosystems. Today, they are not only channels for raising capital but also powerful enablers of enterprise, innovation and economic opportunity; playing an increasingly critical role in mobilizing savings, attracting investment, financing innovation and enabling broad-based wealth creation. The strength, depth and resilience of India's capital markets will be central to supporting the nation's growth ambitions in the decades ahead, truly positioning them as the gateway to India's future.

Artificial Intelligence is fundamentally reshaping market operations and investment decision-making, from algorithmic trading, surveillance and risk management to AI-driven advisory, underwriting and customer engagement. Financialization of the Indian economy is deepening, as domestic savings increasingly find their way into financial assets rather than traditional physical assets - a structural shift powered by rising retail participation, mutual fund SIPs, growing financial literacy and a widening base of first-time investors from smaller towns and cities. This transition is reshaping household balance sheets and strengthening the domestic institutional investor base as a stabilizing force in the market. At the same time, new investment frontiers are expanding the opportunity set available to investors - from the growth of AIFs, REITs and InvITs, to the rise of ESG and sustainable finance, private credit, commodity and derivatives markets and newer asset classes. Together, these developments are redefining how capital is raised, allocated and deployed across the economy.

The 23rd edition of FICCI's Annual Capital Markets Conference (CAPAM 2026), themed "Capital Markets as the Gateway to India's Future: AI, Financialization and New Investment Frontiers,"captures a defining moment in India's economic journey to reflect on the market ecosystem undergoing profound change.

On this occasion, we are pleased to present 'The Experts' Voice', a compendium of articles contributed by members of FICCI's National Committee on Capital Markets. The publication brings together perspectives from industry leaders and experts on the emerging opportunities, evolving landscape and policy priorities that will reshape the future of India's capital markets and build markets that are deeper, efficient, innovative and globally competitive.

We also take this opportunity to thank the leadership of SEBI, Ministry of Finance and Ministry of Corporate Affairs for their continued support to FICCI's initiatives through the year.

We also express our appreciation to the members of FICCI's National Committee on Capital Markets for their valuable time, insights and continued contribution to FICCI's policy advocacy. A special thanks to all the members who have contributed to this compendium.

We do hope you find this publication insightful.

Sunil Sanghai
Chairman
FICCI Capital Markets Committee



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Globally Competitive Capital Markets: Lessons from the World's Largest IPO

Sunil Sanghai
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There is much to be proud of in India's capital markets. Our trading platforms are world class, our clearing and settlement systems are among the fastest anywhere, our payment and transfer mechanisms work with quiet reliability, and our regulatory architecture has earned genuine international respect. Defaults are rare, disruptions rarer still. In the secondary market, where shares change hands every minute in millions, we can say with confidence that we stand shoulder to shoulder with any developed market in the world.

A market has two engines. The secondary market provides liquidity; the primary market provides capital. It is the primary market that allows companies to raise resources, fund factories, hire people, and build the future. Here, candidly, we are not yet firing on both engines. Our primary market, for all its recent vibrancy, remains slower, more rigid, and more prescriptive than it needs to be.

Nothing illustrates this better than the largest IPO in history, the blockbuster listing of SpaceX in the United States this June. Consider the arithmetic of it. SpaceX confidentially filed its draft papers with the US securities regulator on April 1, 2026. Its public prospectus followed on May 20. The roadshow began on June 4, the issue was priced on June 11, and the shares began trading on Nasdaq on June 12. A $75 billion offering, valuing the company at roughly $1.8 trillion, was completed start to finish in about ten weeks. In India, a transaction a fraction of that size would comfortably take several months, sometimes the better part of a year, from draft filing to listing.

Why does speed matter? Because markets are dynamic and money has a time value. A window of favourable sentiment can open and close within weeks. Efficiency in the primary market is not a luxury; it is the difference between capital raised and capital foregone.

The second, subtler difference is flexibility. As markets and market participants mature, the best regulatory frameworks evolve from prescription based on rules towards discipline based on principles, where the regulator sets the guardrails and the market makes the commercial choices. SpaceX offers a striking example. Instead of the customary price band, it announced a single fixed price of $135 per share, take it or leave it. Investors were free to walk away. They did not; the book was oversubscribed several times over. The regulator did not need to script the pricing; disclosure and market forces did the work.

Contrast this with our framework, where almost everything is codified: the nature of the transaction, the mix of fresh and secondary shares, periods for which shares are locked in, the methodology of allocation, the definition of a promoter, the treatment of founders, and even the format in which information must be presented. Each rule was written with good intentions. Together, they leave issuers and investors with remarkably little room to structure a transaction that suits their circumstances.



A few areas deserve a fresh look. The identification of promoters, and the elaborate disclosures that flow from it, are essentially commercial matters between the issuer and its investors, the two parties best placed to decide what assurance they need from each other. Requirements for locking in shares, similarly, could be guided by broad regulatory direction rather than exhaustive prescription of every category and tenure; in the US, the customary 180 day restriction on insider sales is largely a contractual norm, not a statutory straitjacket.

Indeed, the SpaceX lockup itself showed remarkable flexibility: some investors could sell in stages well before 180 days, while Mr Elon Musk voluntarily agreed to a lockup of 366 days. The market, not the rulebook, struck that balance.

The size of an offering should reflect market appetite on the day, not a formula. And allocation, today an intensely process driven exercise, is at heart a commercial judgement about building a quality shareholder register, and is best left to issuers and their bankers within fair, transparent principles.

Retail participation deserves special mention. As transaction sizes grow ever larger, there is a strong case for retail investors participating through their brokers, exactly as they do in the secondary market every day. This would compress allocation timelines and allow trading to commence sooner.

The predictable objection is that such freedom will harm investors, and that the regulator must therefore prescribe. History suggests otherwise. We heard precisely this argument when India moved away from controlled pricing of public issues in the early 1990s. The sky did not fall. Free pricing unleashed three decades of growth in which issuers, investors, and the

market itself have flourished. Sensible deregulation, anchored in strong disclosure, has consistently made our markets bigger, deeper, and safer, not weaker.

None of this diminishes the credit due to our regulator, which has built one of the most trusted market frameworks in the emerging world. It is, rather, an invitation to take the next confident step. We have the plumbing of a developed market; we now need its flexibility as well. Trust the disclosure regime we have so carefully built, trust the sophistication of our investors, and let commercial decisions rest with those who bear their consequences. Less prescription and more principle will not dilute our markets. It will complete them.





Capital Markets as the Gateway to India's Future: AI, Financialisation and New Investment Frontiers

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At NSDL, the safe keeper of India's wealth, technology is not just about speed; it is about strengthening trust.

India's aspiration to become a Viksit Bharat by 2047 is about far more than achieving a higher GDP. It is about creating an economy that is innovative, resilient, inclusive and globally competitive. Realising this vision will require unprecedented levels of capital formation, making capital markets one of the most important pillars of India's development journey.

Today, capital markets are no longer merely platforms where companies raise funds and investors trade securities. They have evolved into essential national infrastructure that channels savings into productive investments, finances innovation, supports entrepreneurship and enables millions of citizens to participate directly in the country's growth story.

As India enters its next phase of development, the question is not whether capital markets will matter, but whether they are prepared to support an economy of India's future scale, sophistication and global relevance.

Over the last five years, Indian capital markets have undergone a remarkable transformation. The number of demat accounts has increased from 4 crores in 2020 to more than 22 crores today, reflecting one of the fastest expansions of investor participation globally. The registered investor base has grown more than five-fold during this period, driven by digital onboarding, improved financial awareness, and easier access to investment products

The growth in market depth has been equally impressive. The market capitalisation of NSE-listed companies has reached approximately ₹411 lakh crore (US$4.8 trillion), positioning India among the largest capital markets in the world. Capital mobilisation through equity and debt issuances has also reached record levels, supporting corporate expansion, infrastructure development and economic growth.

This progress marks an important shift in the evolution of Indian markets. The last decade was largely about expanding access and participation. The next decade will be about improving market depth, broadening the investment universe, enhancing capital allocation efficiency and strengthening institutional participation. As India advances towards becoming the world's third-largest economy, capital markets will play an increasingly central role in funding infrastructure, manufacturing, innovation, clean energy and entrepreneurship.

For institutions such as NSDL, this represents both a responsibility and an opportunity. Our role extends beyond settlement and record-keeping. We are custodians of trust, the invisible foundation that allows every investor, issuer and intermediary to participate with confidence.

Trust: The Foundation of Sustainable Growth

Every successful capital market is built on trust.

Investors participate because they are confident that ownership is protected, transactions settle with certainty and markets operate with integrity. Issuers raise capital because they trust that markets are efficient and transparent. Global investors allocate capital to economies where institutions inspire confidence over long investment horizons.



Trust, therefore, is not merely an outcome of well-functioning capital markets. It is the infrastructure that makes them possible.

India has spent decades building institutions that have earned this confidence. Strong regulation, technology-led reforms and world-class market infrastructure have helped create a financial ecosystem recognised globally for its resilience and integrity.

The scale of participation demonstrates the strength of this foundation. India today has over 22 crore demat accounts, compared with approximately 4 crore in 2020, reflecting the rapid democratisation of investing across the country. Importantly, this growth is no longer confined to major metropolitan centres. Millions of investors from Tier II and Tier III cities are now participating in formal financial markets, expanding both market depth and inclusiveness.

As participation expands, preserving confidence becomes our foremost responsibility. Trust must remain invisible in daily operations but absolute in its outcomes.

Financialisation: Transforming Savers into Stakeholders

Perhaps the most profound structural transformation underway in India is the financialisation of household savings. For generations, Indian households relied primarily on physical assets such as gold and real estate. Today, however, increasing numbers are allocating savings toward equities, mutual funds and other market-linked instruments.

The momentum behind this shift is unmistakable. Monthly SIP contributions have reached nearly ₹30,000 crore, mutual fund assets under management have crossed ₹80 lakh crore, and mutual fund folios have surpassed 25 crores. These are not merely statistics. They reflect a fundamental change in the way Indian households think about wealth creation.



This transition represents much more than changing investment preferences. It signifies a movement from passive saving to active participation in India's economic progress.

Millions of households are becoming stakeholders in Indian enterprise, innovation and infrastructure. Domestic capital is becoming deeper, more stable and increasingly capable of supporting long-term economic development.

Yet significant opportunities remain. Despite the impressive growth in participation, only around 5-7% of India's population actively participates in capital markets. This highlights the immense potential that still exists to deepen financial inclusion and bring millions more citizens into the formal investment ecosystem.

The next phase of financialisation will not be measured simply by account openings. It will be measured by informed participation. Awareness must translate into confidence, confidence into long-term investing and investing into sustainable wealth creation.

Viksit Bharat and the Capital Market Imperative

The vision of Viksit Bharat 2047 is fundamentally linked to the ability of the financial system to efficiently channel savings into productive investments. India's development aspirations, spanning infrastructure expansion, manufacturing growth, technological innovation, urbanisation and energy transition, will require substantial and sustained capital investment. Capital markets provide the bridge between savings and growth by mobilising domestic and global capital at scale.

In many ways, the journey towards Viksit Bharat will also be a journey towards deeper, broader and more inclusive capital markets. A developed economy requires developed financial markets, where households, businesses, institutions and global investors participate confidently in the country's long-term growth story.

Financing India's Next Growth Chapter

India's growth story is now entering a new phase. Sectors such as infrastructure, advanced manufacturing, renewable energy, logistics, healthcare, digital technologies and urban development will require significant long-term financing over the coming decades. Meeting these requirements will demand capital markets that are broader, deeper and more diversified.

Alongside traditional equity and debt markets, emerging instruments such as REITs, InvITs, municipal bonds, green bonds, sustainability-linked securities and securitised assets are creating new pathways for capital formation. These instruments allow investors to participate directly in infrastructure creation, urban transformation & sustainability-

linked growth while providing diversified funding channels for issuers.

In recent years, growing domestic institutional participation and consistent SIP inflows have also strengthened market resilience during periods of global volatility, creating a more balanced ecosystem supported by both domestic and international capital.

Equally important is India's expanding innovation economy. As startups mature into public companies and technology-led businesses access capital markets, investors will gain exposure to sectors that will define India's next generation of economic growth.

The Next Frontier: India's Bond Market

While India's equity markets have achieved considerable scale, the corporate bond market represents one of the most significant opportunities for future development. Large-scale infrastructure projects, renewable energy investments and industrial expansion require long-duration financing that cannot depend solely on traditional bank lending. A deeper bond market can diversify funding sources, lower financing costs and improve overall capital allocation efficiency.

The coming decade is likely to witness greater participation by pension funds, insurance companies, mutual funds and international investors. Products such as municipal bonds, green bonds, sustainability-linked bonds and infrastructure debt instruments are expected to play an increasingly important role in financing India's development priorities.



A mature bond market will be indispensable in supporting India's economic ambitions and strengthening the overall financial ecosystem.

AI: Building Smarter Markets and New Economies

Artificial Intelligence is poised to become one of the defining forces shaping the next phase of economic and market evolution. Its importance extends far beyond automation. AI has the potential to transform how businesses operate, create entirely new industries, improve productivity and accelerate innovation across sectors.

Within capital markets, AI can significantly enhance surveillance, fraud detection, anti-money laundering controls, compliance monitoring, customer onboarding and risk management. It can help shift decision-making from reactive processes to predictive intelligence.

Equally important, AI will drive demand for new skills across data science, machine learning, cybersecurity, advanced analytics and digital governance. It will create new career pathways, foster innovation and strengthen India's position in the global technology landscape.

India's strong digital public infrastructure, large technology talent pool and vibrant startup ecosystem position the country exceptionally well to emerge as a global leader in AI-enabled innovation.

However, AI must strengthen confidence rather than compromise it. Its deployment must remain ethical, transparent, explainable and accountable, particularly where it affects market integrity, investor protection and regulatory outcomes.



Blockchain and the Future of Market Infrastructure

Alongside AI, Blockchain and Distributed Ledger Technology (DLT) have the potential to transform market infrastructure. For Market Infrastructure Institutions, these technologies can improve transparency, security, auditability and operational efficiency throughout the securities lifecycle.

Potential applications include near real-time settlement, tokenisation of assets, digital corporate actions processing, collateral management, KYC sharing frameworks and cross-border transaction facilitation.

Tokenisation is particularly promising. By enabling fractional ownership of financial and real-world assets, it can expand investor access, improve liquidity and create new forms of capital formation.

While adoption will depend on regulatory evolution and interoperability standards, blockchain technologies have the potential to complement existing market infrastructure while reinforcing trust and resilience.

At NSDL, we view technology not as a substitute for trust but as an enabler of trust.

Global Confidence Begins with Strong Domestic Institutions

As India's capital markets become increasingly integrated with the global financial system, international investors will remain important partners in the country's growth journey. Their confidence is shaped not only by economic growth but also by institutional credibility.

Transparent governance, efficient market infrastructure, predictable regulation and strong investor protection collectively influence how global capital views India over the long term.

At the same time, India's growing domestic investor base has become an important source of market resilience. The objective is not to choose between domestic and foreign capital, but to build markets strong enough to attract both while remaining resilient across economic cycles.

The Next Decade

The next decade will be defined by greater participation, inclusion and trust in India's capital markets. From 2.5 crore demat accounts in 2016 to over 22 crores today, and a mutual fund industry managing more than ₹80 lakh crore in assets, India's growth story is already remarkable.

Looking ahead, India could see 40-50 crore demat accounts and an equity market capitalisation of US$10-15 trillion over the next decade, driven by financialisation, digital adoption and rising investor participation.

This growth will be powered by millions of new investors, deeper domestic capital pools and wider access to financial opportunities. As India advances toward developed-nation status, trusted market infrastructure will remain the foundation of sustainable growth. The opportunity is unprecedented, and so is our responsibility: to build an accessible, resilient and inclusive market ecosystem for the aspirations of the next generation.



Unlocking the Productivity of India's Savings

Utpal Sheth
Co-chair, FICCI Capital Markets Committee; Founder & Mentor, TRUST Group



India's capital markets story over the last decade has been told, justifiably so, in superlatives. Demat accounts have multiplied several-fold, SIP flows have made the domestic investor a counterweight to foreign capital, and our market infrastructure is now among the finest in the world. The next chapter of this financialization megatrend, however, will be written not in the markets themselves but in the savings that feed them. Household financial savings stand at around 10 per cent of GDP, compared with 12–13 per cent a decade ago, and have yet to grow in step with the markets they fund. The engine we have built is world-class; the fuel line now deserves the same attention. The question before policymakers is therefore not merely how to channel savings into markets, but how to make every rupee of savings more productive once it enters the financial system.

The rational saver

Why does so much Indian wealth still sit in gold and land? We tend to reach for cultural explanations. I think the humbler explanation is the correct one: the saver is responding to incentives exactly as any of us would. A rupee placed in a financial instrument is formal, visible, and taxed at every stage of its life. A rupee in gold or land largely is not. This is not an argument for taxing physical assets more heavily, and it is certainly not a complaint about taxation - the state needs its revenues, and every serious reform proposal must respect that constraint. It is an argument for gradually levelling the field, so that the formal instrument is not the disadvantaged one. It helps to remember that our tax-free income threshold relative to median income is among the most generous globally. As incomes rise and the base widens naturally, the pressure on formal savings as a source of revenue will ease.

Now follow the rupee that does become a bank deposit. About 21 per cent is set aside under CRR and SLR. Of what remains, 40 per cent is directed to the priority sector. Roughly 47 paise is available for lending on purely commercial terms, and those 47 paise must also carry the weight of whatever the directed portion does not earn. I want to be careful with the framing here. These pre-emptions were built for good reasons, in an era when they were the only tools available. The ques-

tion is not whether they were wise then but whether we can afford them now, when firms in India are estimated to pay 300 to 500 basis points more for capital than their competitors in China, Europe and North America.

The way forward is well understood. Sustained fiscal consolidation - through disinvestment of public sector undertakings and monetization of public assets, pursued together rather than as substitutes, worth at least ₹3 lakh crore a year - creates the headroom to bring SLR down in careful steps, just as the RBI's reduction of CRR to 3 per cent last year moved in this direction. A government that increasingly funds itself from asset sales rather than from a pre-committed share of deposits is releasing the nation's savings to do what savings are meant to do. This continued fiscal consolidation by the Centre and the states would add directly to the nation's savings pool - potentially worth as much as half a percentage point of sustainable additional GDP growth.

Banking must do what the capital markets did - reduce friction

The second lever sits inside our banks. The operating cost of Indian banking has stood at about 2 per cent of average assets for over a decade. In that time balance sheets have grown multi-fold and technology has rebuilt nearly every process a bank runs. Net interest margins (NIM) have held near 3–3.5 per cent for a quarter of a century, against roughly 1.5 per cent in Europe and about 2 per cent in China, whose banks run at half our cost. These margins and operating costs together represent the friction in intermediation, and reducing them can unlock larger participation and greater efficiency across the system. We have already seen this play out in the capital markets, where the reduction of friction costs has resulted in a multi-fold increase in investor participation as well as in providers of products and services - asset management companies, online brokers, insurance companies and more.



The gains of scale and technology are real and are being generated. The opportunity now is to pass them through to the borrower and the depositor - for whom, after tax, real returns on deposits have been close to nothing for much of the past decade. A deposit that rewards the saver in real terms is the surest invitation for savings to return to the financial system. A healthy corporate bond market will complement the banking system in this endeavour.

I believe we have a framework for solving this, akin to how it has played out in the capital markets. Thirty years of deliberate policy - dematerialization, electronic trading, competition among intermediaries, steady pressure on fund expenses - has taken the cost of capital markets intermediation in India to among the lowest in the world. Savings followed the falling costs; and the growth of equity participation and mutual fund industry is the evidence. This is one of Indian public policy's quiet triumphs, and it is a template and not a trophy. Applied with the same patience to banking and insurance, it would draw the great pool of informal savings toward the financial system. Over time, and as fiscal room permits, the same logic invites a gradual shift in how the sector is taxed - toward income and wealth and away from the transaction itself. This is a direction of travel, not a demand on next year's budget.



Completing the architecture

The third lever is regulatory, and I want to begin by acknowledging how far our regulators have come. The RBI today adjusts risk weights and capital requirements counter-cyclically as a matter of routine - a sophistication that did not exist through the asset quality cycle of 2013-15. Our regulators have earned the right to take the next step, and the system is mature enough to absorb it.

Within each sector, regulation has improved steadily. It is between sectors - in the rules governing how banking, insurance, pensions and markets work with one another - that the circuitry remains incomplete. A financial system creates value by unbundling risk, pricing each element, and passing it to whoever can carry it best. Vehicles like REITs and InvITs have had a very encouraging start and are blossoming well. Several channels are still to be opened: credit insurance by insurance companies, fuller participation by banks in derivatives markets, securitization — currently below 1 per cent of outstanding credit rate swaps for the ordinary floating-rate borrower.

The corporate bond market is where completing this circuitry would pay first and pay most. More than 80 per cent of outstanding issuance is rated AA or better. The market below that grade is waiting for the instruments - credit insurance, credit derivatives, securitization - that let an investor hold such paper with confidence. Enable the instruments, reduce constraints on institutional investors to be able to invest below AA-rated to A-rated instruments and the market will deepen on its own, easing the load on bank balance sheets and cutting the cost of capital for the broad middle of Indian enterprise.

The full rupee

The three levers share a design: none requires new resources, and none requires permission from the world. Fiscal consolidation releases savings from pre-emption. A lower cost of intermediation rewards the saver and deepens the pool. A completed regulatory architecture ensures that what the pool finances is priced well. Each strengthens the other two - which is why pursuing them together will achieve what pursuing any one alone has not. The capital markets have already shown what Indian policy delivers when cost and efficiency are made explicit goals. Extend that ambition across the financial system, and the forty-seven paise rupee becomes a full one. Reduction of cost of capital can enhance the nation's competitiveness. A nation that saves as earnestly as India does deserves a financial system that makes every paisa count - and that, more than any single product or technology, is the gateway to India's future.



India's Capital Markets: From Financing Growth to Shaping the Future

Sonia Dasgupta

Co-chair, FICCI Capital Markets Committee;
Managing Director & Chief Executive Officer-Investment Banking, JM Financial



India is now pursuing two intertwined goals – to emerge as a global investment destination and to become a developed economy by 2047. Achieving this vision depends on mobilising, allocating, and multiplying capital at scale. In that context, capital markets can play a strategic role by evolving beyond trading platforms into the primary architecture channelising household savings into productive investments. Capital markets are where entrepreneurial ambition is financed, infrastructure is developed, and long-term wealth is created.

A convergence of three powerful catalysts is now bringing about a deep structural transformation. The first one is artificial intelligence which is reshaping market infrastructure, optimising illiquid asset underwriting, and refining real-time risk surveillance. Second is the rapid financialisation of household wealth, signalling a departure from physical assets like gold and real estate. The trend is creating a deep domestic pool of patient capital. With monthly SIP inflows consistently crossing the ₹30,000 crore milestone and mutual fund industry AUM scaling past ₹80 lakh crore, this steady retail liquidity now acts as a vital "domestic volatility cushion" that insulates Indian markets against foreign capital shocks. The third one is the rapid expansion of alternative asset classes from REITs and InvITs to private credit, corporate debt, and sustainable finance. This momentum is democratising high-yield access for investors while delivering tailored, non-bank funding options for enterprise growth.

All these developments will have a far-reaching impact on the economy. They signal the emergence of a resilient and multi-asset capital market ecosystem, setting the stage for driving India's long-term development ambitions while making wealth creation more inclusive.

From Savings to Capital Formation

India has conventionally been perceived as a nation of savers. However, there is a shift taking place, and it is becoming a nation of investors. The structural migration of household wealth from illiquid physical assets, such as real estate and physical gold, and into formal financial instruments represents one of the most profound macroeconomic shifts.

With total mutual fund folios crossing the 270-million mark and over half of new systematic investor registrations originating from beyond India's top 30 cities, financial participation is becoming truly broad-based. This recurring domestic retail pool acts as a vital structural buffer, dampening market volatility caused by foreign institutional capital swings and stabilising the overall cost of capital for domestic corporate issuers. These trends reflect growing confidence in organized capital markets as long-term wealth creation platforms.

Having said that, in a nation of 1.4 billion people, market-linked assets still represent a modest fraction of household balance sheets. The imperative for this next phase, therefore, extends beyond simple digital onboarding and expanding basic access. It is about strengthening portfolio maturity, enhancing risk-adjusted investor outcomes, and cultivating a disciplined culture of long-term multi-asset allocation that can comfortably navigate economic cycles.

Artificial Intelligence: The New Intelligence Layer of Capital Markets

Artificial intelligence has become one of the important transformative forces in modern finance. Its impact extends well beyond algorithmic trading. Across global markets, AI is reshaping the capital market value chain which involves investment research, fraud detection and compliance. Goingbeyond conventional analytical methods, machine learning models equip institutions to analyse vast datasets, identify emerging patterns, and track systemic risks.

AI is also playing an important role in boosting market integrity. Regulators across the world are deploying AI to improve surveillance, spot market manipulation, identify suspicious trading patterns and enhance supervisory capabilities. Given the fact that the financial ecosystem is becoming increasingly complex and interconnected, regulation with AI intelligence will be as important as intelligent investing.

However, technological advancement cannot sacrifice trust. Algorithmic opacity, cybersecurity vulnerabilities, data privacy concerns and model bias pose legitimate risks and proactive governance is required to address these challenges.

The future belongs to responsible progress where technology moves ahead with transparency, accountability and investor protection.

Expanding the Investment Universe

Perhaps the most exciting transformation in India's capital markets is the fast-paced expansion of opportunities to invest. For decades, Indian investment portfolios were about listed equities, fixed deposits, gold, and real estate. However, that outlook is gradually broadening. REITs and InvITs now offer access to income-generating commercial real estate and infrastructure. Alternative investment funds are unlocking new avenues for investors. Private credit has become a vital source of growth capital. In addition, sustainable finance instruments including green bonds and ESG-linked debt are facilitating capital allocation prioritising environmental and social commitments.

This diversified approach strengthens the capital market ecosystem and benefits both businesses and investors. They gain access to a wider range of risk-adjusted investment opportunities. On the other hand, businesses benefit from more flexible and diversified sources of financing.

India's capital markets are evolving from being largely equity-centric to becoming multi-asset platforms capable of financing every stage of enterprise growth, from early-stage innovation and private capital to listed equity, infrastructure financing and long-term debt markets.

Deepening Markets for a Developed Economy

As India is making rapid strides towards becoming a $10 trillion economy, the demand for long-term capital will rise. Only bank balance sheets can't finance infrastructure, energy transition, manufacturing, urbanisation and digital innovation. Banks will remain indispensable. But they cannot be the only channel for long-tenure capital.

This is where India's corporate bond market has a role to play. The market has grown over the past decade, from around Rs.17.5 trillion in FY2015 to over Rs.53 trillion in FY2025. Nevertheless, at approximately 15–16 per cent of GDP, India's corporate bond market1 remains considerably smaller than those of many advanced and emerging Asian economies. This gap reflects untapped financing capacity for India's development goals.

A deeper bond market helps in diversifying funding sources, decreasing reliance on bank credit, and lowering systemic risk. It also provides patient capital to infrastructure development andmanufacturing firms, climate-transition projects, and high-growth enterprises in line with their long- term investment horizons.

The next phase of reforms should focus on five aspects – (1) broadening the issuer base, (2) improving secondary market liquidity, (3) encouraging greater retail participation, (4) simplifying issuance processes and (5) leveraging digital technologies. This will make debt markets more transparent and accessible.

Building Trust in an AI-Driven Marketplace

While technology's transformative impact on markets is inevitable, trust remains the most valuable currency. The democratisation of investing has dismantled entry barriers. Digital platforms, mobile applications and AI-enabled advisory tools have made investing simpler, faster and more accessible. However, access does not translate into informed participation.

Transparency, governance and accountability continue to form the foundation of investor confidence. As AI is becoming a part of investment decision-making and market infrastructure, regulatory frameworks need to keep pace with the emerging reality. While focussing on outcomes, policymakers should ensure explainability, robust data governance, cybersecurity, algorithmic accountability and consumer protection.

India's Moment to Lead

The interplay of AI, domestic savings, multi-asset products, and progressive regulation creates a unique ecosystem. Technology delivers efficiency, financialisation provides capital, new investment vehicles broaden opportunities, and robust regulation builds trust. They come together to form a virtuous cycle of capital formation.

Going forward, India's economic journey will therefore be shaped not only by the pace of reforms, but also by the resilience of its capital markets. India's capital markets are emerging as one of its principal architects of the country's growth story. Capital markets should be one of the key foundations, as India is set to accelerate its journey to become a developed economy by 2047.



The Next Chapter of India's Growth will be Powered by Trust, Technology and Capital

A. Balasubramanian
Managing Director & Chief Executive Officer,
Aditya Birla Sun Life AMC Limited



A country's next decade of growth is ultimately funded not by intent or ambition, but by capital and the trust that allows it to move freely. Every era has had one force that reshaped the economy around it: liberalisation opened India up in the 1990s, globalisation carried it outward through the 2000s and digitisation quietly rewired the years since. The decade now unfolding will be remembered for something more layered - the point where capital, technology and investor participation converge, deciding not merely how fast India grows, but how well it grows.

Three structural shifts are unfolding at once: the financialization of household savings, the rapid adoption of Artificial Intelligence across financial markets and a new global order in which capital is increasingly seeking economies with stable institutions and credible policy. Individually, each is significant. Together, they are turning India's capital markets from a venue for raising money into something closer to national infrastructure. They are becoming the bridge between household savings and productive investment, connecting domestic aspirations with entrepreneurial ambition and long-term economic development.

Household Savings Are Becoming India's Financial Bedrock

For decades, wealth creation in India was largely associated with physical assets such as gold and real estate. While these assets continue to be an integral part of household portfolios, financial assets are steadily occupying a larger share of long-term savings. Millions of investors today participate in capital markets through mutual funds and other regulated investment avenues, reflecting a structural shift in how wealth is being created and preserved. Systematic Investment Plans crossed Rs. 31,000 crore a month through most of 2026, with SIP assets now close to a fifth of the mutual fund industry's AUM. Regular investments through SIPs have encouraged households to participate in long-term wealth creation instead of reacting to short-term market movements.

This is much more than a change in investment behaviour. It represents a fundamental strengthening of India's capital formation process.

One moment from March 2026 illustrates this better than any statistic. An escalating crisis in the Middle East pushed oil prices higher, the rupee came under pressure and foreign investors withdrew from Indian

equities at a record pace. In an earlier decade, such an exit would have caused serious disruption. This time, domestic mutual fund investments stepped in and absorbed the impact in a steady and orderly manner. Retail investors continued their SIP contributions without interruption; in fact, they invested more than ever that month.

This demonstrates that the financialization of savings is no longer only a concept but the shock absorber standing between global risk-aversion and Indian market stability.

Building Indian Investor Depth, Beyond Foreign Sentiment

This resilience is being noticed well beyond India's borders, as global capital increasingly gravitates toward economies that combine growth with stability. That makes India not just one option among many for investors committing capital over the next decade, but increasingly the more compelling one, as it continues to deliberately widen its domestic buffer across asset classes.

Policy is also doing its part to reinforce this. The RBI's concessional swap facility for fresh FCNR deposits, opened in June 2026, has already mobilised over $17 billion from overseas Indians within weeks and with momentum still building, is set to become a meaningful buffer for the economy against external shocks like elevated oil prices. It is the same playbook that helped stabilise the rupee during the 2013 taper tantrum, now redeployed pre-emptively rather than reactively.



As India works towards Viksit Bharat 2047, the ask on capital markets will only grow larger. Manufacturing, energy transition, logistics and urbanisation all require patient capital sustained over many years. Meeting these aspirations cannot depend on a single source of financing alone.

This calls for an ecosystem where different parts of the capital market work together, with equity, debt and alternate platforms each playing their part, supported by wider institutional participation, to build something more diversified and more resilient. Alternative Investment Funds are a case in point. From under Rs. 30,000 crore in commitments a decade ago, the industry has crossed Rs. 15.74 lakh crore, compounding at roughly 30% a year, indicating that sophisticated Indian capital needs are growing well beyond traditional choices.

Deepening the Corporate Bond Market

India's corporate bond market has grown but remains below its potential. It has expanded steadily over the past decade yet stays considerably underpenetrated relative to where it could be. Much of it is still placed privately among institutions, with limited trading activity thereafter and retail participation, while gradually improving, continues to begin from a modest base.

Deepening this market is what will allow financing for infrastructure, manufacturing and smaller enterprises to scale, without depending entirely on bank lending or on foreign capital that can turn unpredictably.

Beyond the Trade, AI as Market Infrastructure

Artificial Intelligence is the other force reshaping this decade and its true role lies in infrastructure, not merely investment.

Much of the current conversation treats AI purely as an investment opportunity. That is only part of the story. Within capital markets, its



more lasting impact will be operational: stronger risk management, faster compliance, better regulatory supervision and investor experiences that extend advice further than human capacity alone would allow. Like every transformative technology before it, AI will move through phases of enthusiasm and correction; this is not a cause for concern, but simply how markets absorb new technology. The opportunity is genuine and India's institutions must use it responsibly enough to build lasting efficiency once the cycle settles.

Trust Is What Makes All of This Compound

Technology can accelerate outcomes; it cannot substitute for trust.

The strength of any capital market ultimately rests on investor confidence. Transparent regulation, sound governance and robust market institutions encourage participation, deepen markets and create confidence across economic cycles. India's regulatory framework has played a critical role in building this trust over the years, enabling broader participation from both domestic and international investors.

Perhaps the most visible evidence of this confidence is the rise of disciplined investing, which has fundamentally changed the character of Indian markets. For investors, the principles of wealth creation remain remarkably consistent despite a rapidly changing world.

Asset allocation continues to be the foundation of every successful investment journey. Equities remain an important asset class for long-term wealth creation, particularly given the power of compounding they offer to investors who stay invested over time. Hybrid and multi-asset strategies help navigate market cycles, while fixed income provides stability and balance. Successful investing is rarely about predicting the next market movement; it is about remaining disciplined through many market cycles.

One simple habit deserves greater attention. As incomes grow, investments should grow with them. Every salary increment presents an opportunity to strengthen long-term savings. Windfall gains are often better deployed systematically rather than remaining idle. Compounding works best when discipline becomes a habit rather than an occasional decision.

Redefining Indian Capital Markets

Together, these forces are redefining capital markets, turning them from mere mechanisms for raising capital into the meeting point where personal ambition, national priorities and long-term growth all draw from the same pool of capital.

That is why the next chapter of India's story will not be written by growth alone. It will be written by how wisely the country mobilises savings, the thought with which it allocates capital, the favourability of the policies that shape its future and how firmly it builds trust in its financial institutions for the long term.



Pre-IPOs: Emerging Investment Frontier for IPOs

Ravi Dubey
Partner,
Cyril Amarchand Mangaldas



In the context of unlisted companies, an offering of securities prior to completion of the initial public offering ("IPO"), known a s a "Pre-IPO", is gaining momentum. Many IPO bound companies have undertaken a Pre-IPO as a strategic investment, structured as a primary and/or secondary fund raise, to achieve objectives including valuation benchmarking and boosting investor confidence. Pre-IPO investors are typically family offices, alternative investment funds, public market investors expecting a larger allocation in the IPO, or strategic private funds. These Pre-IPO investors typically hold shares for a shorter term than traditional investors who invest long before IPO is envisaged.

Popularity of Pre-IPO transactions is primarily due to the independent private market valuation ascribed to a company, which serves as a reference point for public market investors. For a company seeking capital until listing, a primary Pre-IPO provides an avenue for equity financing without burdening the balance sheet with additional debt. A secondary Pre-IPO, meanwhile, allows existing investors to unlock value and obtain interim liquidity until the company gets listed.

Key consideration for Pre-IPO

In this article, we analyse some key legal considerations which issuers and investors should bear in mind while undertaking a Pre-IPO, post filing of the draft offer document.

Regulatory framework

(a) Limitation on fund raise

A primary Pre-IPO is subject to two significant limitations: (a) a cap on the overall Pre-IPO amount; and (b) mandatory disclosure of a possible Pre-IPO in the draft offer document. A primary Pre-IPO can be up to a maximum of 20% of the overall fresh issue disclosed in the draft red herring prospectus ("DRHP"), and the Pre-IPO funds must then be utilized towards the objects disclosed in the draft offer document, reducing the fresh issue size to that extent. No such limit applies to a secondary Pre-IPO, except that a selling shareholder (in certain situations) cannot sell more than 50% of its shareholding through Pre-IPO and IPO combined, as per the Securities and Exchange Board of India (Issue

of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"). Interestingly, a Pre-IPO fund raise does not count towards the minimum public offer required under the Securities Contracts (Regulations) Rules, 1957 (SCRR), which could be a significant limitation for IPO bound companies if the reduced IPO size fails to meet minimum public offer requirements.

Pre-IPO investments are typically undertaken closer to the launch of an IPO, given the short investment horizon of such investors, meaning their timing often coincides with the filing of the updated draft red herring prospectus with SEBI (UDRHP), a confidential filing made prior to filing of the red herring prospectus (RHP). As a result, primary Pre-IPOs are typically plain vanilla equity issuances, leaving little room for convertibles. Although convertibles are not prohibited for Pre-IPOs under the ICDR Regulations, the time required for conversion may derail IPO timelines. Convertible instruments are more feasible where the Pre-IPO investment takes place after DRHP filing, allowing sufficient time for conversion, albeit with a different investment horizon for incoming investors.

Pre-IPOs also cannot act as an arbitrage for investors seeking a deep discount on account of listing risk. SEBI has often required companies to justify their Pre-IPO offer price, and as a result, any IPO price linked conversion price or downward protection is not permitted.

(b) Down selling and lock-in restrictions

While Pre-IPOs have proved a successful investment strategy for many investors, they come with their own challenges. Importantly, investments made through Pre-IPOs are subject to a lock-in of six months, subject to certain exceptions for venture capital fund or alternative investment fund of Category I or Category II or foreign venture capital investor.



A further concern is delay in an IPO launch, which can pressure incoming investors to exit their position. Selling within six months of allotment or transfer of shares could amount to potential deemed public offering (i.e. a public offering of securities without following due process). Recent transactions show that, due to IPO delays from market conditions, Pre-IPO investors seeking liquidity have offloaded shares, resulting in deemed public offering exposure. It is therefore advisable that a Pre-IPO investment contains lock-in or similar restrictions to curb down selling risks in case of delay, though this would limit exit timelines for such investors.

(c) Buyback arrangements

Various structures have been floated to address down selling risk while allowing Pre-IPO investors to exit, but the ICDR Regulations imposes certain limitations to such exit structures. For example, buyback arrangements by the IPO company, its directors, or book running lead managers are prohibited during the currency of the IPO. This is an absolute prohibition, and while historically limited to equity shares offered in the IPO, regulators have since clarified it extends to other equity securities as well, making buybacks arrangements a major impediment to Pre-IPO investors.

(d) Mutual funds participation

Until recently, mutual funds were a popular investor class for Pre-IPOs, as their investment facilitated an independent arm's length valuation and served as a benchmark for other IPO investors, while also benefiting retail and HNI investors and the mutual fund's own public investors through Pre-IPO bucket allocation. However, in October 2025, SEBI clarified that mutual fund schemes may only participate in the anchor investor portion or the main public is-



sue book of an IPO. This limitation warrants reassessment given the value creation opportunities mutual funds now miss out on.

Investor rights in Pre-IPO

Special rights held by a shareholder prior to an IPO are generally required to fall away upon listing and are, in certain manner, trimmed down for certain special rights in the journey up to listing. Given their limited utility and shelf life as an IPO nears, Pre-IPO investment agreements typically contain fewer special rights than earlier-stage agreements. Any special rights sought by Pre-IPO investors should therefore be carefully examined and ideally restricted to contingencies where an IPO is no longer feasible.

Linked to this is the 'diligence expectation' of Pre-IPO investors. Given regulatory restrictions on IPO bound companies, diligence standards are typically limited to the representations and warranties in the investment agreement. Any diligence exercise undertaken must be carefully calibrated to ensure information sharing does not breach ICDR Regulations, though Pre-IPO investors can draw some comfort from the draft offer document that is made public for comment.

Foreign investments in Pre-IPOs

Investment by non-residents in Pre-IPOs is treated as foreign investment. Both the Pre-IPO investor and the IPO bound company should therefore be aware of limitations while attracting foreign investment, as compliance with sectoral conditionalities or approval requirements may significantly hamper IPO timelines.

Final thoughts

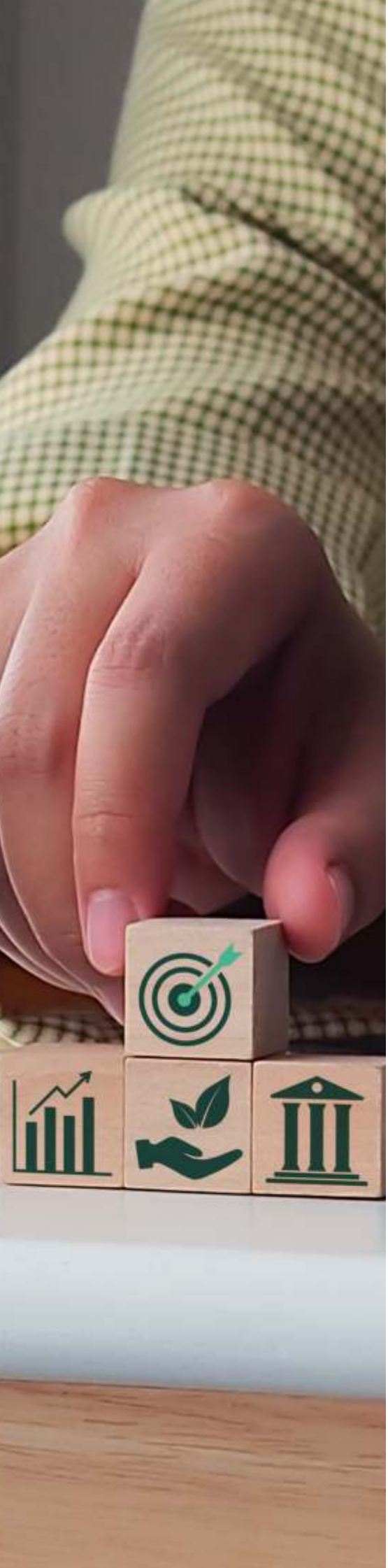
Pre-IPO transactions offer IPO bound companies an efficient route to raise funds and benchmark valuation, while giving investors an avenue to participate ahead of listing. However, the regulatory architecture governing Pre-IPOs, spanning fund raise limits, lock-in and down selling restrictions, buyback prohibitions and constraints on mutual fund participation, imposes meaningful boundaries on how such transactions can be structured. Issuers and investors should therefore carefully calibrate deal structures, investor rights and diligence expectations at the outset, factoring in compressed timelines and possible IPO delays. As market practice evolves, closer alignment between regulatory guidance and commercial realities would help make Pre-IPOs an even more effective tool for capital raising and value discovery ahead of listing.

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Financialization of Household Savings: The Structural Shift Reshaping India's Economy

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For generations, the Indian household followed a remarkably consistent savings playbook. Income was first directed towards necessities, and whatever remained was parked in a bank fixed deposit, invested in a piece of land, accumulated as gold jewellery, or occasionally channelled into an insurance policy purchased more for tax savings than long-term financial planning. Risk was viewed with suspicion, capital preservation was paramount, and investing in financial markets remained the preserve of a relatively small segment of urban households.

That playbook is now undergoing one of the most significant structural transformations in independent India's economic history.

An increasing share of household savings is migrating from traditional stores of value into financial assets such as mutual funds, equities, pension products, insurance-linked investments and market-linked savings instruments. This transition—from saving to investing, from physical assets to financial assets, and from guaranteed returns to market-linked wealth creation—is what economists describe as the **financialization of savings.**

While market cycles often dominate headlines, financialization represents something far more profound than a bull-market phenomenon. It reflects a fundamental change in how Indian households perceive wealth creation, inflation, risk and long-term financial security. More importantly, it has begun reshaping India's capital markets, corporate financing ecosystem and economic resilience.

From Deposits to Markets: Reading the Numbers

The magnitude of this transformation is difficult to ignore.

India's mutual fund industry, which managed less than ₹14 lakh crore in assets barely a decade ago, today oversees assets exceeding ₹80 lakh crore. Assets under management have expanded almost six-fold, making mutual funds one of the fastest-growing segments within the country's financial sector.

The rise of the Systematic Investment Plan (SIP) perhaps tells an even more compelling story. Once considered a niche investment product marketed primarily

through financial advisors, SIPs have become a mainstream household savings habit. Monthly SIP contributions have increased roughly seven-fold over the past decade, while the number of SIP accounts crossed the 100-million mark during late 2025 and has continued to rise through 2026.

Equally noteworthy is the consistency of investor behaviour. Equity mutual funds have recorded positive net inflows for nearly five consecutive years despite episodes of heightened volatility, geopolitical uncertainty, rising global interest rates and intermittent market corrections. This persistence suggests that a meaningful section of retail investors is increasingly embracing disciplined, long-term investing instead of attempting to time markets.

The broader composition of household financial savings also reflects this shift. A growing proportion of financial savings is now being directed towards shares, debentures and mutual funds, either directly or through professionally managed investment vehicles. Retirement products, pension funds, insurance assets and mutual funds have all grown at a materially faster pace than traditional bank deposits over the past decade.

Yet the transformation remains incomplete. Compared with developed economies—and even several Asian peers—Indian households continue to allocate a relatively modest proportion of their wealth to financial assets. Physical assets such as real estate and gold still account for the majority of household wealth, suggesting that India's financialization journey, despite its impressive momentum, is still in its early-to-middle stages.



Why Now? Four Structural Drivers

Major economic shifts rarely occur because of a single catalyst. India's financialization story is the result of several structural forces reinforcing one another.

The Arithmetic of Real Returns

The first driver is straightforward economics.

For much of the past decade, post-tax bank deposit returns have struggled to consistently outperform inflation. While nominal deposit rates have fluctuated with the interest-rate cycle, the real purchasing power of many traditional savings instruments has often remained stagnant.

As households increasingly recognized that preserving capital is not the same as preserving purchasing power, the definition of "safe investing" began to evolve.

Equity markets undoubtedly introduce volatility, but diversified equity and hybrid mutual funds have historically offered superior long-term real returns compared to conventional deposits. As financial literacy improved, more investors came to appreciate that short-term volatility may be a reasonable price for long-term wealth creation.

Technology Has Democratized Investing

Perhaps no structural force has been more transformative than India's digital public infrastructure.

Aadhaar-enabled e-KYC has dramatically simplified customer onboarding. UPI has familiarized millions of Indians with digital financial transactions. Smartphone penetration has expanded rapidly, while low-cost

discount brokers and digital investment platforms have significantly reduced both transaction costs and administrative friction.

Opening an investment account today often takes only a few minutes—a stark contrast to the paperwork and branch visits that characterised investing just a decade ago.

This reduction in friction has expanded market participation well beyond metropolitan centres. Smaller cities and semi-urban India now account for a growing share of new investors, fundamentally broadening the country's retail investor base.

Financial Literacy and Distribution Have Improved

The financial ecosystem itself has matured considerably.

Investor awareness initiatives led by regulators, the growing presence of registered investment advisors, greater availability of professional financial planning and the widespread dissemination of educational financial content have collectively changed public attitudes towards investing.

Conversations around SIPs, index funds, diversification and asset allocation—which were once confined to finance professionals—have become commonplace among young professionals, salaried employees and first-time investors.

While the quality of financial advice available online remains uneven, the overall accessibility of investment education has improved dramatically.

Demographics and Rising Aspirations

India's demographic profile has further accelerated the trend.

With a median age in the late twenties, India remains one of the world's youngest major economies. This younger workforce has higher income aspirations, longer investment horizons and greater familiarity with digital financial products than previous generations.

For many first-time earners today, beginning a monthly SIP soon after receiving their first salary feels entirely natural. Their parents often began their financial journey with recurring deposits; today's generation is considerably more comfortable participating in capital markets.

This generational shift in financial behaviour may prove to be one of the most enduring drivers of financialization over the coming decades.

The Other Side of the Ledger

The story, however, is not without important caveats.

Even as household participation in financial markets has expanded rapidly, India's household **net financial savings rate**—financial savings after accounting for borrowings—has declined to levels not witnessed in several decades.

At first glance, this appears contradictory.

In reality, the two trends can coexist.

Moving money from a bank deposit into a mutual fund still constitutes financial saving. However, households are simultaneously borrowing more than before, particularly through unsecured personal loans, consumer credit and other retail lending products. Rising



liabilities reduce net financial savings even when investment flows into markets remain robust.

Another important nuance is that financialization remains uneven.

Urban and semi-urban households have adopted financial products at a much faster pace than rural India, where land and gold continue to dominate household balance sheets. Significant regional, income and educational disparities remain in financial participation.

These developments raise important policy questions.

Are households making informed, long-term asset allocation decisions, or are some investors stretching their balance sheets in pursuit of higher returns? Is borrowed money increasingly finding its way into market-linked investments? Are adequate emergency savings being maintained before households assume market risk?

The answers are unlikely to be uniform across income groups.

Higher-income households may simply be diversifying portfolios more efficiently. Lower-income investors, however, may face greater vulnerability if inadequate financial planning coincides with a prolonged market downturn.

Recognizing these differences will be essential for both regulators and market participants.

Why Financialization Matters Beyond Investors

The financialization of household savings has implications that extend far beyond individual portfolios.

For decades, Indian equity markets remained heavily influenced by foreign portfolio investment. Large foreign inflows often fuelled market rallies, while sudden outflows amplified volatility.

A steadily expanding domestic investor base changes this dynamic.

Regular SIP inflows, pension contributions and insurance investments provide markets with a more stable and patient source of long-term capital. Domestic institutional investors increasingly act as counterbalances during periods of foreign selling, improving overall market resilience.

The implications extend to corporate finance as well.

Deeper pools of domestic savings can support equity issuance, corporate bond markets, infrastructure investment trusts (InvITs), real estate investment trusts (REITs) and long-duration government securities. Infrastructure projects, renewable energy investments and large-scale industrial expansion all require patient capital that aligns well with the long-term liabilities of pension and insurance funds.

Banks, by contrast, primarily operate with shorter-duration deposits and are naturally less suited to financing very long-term projects.

In this sense, financialization contributes not only to household wealth creation but also to the efficient allocation of capital across the broader economy.

Opportunity Must Be Matched by Responsibility

Structural opportunities invariably create structural responsibilities.

Rapid retail participation without corresponding improvements in investor protection can create significant long-term challenges. Financial markets have long memories, and widespread investor disappointment can slow participation for years.

The industry's responsibility therefore extends well beyond attracting new investors.

Investment products must communicate risks transparently rather than emphasizing historical returns. Distribution practices should



prioritize suitability over commissions. Financial advisors should encourage diversification instead of concentrated risk-taking. Regulators must continue strengthening disclosure standards, curbing mis-selling and ensuring that innovation does not outpace investor understanding.

Financial education deserves equal emphasis.

Teaching investors that market corrections are a normal feature of long-term investing may ultimately prove more valuable than persuading them to enter the market during periods of optimism.

Sustainable financialization requires confidence built on understanding rather than enthusiasm driven by momentum.

The Road Ahead

India's financialization of savings is neither a temporary trend nor merely a consequence of favourable equity markets. It reflects a structural evolution in household financial behaviour driven by technology, demographics, improved access, rising financial awareness and the simple mathematics of long-term real returns.

Despite remarkable progress, India's household wealth remains considerably more concentrated in physical assets than that of many advanced economies. This suggests that the transition still has significant room to evolve over the coming decades.

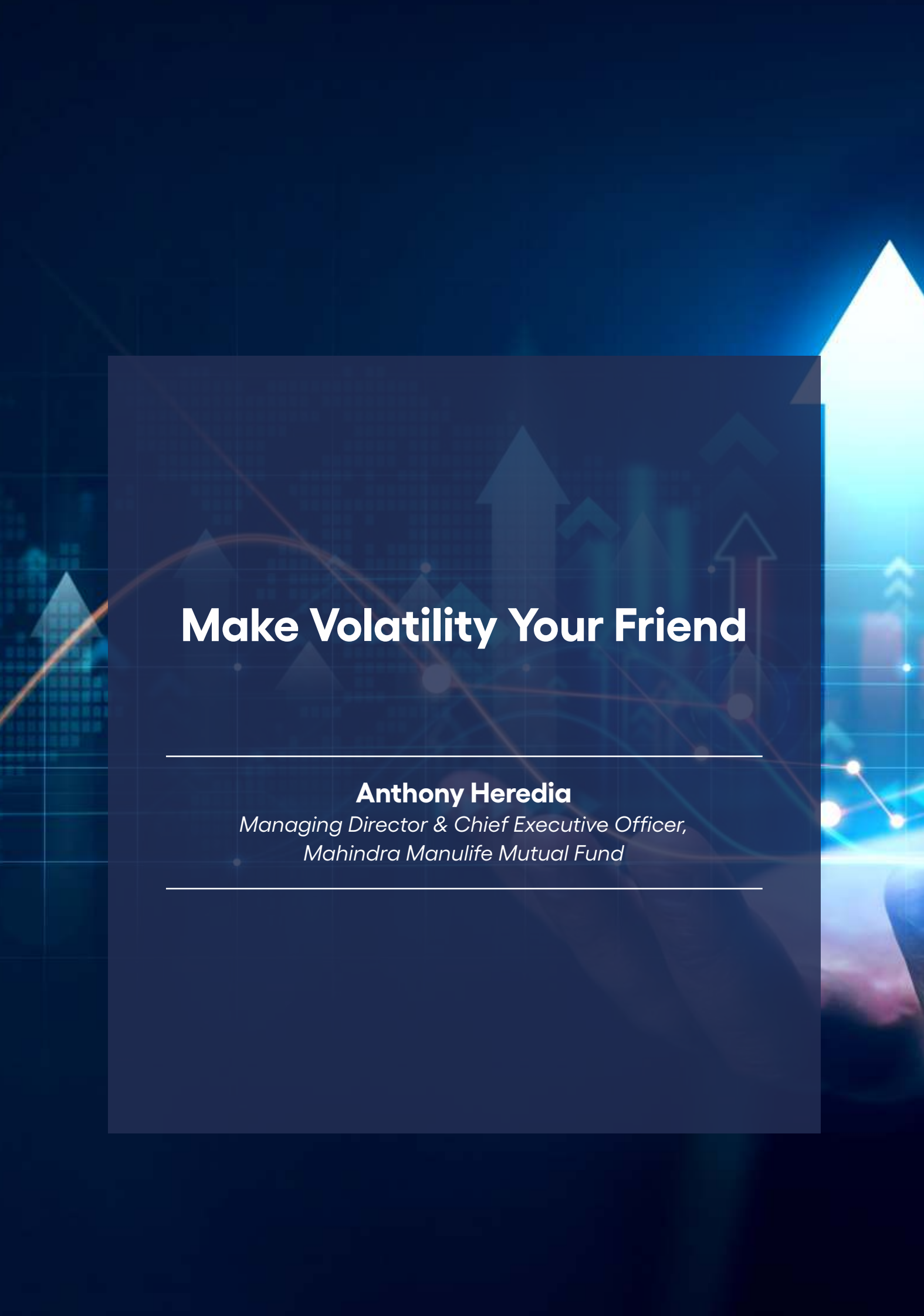
The challenge now is not accelerating financialization for its own sake, but ensuring that it unfolds responsibly.

Households must continue building emergency savings alongside investment portfolios. Market participants must prioritise investor outcomes over asset gathering. Regulators must remain vigilant against mis-selling while encouraging innovation that expands access without compromising investor protection.

If these conditions are met, the financialization of savings will represent far more than the growth of mutual funds or rising stock market participation.

It will signify the emergence of a more financially sophisticated society—one in which household savings are deployed more productively, domestic capital supports national economic development, and long-term investing becomes a cornerstone of financial security.

Ultimately, the quiet reordering of India's household balance sheet may prove to be one of the defining economic transformations of the coming decade—not because it changes where Indians save, but because it changes how they build wealth.



Make Volatility Your Friend

Anthony Heredia
Managing Director & Chief Executive Officer,
Mahindra Manulife Mutual Fund



Over the last decade, we have witnessed a remarkable structural shift in how Indian households manage their wealth. The financialisation of savings has accelerated, and mutual funds are increasingly being viewed as a mainstream investment vehicle rather than a niche option. However, as investor participation deepens and more individuals allocate their savings into market-linked products, a central challenge emerges: how to navigate the inevitable cycles of the market without losing sight of long-term objectives.

For many investors, market volatility is perceived as an anomaly or a threat. But the reality is quite different. If we truly want to benefit from the power of long-term compounding, we must recognise that volatility is an inherent, necessary part of how markets evolve. Making volatility your friend is perhaps the most critical step in creating a resilient portfolio.

The Illusion of "Unprecedented" Risk

Whenever the market experiences a period of stress, there is a prevailing sentiment among investors that what they are witnessing in the current moment is fundamentally different from the past. Whether it is geopolitical tensions, liquidity constraints, credit events, or shifts in the macroeconomic environment, the immediate reaction is often to view the current risk as unprecedented.

If you look back over multiple market cycles, however, you will find that these risks have always existed. They are not anomalies; they are a constant feature of the investment landscape. Markets operate in an environment that is constantly posing new opportunities, but also new challenges.

Volatility is simply the mechanism through which the market digests new information and adjusts valuations. Without this friction, there would be no premium attached to investing in risk assets like equities. Embracing this reality allows investors to remain grounded when headlines become turbulent. The key is not to attempt to avoid risk entirely, but to ensure that your portfolio is structured to withstand it.

The Test of Range-Bound Markets

While sharp, sudden corrections often capture the most attention, the true test of an investor's discipline is frequently found during prolonged, range-bound markets. There are extended periods where markets move sideways, appearing to deliver little to no return. During these stretches, patience naturally wears thin.

Data suggests that recency bias—the tendency to extrapolate recent events into the future—plays a significant role here. When markets remain stagnant, investors often begin to question their strategies. The temptation to pull money out and pivot to what is currently performing well becomes incredibly strong.

However, market returns, particularly in equities, are inherently non-linear. They are subject to cycles. You may experience stretches of flat performance followed by a condensed period of significant gains. Investors who lose patience during sideways markets and redeem their investments invariably miss out on the subsequent upswings that drive long-term wealth creation. Staying true to your process and remaining invested through these dry spells is essential for capturing the market's true potential.

Aligning Time Horizons

If time is the secret ingredient to dealing with valuations and volatility, then the most effective way to manage market fluctuations is to ensure a strict alignment between your investment horizon and the product you choose.

A common misstep is entering volatile asset classes without the willingness to commit the necessary time. For instance, in categories like small and mid-cap funds—which have attracted substantial retail flows recently—the valuations must be seen in the context of potential growth. But to realise that growth, investors must be prepared to extend their holding periods.

A simple mantra we believe investors should follow is to commit at least 50% more time when moving up the risk curve. If you are willing to invest in a diversified flexi-cap fund for five years, make sure you have the capacity to remain invested for seven or eight years when allocating to a small or mid-cap fund. When your capital is matched with the appropriate time horizon, short-term volatility ceases to be a disruption and instead becomes a manageable part of the journey.

The Role of Asset Allocation

Another structural advantage in managing volatility is disciplined asset allocation. We often see investor demand driven by return-chasing behaviour, with a tendency to over-invest in a single asset class that has recently outperformed. While sectoral and thematic investing has become a strong trend, we generally believe that "less is more."

The most reliable route to creating a more even, consistent pattern of returns over the long term is to diversify across different asset classes. A well-constructed portfolio should ideally span across diversified equities, fixed income, and commodities like gold and silver. There is also merit in looking at international equities to provide geographic diversification and to access global capabilities that Indian investors might otherwise be underexposed to.

By positioning your investments across varied asset classes, you reduce the impact of a downturn in any single segment. When equities are experiencing a cyclical correction, a robust fixed-income allocation or exposure to precious metals can provide vital stability. We continually advise investors to stick to diversified funds for the vast majority—at least 80 to 90%—of their core allocations. Themes will come and go, but asset allocation remains the bedrock of a resilient portfolio.

The Ultimate Differentiator: EQ Over IQ

There is a persistent myth in the financial world that the secret to making money is superior analytical ability. Many believe that success requires getting information ahead of others, perfectly timing the market, or discovering highly unusual, complex investment products.

Over decades of observing market cycles and investor behaviour, one truth stands out: while intellect and analysis are important, they are not the primary drivers of wealth creation. Ultimately, the secret to dealing with volatility and achieving sustainable success is temperament.

When it comes to investing, EQ (Emotional Quotient) is far more powerful than IQ. It is the emotional discipline to not take your success for granted during bull markets, and the fortitude to remain grounded during bear markets. It is the ability to resist the temptation of cyclical trend-chasing and to sit quietly through a range-bound market without altering your fundamental strategy.

The industry will continue to evolve. India's demographic advantages and the ongoing financialisation of savings suggest a long runway for growth. We will undoubtedly see new opportunities, shifting regulations, and periods of economic stress. Through all of this, the investors who ultimately succeed will not necessarily be the ones with the most complex models or the most aggressive portfolios. They will be the ones who keep it simple, invest regularly in diversified strategies, and demonstrate the emotional discipline to let time do the heavy lifting.

Volatility is not something to be feared or conquered; it is simply a reality to be managed. By aligning your time horizons, adhering to sensible asset allocation, and maintaining a grounded temperament, you can ensure that volatility works for you, rather than against you, on your journey toward long-term wealth creation.





Foreign Portfolio Investment and India's Market Architecture

Nilesh Lodaya
Chief of Business Development & New Projects,
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The continuing importance of global capital and the regulatory project of widening market access

Abstract. India's increasingly deep pool of domestic savings has strengthened the resilience of its securities market. That achievement does not diminish the strategic value of foreign portfolio investment. FPI enlarges the investible capital base, improves liquidity and price discovery, broadens the market for public and private debt, connects Indian issuers to global benchmarks, and subjects the market to the discipline of international allocation. The appropriate policy objective is therefore neither dependent on foreign capital nor indifference to it. It is to build a market that can attract stable, well-regulated global participation while preserving transparency, integrity and macro-financial stability. India's recent regulatory reforms reveal precisely this approach: simplification of entry, risk-calibrated compliance, more efficient settlement, wider debt-market access and clearer beneficial-ownership standards.

1. The place of foreign capital in a maturing domestic market

The rise of domestic institutional and household participation is one of the most consequential changes in India's capital markets. Regular mutual-fund contributions, expanding insurance and pension assets, and wider direct participation have created a more durable domestic demand for securities. This has reduced the degree to which market stability depends upon the direction of foreign flows at any particular moment. It would, however, be a mistake to treat domestic and foreign capital as substitutes in a zero-sum contest. They perform overlapping but not identical economic functions.

Foreign portfolio investment brings to India a portion of the world's savings pool without transferring managerial control of the investee enterprise. Its significance lies not merely in the amount invested in a given month or year, but in the capabilities and linkages that accompany sustained participation by sovereign funds, pension funds, insurers, mutual funds, endowments and other regulated institutions. These investors

enlarge the range of capital available to Indian issuers, connect domestic securities with international asset-allocation frameworks, and deepen both equity and debt markets. The importance of FPI is thus structural.

A mature policy framework must hold two propositions together. First, portfolio capital is inherently mobile and can amplify volatility when global risk appetite changes abruptly. Secondly, reducing avoidable barriers to high-quality foreign participation is in India's long-term interest. The answer to mobility is not regulatory isolation. It is greater market depth, robust surveillance, transparent ownership, sound settlement infrastructure and a diversified investor base. India's evolving framework increasingly reflects this balance.

2. Why foreign portfolio investment matters

2.1 Supplementing domestic savings and widening the investor base

Economic growth requires sustained financing for enterprises, infrastructure and government. Domestic savings remain the foundation of that financing, but access to foreign savings enlarges the available pool and reduces excessive reliance on any single class of investor. A broader investor base can improve the capacity of issuers to raise equity and debt across market cycles. For government and corporate borrowers, it can also support a more diverse maturity profile and a wider distribution of risk.

The relevant comparison is therefore not between one rupee of domestic investment and one rupee of foreign investment. Foreign investment also represents an external financial inflow and a connection to investors whose liabilities, benchmarks and portfolio mandates are global. When supported by prudent macroeconomic policy, such participation can complement domestic capital formation and strengthen India's ability to finance investment at scale.

2.2 Liquidity, price discovery and market discipline

Institutional foreign investors contribute research capacity, trading activity and a diversity of investment horizons. Their participation increases the number and variety of informed counterparties in the market. In normal conditions, this supports tighter spreads, more continuous liquidity and more efficient price discovery. These benefits are not confined to large listed companies. As market access improves, the effects extend to public debt, corporate bonds, exchange-traded products and other regulated instruments.

Global capital also introduces an external benchmark of market quality. Decisions by international investors reflect assessments of governance, disclosure, legal certainty, operational efficiency, taxation, currency risk and the credibility of institutions. Such scrutiny can be uncomfortable, but it is useful. It encourages issuers, intermediaries and policymakers to compare Indian practices with the standards prevailing in other major markets.

2.3 Integration with global benchmarks

A growing share of institutional capital is managed relative to global or regional indices. Inclusion in an index,





and the weight assigned within it, influence the opportunity set available to passive and benchmark-aware funds. This creates a transmission channel between improvements in market accessibility and actual allocation. The policy significance is broader than index-related inflows themselves. Eligibility for major benchmarks requires investibility, liquidity, operational reliability and a framework in which international institutions can execute and settle transactions with confidence.

The inclusion of Indian government securities in major international bond-index programmes illustrates this interaction between domestic reform and global allocation. Index eligibility can diversify the investor base for public debt, encourage comparative scrutiny of market conventions and support the development of a deeper yield curve. It also reinforces the case for predictable access rules and efficient post-trade arrangements.

2.4 External-sector relevance

Portfolio inflows are one component of the capital account and must be viewed alongside foreign direct investment, external borrowing and other sources of foreign exchange. They are not a substitute for export competitiveness or stable long-term investment. Nevertheless, they provide an additional channel through which foreign savings can finance domestic assets. A diversified composition of capital flows can help the economy avoid excessive dependence on any one source, provided that liquidity and currency risks remain appropriately managed.

3. The regulatory objective: access with integrity

The core regulatory challenge is to make legitimate investment easier while ensuring that the identity, ownership and risk profile of the investor remain adequately visible. Excessive friction can deter well-regulated institutions, increase the cost of investing and reduce India's competitiveness as an allocation destination. Insufficient scrutiny can permit opaque structures, concentration or circumvention of ownership rules. The appropriate framework is therefore risk-based: simple for transparent, low-risk and appropriately regulated investors, and more demanding where ownership, concentration or jurisdictional concerns justify closer examination.

This philosophy is visible in the trajectory of India's FPI regime. The role of Designated Depository Participants (DDPs) as the principal interface for registration and due diligence, the consolidation of application requirements, differentiated KYC, additional disclosures for specified high-risk structures, and simplified treatment for trusted institutions are not disconnected interventions. Together, they amount to an architecture of proportionate regulation.

4. Measures to facilitate foreign portfolio participation

4.1 The Common Application Form and integrated onboarding

A foundational reform was the Common Application Form, notified in 2020. It combined the previously sepa-

rate processes for FPI registration, allotment of a Permanent Account Number, KYC and the opening of bank and demat accounts into a single application framework routed through a Designated Depository Participant. The significance of the CAF lies not merely in reducing the number of forms. It recognises that a foreign investor experiences the Indian market as one investment jurisdiction, even where different authorities and intermediaries perform distinct statutory functions. Administrative integration therefore becomes an element of market competitiveness.

Subsequent measures have continued this direction by streamlining onboarding, permitting greater reliance on digital documentation and simplifying registration for specified categories of investors. The cumulative effect is to reduce duplication, shorten the path from investment decision to market readiness, and assign clearer responsibility to the regulated intermediary carrying out due diligence.

4.2 Risk-based simplification and the SWAGAT-FI framework

The Single Window Automatic and Generalised Access for Trusted Foreign Investors framework represents the next stage of this policy. The framework is directed at objectively identified classes of trusted and verified investors, including specified government-related investors and appropriately regulated public retail funds, insurers and pension funds. It seeks to simplify onboarding and ongoing compliance and to provide a more unified route across FPI and foreign venture-capital participation under SEBI-administered regulations.



Its importance is conceptual as much as procedural. It distinguishes between regulatory intensity and regulatory quality. A central bank, sovereign wealth fund, broad-based regulated mutual fund or pension institution does not necessarily require the same frequency of repetitive verification as a less transparent structure. Longer registration and KYC review cycles for eligible institutions can lower recurring costs without diluting the regulator's ability to impose conditions or obtain information when risk indicators arise.

4.3 Improving the economics of settlement

Market access does not end with registration. The cost of funding and the timing of cash availability materially influence the attractiveness of a market, especially for large institutions operating across time zones and currencies. Process improvements that make sale proceeds available to FPIs on the settlement day reduce idle balances and avoid unnecessary funding gaps. The framework introduced in 2026 for net settlement of funds in the cash market goes further by allowing same-day sale proceeds to be applied against purchase obligations, subject to the prescribed conditions.

These reforms are particularly relevant on index-rebalancing days, when an investor may be required to sell one set of securities and purchase another in substantial amounts. Gross funding of both legs can create avoidable liquidity demand and foreign-exchange costs



even where the investor's net obligation is modest. Netting improves operational efficiency without changing the delivery-based character of institutional investment or compromising clearing-corporation risk controls.

4.4 Expanding and rationalising access to debt markets

The debt-market framework has evolved through several complementary routes. The Fully Accessible Route opened specified central government securities to non-resident investment without the conventional numerical caps applicable under the general route. This created a clear universe of securities capable of meeting the accessibility expectations of global bond investors and index providers. The Voluntary Retention Route, in turn, offered relief from specified macro-prudential restrictions to investors willing to commit to a minimum retention period.

Recent rationalisation has sought to make these arrangements more predictable and less fragmented. The subsuming of VRR limits within the general investment limits, the option for investors to exit after completion of the minimum retention period, the removal of specified short-term, security-wise and concentration restrictions for government securities under the general route, and the designation of additional securities under FAR all reduce complexity. The direction of policy is clear: foreign participation in rupee debt is being facilitated through transparent routes while the authorities retain control over aggregate limits and macro-financial safeguards.

4.5 Transparency, beneficial ownership and calibrated disclosure

Ease of access can command public legitimacy only where it is accompanied by confidence in the source and ownership of capital. India has steadily reduced reliance on opaque offshore instruments and strengthened the information available about beneficial owners. Additional disclosure requirements for FPIs with specified concentration characteristics were designed to address the risk that portfolio structures might be used to conceal ownership, circumvent minimum public-shareholding requirements or facilitate undesirable control.

At the same time, the framework has recognised that sovereign entities, broad-based public retail funds and other genuinely diversified institutions present a different risk profile. Exemptions and recalibration for such investors are not concessions at the expense of transparency. Properly designed, they prevent low-risk capital from bearing compliance designed for concentrated or opaque structures. The credibility of the regime lies precisely in its willingness to differentiate on the basis of objective risk.

5. The role of market infrastructure institutions

Depositories and DDPs occupy a distinctive position in this framework. They connect regulatory approval with the practical creation and maintenance of the investor's market identity. Their responsibilities include

onboarding, KYC coordination, account infrastructure, data quality, monitoring and the transmission of regulatory information. Exchanges, clearing corporations, custodians and banks perform equally critical functions in execution, risk management, settlement and foreign-exchange conversion. For the foreign investor, the quality of these interfaces is the practical meaning of market access.

India's advantage is not simply the size or growth of its economy. It is the combination of scale with increasingly sophisticated financial-market infrastructure. Straight-through processing (STP), short settlement cycles, central clearing, dematerialisation and accountable intermediaries reduce operational risk and make regulatory expectations enforceable. Continued investment in resilient systems, common data standards and interoperable processes will be as important to attracting global capital as further amendments to eligibility rules.

6. Policy priorities for the next phase

Foreign investors have consistently emphasised the importance of predictable rules, proportionate compliance, efficient end-to-end processes, deeper and more accessible debt markets, and transparency requirements calibrated to identifiable risks. These are not merely abstract policy preferences. They reflect the practical experience of institutions that allocate capital across jurisdictions and are therefore able to compare India's market-access framework with those of other major financial markets.



SEBI has responded to these concerns through an increasingly consultative model of regulation and implementation. A significant institutional development has been the establishment of the Custodians and Designated Depository Participants Standards Setting Forum (CDSSF), with participation from custodians, DDPs and the depositories. The Forum provides a structured mechanism through which regulatory proposals and operational issues can be examined jointly by the regulator and the institutions responsible for implementation.

The deliberations of the CDSSF have helped convert broad regulatory objectives into focused implementation standards and common market practices. Its work has covered areas such as FPI registration and the Common Application Form, material-change reporting, additional disclosures, offshore derivative instruments, settlement reforms and other operational matters affecting foreign investors. This process has supported ease of doing business while enabling appropriate guardrails to be designed where investor protection, ownership transparency or market integrity so require. Equally importantly, common standards reduce divergent interpretations among intermediaries and promote consistent implementation across the market.

SEBI has also constituted the FPI Advisory Committee, a high-level forum through which market participants and domain specialists contribute to the consideration of policy matters affecting foreign portfolio investment. The Committee has played an important role in examining regulatory and market-development issues before they are translated into policy or implementation measures. The Advisory Committee and the CDSSF perform complementary functions: the former contrib-

utes to policy formulation, while the latter assists in developing workable and standardised market practices.

This consultative architecture is itself an important element of India's investment proposition. Foreign investors, many of whom have direct visibility of operating frameworks in competing jurisdictions, value the opportunity to identify friction, explain comparative market practice and understand the policy rationale for safeguards. Consultation does not imply that every industry request must be accepted. Its value lies in ensuring that policy decisions are informed by operational evidence, that necessary guardrails are appropriately designed, and that implementation challenges are addressed before they produce avoidable uncertainty or inconsistent practice.

The next phase should build upon this institutional foundation. Regulatory stability, proportionality, end-to-end process design, deeper debt-market liquidity and disciplined transparency should continue to guide policy. The established consultative channels provide a credible means of pursuing these objectives while reconciling ease of investment with the regulator's responsibilities for market integrity, orderly development and investor protection.

7. Conclusion

India needs foreign portfolio investment because a large, sophisticated economy benefits from access to both domestic and global savings. The presence of foreign institutions widens the investor base, strengthens liquidity and price discovery, supports public and private debt markets, connects Indian securities to international benchmarks and provides an external test of market quality.

The correct policy stance is neither to celebrate every inflow nor to regard every outflow as a judgment on the economy. Portfolio allocations respond to global liquidity, interest rates, currency expectations and relative valuations, often independently of domestic fundamentals. The more durable objective is to make India an efficient, transparent and dependable jurisdiction in which global institutions can invest through clear rules and robust infrastructure.

The reform record demonstrates an emerging coherence: integrated onboarding through the Common Application Form; streamlined and risk-based registration; the SWAGAT-FI framework for trusted institutions; more efficient access to settlement proceeds and fund netting; wider and simpler routes into government and corporate debt; and disclosure rules designed to identify genuine ownership risk without indiscriminately burdening diversified capital. Equally significant is the consultative institutional framework through which these measures are shaped and implemented. The FPI Advisory Committee provides a forum for informed policy deliberation, while the CDSSF brings together custodians, DDPs and depositories to translate regulatory objectives into workable standards, appropriate guardrails and consistent market practice. This approach is particularly valued by foreign institutions familiar with the operating frameworks of other jurisdictions. These measures do not merely attract flows. They improve the institutional quality of the market itself. That is the strongest basis on which India can remain a preferred destination for global capital while preserving the integrity and resilience of its financial system.



Capital Markets: The Gateway to India's Future

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India is at a crucial point in its economic journey. Over the last decade, the country has shown that ongoing reforms, digital public infrastructure, macroeconomic stability, and entrepreneurial spirit can reshape a vast economy. As India aims to become a developed nation by 2047, the capital market will play a key role in driving that change.

Capital markets are no longer just places for raising funds or trading. They have become the main channel through which savings go into investments, entrepreneurship gets financed, infrastructure is built, and innovation is turned into commercial success.

Already, more than 60 new-age technology companies and/or start-ups have made their debut on the Indian stock exchanges in the last 5-6 years with their total market capitalisation pegged more than $170 billion. Going forward, there are more than a dozen start-ups waiting in the pipeline to go public.

The next phase of India's growth story will unfold not only in factories, labs, and start-up hubs but also in boardrooms, exchanges, and investment platforms that effectively direct resources toward the country's most promising ideas.

Three major changes are reshaping this landscape: the fast adoption of artificial intelligence, an unprecedented shift toward financialisation of household savings, and the rise of new investment opportunities across public and private markets. Together, these factors offer India a huge chance to create one of the world's most dynamic and trusted capital market systems.

AI: Transforming Markets While Reinforcing Trust

Artificial intelligence can significantly change every part of the capital market. From investment research and risk management to compliance monitoring, customer service, and fraud detection, AI promises improvements in efficiency, speed, and decision-making.

Technology-driven market infrastructure can increase transparency, improve price discovery, boost liquidity, and lower operational risks. Advanced analytics can improve regulatory oversight through real-time monitoring of trading patterns, early detection of market abuse, and quicker identification of systemic vulnerabilities. For intermediaries, AI presents chances to offer sophisticated but correct investment advice, tailor investor engagement, and strengthen operational resilience.

However, AI should support good judgment, governance, and accountability, not replace them. Financial markets are ultimately built on trust. As AI becomes a part of investment processes and market infrastructure, governance frameworks must change to ensure transparency, and responsible use of algorithms and one that can be audited as well. Human oversight should remain essential for critical investment and regulatory decisions.

Cybersecurity, data privacy, and operational resilience will be even more critical in a growing digital ecosystem. Market players must invest not only in technology but also in strong governance frameworks, ethical AI practices, and ongoing risk management. India can set a global standard in responsible AI use by promoting innovation while making sure that technology supports market integrity and investor trust.



Financialisation: India's Structural Growth Story

One significant change happening now is the financialisation of household savings.

Millions of first-time investors have entered the market in recent years. Mutual fund participation has grown quickly. Systematic Investment Plans have created a culture of disciplined savings. The growth in the number of demat accounts has also been nothing short of excellent.

This change is not just a temporary trend driven by market cycles. It represents a long-term shift in how Indian households view wealth creation. As incomes rise, financial literacy improves, and digital platforms become more available, a larger share of household savings will likely move from traditional assets to diverse financial options.

This growing domestic investor base may be India's biggest strategic advantage. The last few years have clearly shown that the Indian capital markets remained resilient during bouts of heightened global volatility primarily due to the increasing domestic investor base. Simply put, it offers long-term stability, decreases reliance on unstable external capital, and allows companies to access patient capital for growth.

However, the next stage of financialisation must come with improved investor education. As products become more complex, investor awareness must keep up. Sustainable participation relies not only on market returns but also on informed decisions, realistic expectations, and confidence in regulatory protections.



Regulation Must Evolve Alongside Innovation

Rapid innovation brings new regulatory challenges.

Whether it's algorithmic trading, tokenisation, digital assets, AI-driven investment advice, or complex financial products, regulators around the world are navigating uncertain waters. The goal should not be to stifle innovation. At the same time, markets need strong safeguards to function effectively.

The most successful regulatory frameworks are principles-based, proportionate, evidence-driven, and responsive to changing market practices.

The Securities and Exchange Board of India (SEBI) has shown maturity in balancing market growth with investor protection. Moving ahead, maintaining this balance will be even more important.

Regulatory approaches should increasingly use data analytics, supervisory technology, and risk-based monitoring. Consulting industry participants should remain a key part of policymaking to ensure regulations are practical, ready for the future, and competitive globally.

Predictability and consistency in regulation are also crucial. Both domestic and international investors value regulatory certainty. A stable, transparent, and consultative policy environment encourages long-term investment while strengthening faith in India's institutional system.

I would like to highlight here that SEBI, under the chairmanship of Shri Tuhin Kanta Pandey, has been actively engaging with the industry as part of its attempts to review the overall regulatory framework and make the Indian capital markets, safe, robust and, at the same time, investor friendly while enhancing the ease of doing business quotient.

Broadening India's Investment Ecosystem

India's capital markets have advanced significantly, but the potential ahead is even greater.

The country needs a lot of long-term capital to finance the growth of manufacturing, digital infrastructure, renewable energy, logistics, defence, healthcare, urban development, and technology innovation. To meet these financial needs, a diverse investment ecosystem is essential.

Public markets will continue to play an important role, but so will Alternative Investment Funds (AIFs), private equity, venture capital, family offices, pension funds, insurance capital, and sovereign investors. Together, these organisations provide growth capital at various stages of the business lifecycle, from early innovation to large-scale expansion.

Strengthening India's AIF ecosystem can significantly improve capital availability for emerging businesses while reducing reliance on traditional financing methods.

At the same time, India must continue to be attractive to Foreign Portfolio Investors (FPIs). Global investors seek areas that combine economic growth with policy stability, institutional credibility, and market depth. India is



strong in each of these aspects, and ongoing reforms can further enhance its status as one of the most appealing investment destinations globally.

Making regulatory processes simpler, improving the ease of doing business, speeding up dispute resolution, and continuing to digitise market infrastructure will further boost investor confidence.

Democratising Capital Formation

One defining feature of India's capital markets should be inclusivity.

The benefits of capital formation must reach beyond large companies in major cities to include high-growth MSMEs, innovative start-ups, family-owned businesses, and enterprises from Tier II and Tier III cities.

SME platform has already shown how efficient access to capital can drive entrepreneurial growth. As India's innovation economy grows, funding channels must become more streamlined; from venture capital to pre-IPO funds and eventually public markets.

Capital markets should not just favour established firms; they should continuously discover and support the next generation of national champions.

This democratisation of capital is one of the strongest economic drivers available to India.

The primary market today accommodates a healthy mix of small, mid-sized and large offerings. Between 2020 and 2025, the ₹100-500 crore issue category expanded at nearly 82% CAGR, while the ₹1,000-5,000 crore segment grew at 71% CAGR.

Further, the successful execution of several marquee transactions over the past two years demonstrates that Indian markets are no longer constrained by size.

The Role of Industry Institutions

The growth of India's capital markets has always been influenced by cooperative efforts among regulators, policymakers, and industry players.

Institutions like FICCI play a crucial role in this process. By bringing together regulators, market intermediaries, investors, entrepreneurs, and academic experts, industry associations create spaces for informed discussions, evidence-based policy suggestions, and joint problem-solving. Such collaboration ensures that regulations are responsive to market realities while safeguarding broader goals like investor protection, financial stability, and market integrity.

As technology transforms financial markets rapidly, these platforms for ongoing dialogue will become even more important.



India's Capital Markets Decade

The next decade offers India a rare opportunity.

Already, calendar year 2025 emerged as a watershed year for India's primary markets, with total capital mobilisation through IPOs, SME IPOs, QIPs, Rights Issues and other equity fund-raising routes reaching nearly ₹1.9 lakh crore, making it the strongest years in the history of Indian capital markets.

The combination of a strong demographic base, digital infrastructure, entrepreneurial spirit, and institutional reforms has created favourable conditions for long-term economic growth. Capital markets will connect domestic savings with productive investments, global capital with Indian businesses, and technological innovation with inclusive growth.

Artificial intelligence will enhance market efficiency. Financialisation will deepen market involvement. New investment vehicles will increase diversity. Strong governance will build trust.

The collective challenge for regulators, policymakers, market participants, and industry groups is to ensure these forces work together instead of in isolation.

If India succeeds in creating markets that are transparent, resilient, technology-driven, and globally competitive, capital markets will be more than just a funding tool. They will become a solid foundation for a developed India.

This is the chance before us, and it is also our shared responsibility.





From a Nation of Savers to a Nation of Investors: India's 401(K) Moment

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India's capital markets took root long before the world called India an emerging economy. In 1875, decades before independence, a group of Indian brokers pooled their own capital to establish Asia's first stock exchange in Bombay, ahead of Tokyo, Shanghai and Hong Kong, on a street named in our own language: Dalal Street. Capital markets are not an import into India; they have been part of our economic fabric for a hundred and fifty years. Yet for most of this journey, they were accessed by a few. Except for a brief period in the 1990s, equity remained the preserve of a small minority, concentrated in a few cities, while household wealth lived in gold, land and deposits. The most consequential change of the past decade is that the market now belongs to the masses. Crores of households are moving their savings into financial assets. Savers are becoming owners of India's growth.

Several forces have converged to make this happen. Incomes have risen, and with them the surplus a household can set aside after meeting its needs. Technology has brought the market to the saver's phone. A SIP can now be started in minutes from any village in the country, with paperless KYC. In fact, most transactions at fund houses are now digital. Financial awareness has deepened, as sustained investor education taught a generation the power of compounding and the discipline of staying invested. Aspirations too have grown. Households today plan for goals their parents rarely wrote down, such as a child's education, a home, an independent retirement. The SIP which is small, regular, unglamorous, has become the vehicle for all of this. The move from saving to investing is not merely an economic trend; it is a social and cultural one.

This is India's 401(k) moment. In 1980, barely 6 percent of American households invested in mutual funds, and the US fund industry managed about 135 billion dollars. Then retirement savings began moving into markets, payroll by payroll, in good years and bad. Today, more than half of American households invest in mutual funds, and mutual funds manage over 30 trillion

dollars. Nearly half of what American mutual funds manage is retirement money, and that pool of patient domestic capital financed the most innovative economy of the modern era. Where America's financial transformation was routed through the workplace, India's households are choosing to invest on their own, through mutual funds.

India's financialization journey is going from strength to strength. Mutual fund assets have grown six-fold in ten years to cross Rs 82 lakh crore, folios have nearly tripled in five years to approach 28 crore, and the monthly SIP book has grown tenfold in a decade to over Rs 30,000 crore from over 10 crore SIP accounts, flows that have held firm through the cycle. Just as heartening is who the new investor is. A rising share of inflows comes from beyond the thirty largest cities, one in four investors is a woman, and the twenty-somethings are among the most enthusiastic participants. Yet the runway ahead is longer than the road behind. India's mutual fund AUM is about a quarter of GDP; in the United States, mutual fund AUM alone exceeds the country's GDP. Around 6 crore Indians invest in mutual funds, in a country of 140 crore. We are on top of the world in many respects, yet have a long way to go.

The more telling change is behavioural. In March 2026, the Sensex corrected over 10 percent in a single month as global markets turned turbulent. SIP contributions that same month touched a record Rs 32,087 crore. Equity schemes have now seen net inflows for more than 60 months in a row, a run that began during the second wave of the pandemic and has since witnessed the war in Ukraine, conflict in the Middle East, tariff uncertainty and sustained FPI selling. An earlier generation of retail investors bought into rallies and sold in



panic. Today's investor is more likely to keep the instalment running and treat the fall as a chance to accumulate. Years of investor education have helped. So has the simplicity of the SIP itself. An investor decides once, and the SIP instalment then runs on its own, including in the months when many would otherwise have hesitated.

The mutual fund industry's growth has come on the back of four Ts: track record, transparency, technology and training. The fifth T, trust, is the outcome of the other four, earned reform by reform, and here the regulator deserves genuine credit. SEBI's consistent, investor-first pursuit of simplicity has been the quiet enabler. Scheme categorization made products true to label, costs are globally competitive, disclosures compare with the best in the world and small-ticket SIPs of just Rs 250 have opened the door to almost every household. These reforms made the capital market a place where a first-time investor from a small town participates with confidence.

Financialization has moved well beyond mutual funds. Alternative investment funds (AIFs) have gathered commitments of nearly Rs 17 lakh crore as of March 2026, up from Rs 8.3 lakh crore three years earlier, and portfolio management services are scaling alongside. It is not just savings being financialized; assets are too. REITs and InvITs have converted nearly

Rs 10 lakh crore of roads, transmission lines and office parks into securities an investor can own. GIFT City has become a viable avenue for onshoring offshore funds, with over 350 fund schemes now domiciled at the IFSC.

The significance reaches beyond markets. India's ambition of becoming a developed nation by 2047 demands capital on a scale we have never mobilised, for infrastructure, the energy transition, manufacturing, and the ideas of the world's youngest large workforce. Foreign capital remains welcome, and we will need it. But the balance has shifted. As of March 2026, DIIs own about 20 percent of Indian listed equities against 16 percent held by FPIs. In March 2016, it was the other way around, with DIIs at around 12 percent and FPIs at 21 percent. When global flows turned negative in recent episodes, Indian households kept investing, and the market held steady. Our national assets are increasingly owned by our own citizens and Indian risk capital is beginning to fund Indian startups. Growth is becoming less dependent on the ebb and flow of global capital. This is what an Atmanirbhar capital market means and it is the financial foundation of an Atmanirbhar Bharat.

A hundred and fifty years ago, a small group of Indians built an exchange with their own money and remarkable foresight. Today, crores of ordinary households are building on that foundation, one SIP at a time.



India's Corporate Bond Market: Progress, Challenges and the Road Ahead

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India's capital markets stand at an important inflection point. Three forces are reshaping the financial landscape simultaneously: the growing use of technology and artificial intelligence across market infrastructure, the financialisation of household savings at an unprecedented scale, and the emergence of new investment frontiers spanning green finance, alternative assets and corporate debt. The transformation of India's equity markets is by now well recognised. Strong institutions, technology-led market infrastructure and widening investor participation have helped create one of the world's most dynamic equity ecosystems. The equity story has largely been told. The next chapter must include a comparable broadening and deepening of India's corporate bond market.

For much of its development journey, India has been predominantly a bank-financed economy. Banks will remain central to credit delivery and nation-building, but the scale and nature of financing required over the coming decades call for a more diversified financial architecture. As India advances towards Viksit Bharat by 2047, investment requirements across infrastructure, manufacturing, climate transition, digital connectivity and other strategic sectors will be large-scale, long-term and capital-intensive. Bank balance sheets alone cannot be expected to meet the full requirement for such long-duration capital. A deeper corporate bond market can complement bank lending, widen financing avenues for businesses, reduce concentration risks and better match the long gestation periods of many large projects.

Corporate bond market: Progress and policy development

There has already been meaningful progress. Outstanding corporate bonds have risen from Rs 17.5 lakh crore in FY15 to Rs 59.1 lakh crore in FY26, more than tripling over the period. Importantly, the primary market has also attained considerable scale, with annual corporate bond issuances approaching Rs 10 lakh crore in each of FY25 and FY26. Together, the growth in outstanding bonds and the sustained pace of annual fund mobilisation point to the increasingly important role of corporate debt in India's financing landscape.

Yet, at around 17% of GDP, India's corporate bond market remains relatively modest when compared internationally. Corporate bonds outstanding are equivalent to around 38% of GDP in the US, 38% in China and 76% in South Korea. The comparison is instructive: India has achieved considerable growth in absolute terms, but its corporate bond market remains relatively shallow in relation to the size of the economy. This provides significant headroom for further expansion as India's financing requirements rise.

The structure of issuance also points to the opportunity ahead. More than 98% of corporate bond issuances over the past five years have been through private placements, while public issuance remains relatively limited. This reflects, among other factors, the higher documentation, compliance, distribution and execution costs associated with public offerings.

Market infrastructure has evolved steadily alongside this growth. The Electronic Book Provider (EBP) platform has strengthened transparency and price discovery in private placements, while the Request for Quote (RFQ) platform has supported a shift towards electronic, exchange-based secondary-market execution. The Online Bond Platform Provider (OBPP) framework has further widened access to listed debt while strengthening investor protection. Policy support has also continued, with the Union Budget 2026–27 proposing a market-making framework, corporate bond index derivatives and total return swaps, underscoring the focus on improving liquidity, risk management and overall market depth.

Secondary market liquidity and broadening participation

Secondary market liquidity remains an important area for development. While average daily corporate bond trading value has increased from Rs 3,180 crore in FY15 to Rs 9,158 crore in FY26, it remains modest relative to NSE's daily cash-market turnover of over Rs 1 lakh crore.

On NSE, aggregate turnover across the over-the-counter (OTC) and Request for Quote (RFQ) platforms increased from Rs 10.6 lakh crore in FY22 to Rs 17.8 lakh crore in FY26. The number of trades rose sharply to nearly 16.6 lakh in FY26, from around 2.4 lakh in FY25, driven largely by RFQ activity, where trade counts increased more than eight-fold in a single year to 15.9 lakh. The momentum has continued into FY27, with July 2026 recording an all-time high of nearly 2.7 lakh RFQ trades.

Importantly, this growth has been accompanied by wider individual participation. Individuals accounted for 77.3% of total trades across NSE's RFQ and OTC platforms in FY26, and over 80% of RFQ trades, although their share in turnover remained small. Cumulative Unique Client Codes (UCCs) registered on NSE's secondary debt market platform reached around 40.4 lakh as of June 2026. This reflects the growing role of smaller-ticket transactions and electronic platforms in broadening market access.



Structural challenges to deepen the market

Despite this progress, several structural constraints remain. Secondary-market liquidity is still limited, market-making capacity remains narrow, and the repo and securities-lending ecosystem is at an early stage. Parts of the OTC market also continue to rely on bilateral settlement without a central settlement guarantee.

The investor and issuer bases need to broaden further. Fund-raising remains concentrated among highly rated borrowers, while lower-rated firms face limited investor appetite and higher borrowing costs. Individual participation, despite its rapid growth in trade counts, remains very small in value terms. Foreign investors also face operational and tax frictions that can affect the relative attractiveness of Indian corporate debt.

There are important pricing and risk-management gaps as well. India does not yet have a sufficiently deep and reliable corporate bond yield curve across ratings and maturities, complicating the pricing of long-dated infrastructure and ESG-linked securities. Differences in valuation methodologies across institutional investor categories can inhibit consistent price discovery. Interest-rate and credit-risk transfer markets also remain relatively shallow, limiting the ability of investors and intermediaries to efficiently hedge their exposures.

Priorities for the next phase

The next phase of reform should therefore focus on creating a self-reinforcing ecosystem of liquidity, participation and risk management. A viable market-making framework, beginning with highly rated benchmark bonds and gradually extending to a wider set of securities, can facilitate continuous two-way quotes and reduce liquidity premia. Corporate bond index derivatives can provide investors and market makers with portfolio-level hedging tools, while a more active securities lending and borrowing framework, alongside covered short selling, can strengthen inventory management, price discovery and market-making capacity.

Participation can be widened further by simplifying RFQ access for globally regulated asset managers, rationalising counterparty KYC requirements on exchange-based platforms and expanding the eligible participant base in corporate bond repo. Greater consistency in valuation methodologies could improve confidence in market prices, while a more competitive tax treatment for listed corporate bond interest could enhance its attractiveness to individual investors.

India has built a strong foundation; the task now is to convert scale into depth and participation into sustained liquidity. The potential is considerable. NITI Aayog has indicated that, with continued reforms and innovation, India's corporate bond market has the potential to exceed Rs 100–120 lakh crore by 2030. Realising that potential would represent more than an expansion in market size. It would strengthen India's capacity to mobilise long-term domestic and global savings for infrastructure, enterprise, innovation and the transition to a more productive economy. As India moves towards Viksit Bharat 2047, deepening the corporate bond market must therefore be viewed not simply as a financial-market reform, but as an essential part of building the financing architecture for the country's next phase of growth.



Exchange-Traded Commodity Derivatives: India's Next Frontier in Portfolio Diversification and Risk Management

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India's investment landscape has undergone a remarkable transformation over the past decade. Growing financial awareness, widespread digital adoption, and increasing access to capital markets have brought millions of new investors into equities, mutual funds, exchange-traded funds (ETFs), and other financial products. As portfolios become more sophisticated, investors are increasingly recognising the importance of diversification across asset classes.

In this evolving landscape, Exchange-Traded Commodity Derivatives (ETCDs) are emerging as an important component of India's financial ecosystem. Traditionally viewed as instruments primarily used by producers, traders, and industrial consumers for hedging, ETCDs today are gradually finding acceptance among investors seeking portfolio diversification, inflation resilience, and exposure to global macroeconomic themes.

The growing relevance of commodity derivatives reflects the broader evolution of India's financial markets—from product-centric investing towards well-diversified portfolios supported by transparent and regulated market infrastructure.

Commodities: A Distinct Asset Class

Every asset class responds differently to economic developments. Equity markets are influenced by corporate earnings, interest rates, and economic growth. Fixed-income investments are largely driven by monetary policy and credit conditions.

Commodities, however, respond to a different set of factors.

Gold often reflects inflation expectations, currency movements, and periods of global uncertainty. Crude oil is influenced by geopolitical developments, production decisions, and energy demand. Industrial metals respond to infrastructure investment, manufacturing activity, and industrial growth, while agricultural commodities are shaped by weather patterns, seasonal cycles, and changing consumption trends.

Because commodities are influenced by economic drivers different from those affecting traditional financial assets, they offer investors an opportunity to diversify portfolio risk.

Diversification is not simply about investing in multiple products; it is about combining assets that respond differently under varying market conditions. Commodity exposure can therefore complement traditional investments and contribute to building more balanced portfolios.

ETCDs: Beyond Trading

Commodity derivatives are often perceived primarily as trading instruments. In reality, their economic role is much broader. Across the world, organised commodity derivative markets enable efficient price discovery and risk management. They allow businesses exposed to commodity price fluctuations to transfer risk while providing investors with transparent access to commodity markets through regulated exchanges.

For commercial participants such as jewellers, refiners, manufacturers, exporters, importers, and processors, ETCDs help manage uncertainty arising from volatile commodity prices. For investors, they provide exposure to commodities without requiring physical ownership. For the broader economy, they contribute to transparent pricing, improved market efficiency, and better allocation of resources.

As India continues to expand its manufacturing base and strengthen its position in global supply chains, organised commodity markets, including derivatives, will play an increasingly important role in supporting business planning and investment decisions.



India's ETCD Markets Are Growing

India's commodity derivatives ecosystem has witnessed significant growth in recent years. During the year 2025-26, commodity futures turnover in India increased by nearly 133 % to ₹166.43 lakh crore, while commodity options notional turnover increased 140% to ₹1,221.68 lakh crore, reflecting growing investor interest and wider adoption of commodity-linked products, as per data provided in SEBI Bulletins.

The market has also witnessed increasing institutional participation, apart from enhanced retail interest. Regulatory reforms have progressively enabled Mutual Funds (through eligible schemes), Portfolio Management Services (PMS), Alternative Investment Funds (AIFs), and Foreign Portfolio Investors (FPIs) to participate in specified commodity derivative products under well-defined regulatory frameworks. This broadening of the participant base has contributed to improved market depth and liquidity in ETCD markets.

Regulatory reforms and enablements have also contributed to strengthening of institutions in the ETCD market, for instance, regulatory actions have strengthened clearing and settlement mechanisms, improved risk management standards and encouraged product innovation. The introduction of newer products reflects the continuing evolution of organised commodity markets to meet the evolving requirements of India's economy. A recent milestone has been the introduction of electricity derivatives, which represents an important expansion of India's commodity derivatives ecosystem into a sector that is becoming increasingly important for the country's economic development.

These developments indicate that India's ETCD markets are gradually evolving into deeper and more diversified financial markets.

Technology is Expanding Participation

Technology has transformed India's financial markets, including those of commodity derivatives. The success of digital broking platforms, simplified account opening, mobile investing, and real-time market access has significantly increased retail participation across financial products.

Today, investors can access commodity markets through integrated trading platforms supported by research tools, portfolio analytics, educational content, and digital onboarding. Technology has reduced operational barriers and made organised commodity markets more accessible than ever before.

The next phase of market development will likely be supported by Artificial Intelligence (AI). AI-enabled analytics can assist investors in monitoring commodity exposures, analysing macroeconomic developments, understanding market trends, and constructing diversified portfolios. For intermediaries, AI can improve client engagement, personalised insights, and investor education.

Technology is therefore not merely improving access—it is strengthening the overall market ecosystem.

The Road Ahead

India's commodity markets are entering a new phase of development. The focus is gradually shifting from viewing commodity derivatives solely as hedging instruments towards recognising their broader role within the financial ecosystem. Continued investor education, wider institutional participation, technological innovation, product diversification, and strong regulatory oversight will be important drivers of future growth.

The expansion of commodity-linked products, greater integration with digital platforms, and increasing awareness among investors are expected to further strengthen participation in ETCDs. At the same time, expanding participation from institutional investors should further enhance market liquidity, improve price discovery, and contribute to greater market efficiency. The increasing integration of commercial participants and financial investors should further strengthen India's commodity ecosystem by bringing together businesses seeking risk management and investors seeking diversified opportunities.

More importantly, as India's economy grows, demand for efficient price discovery and commodity risk management will only increase, increasing the breadth, depth and usefulness of the ETCD market.

Conclusion

India's financial markets have evolved significantly over the past decade, supported by technology, regulatory reforms, and increasing investor participation.

Exchange-Traded Commodity Derivatives represent the next stage of this evolution. They provide transparent price discovery, efficient risk management, portfolio diversification, and access to global economic themes within a regulated exchange framework. As businesses seek better tools to manage commodity price volatility and investors increasingly adopt diversified asset allocation strategies, ETCDs are well positioned to become an integral part of India's investment ecosystem.

The future of India's commodity markets lies not only in facilitating trade but also in strengthening financial resilience, improving market efficiency, and supporting the country's long-term economic growth through deeper, broader, and more inclusive participation.

Views are personal



Capital Markets as the Gateway to India's Future: AI, Financialization and New Investment Frontiers

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Every phase of economic transformation requires a strong financial foundation. For India, the next chapter of growth will depend not only on policy reforms and entrepreneurial ambition but also on the ability of its capital markets to channel savings into productive investments. As the economy expands and investment needs multiply, capital markets are poised to become one of the principal drivers of India's development journey.

India's aspirations of becoming a developed economy are supported by unprecedented investments in infrastructure, manufacturing, renewable energy, digital transformation, healthcare and innovation. Financing these ambitions requires a financial system that efficiently mobilises savings, allocates capital and supports long-term investment. In this context, capital markets are evolving from being passive facilitators of economic activity to active enablers of sustainable growth.

One of the most significant drivers of this transformation is the financialization of household savings. Traditionally, Indian households favoured physical assets such as gold and real estate. Over the past decade, however, a structural shift has been underway. Mutual fund products, pension solutions and insurance-linked investments are becoming increasingly integral to household portfolios, supported by rising financial literacy, digital accessibility and greater investor awareness.

This transition has implications far beyond changing investment preferences. Household savings represent one of the most stable sources of long-term capital. When channelled through capital markets, they finance businesses, infrastructure, entrepreneurship and innovation, creating a virtuous cycle where household wealth creation and economic development reinforce one another.

The growing participation of domestic investors has also strengthened the resilience of India's financial markets. Regular retail SIP inflows and increasing



investments from domestic institutional investors have reduced reliance on volatile foreign capital, providing stability during periods of global uncertainty. At the same time, foreign portfolio investors continue to play a vital role by enhancing liquidity, improving price discovery and integrating Indian markets with global capital flows. Together, robust domestic participation and sustained foreign investment create a stronger and more balanced capital market ecosystem.

As India's investment requirements continue to expand, developing a deeper corporate bond market has become increasingly important. While banks will remain the backbone of financial intermediation, the scale and duration of financing required for infrastructure, renewable energy, urban development and advanced manufacturing demand a broader financing framework. A vibrant corporate bond market can diversify funding sources, improve capital allocation, distribute risk more efficiently and complement the banking system, making India's financial architecture more robust and resilient.

Technology is emerging as another defining force shaping the future of capital markets. India has consistently leveraged technology to improve market efficiency; from dematerialisation and electronic trading to digital onboarding and online investing. Artificial Intelligence now represents the next frontier. AI has the potential to transform investment research, portfolio construction, risk management, compliance and market surveillance by enabling faster, data-driven and more informed decision-making.

However, technology alone cannot create stronger markets. As AI adoption accelerates, maintaining investor trust will require robust governance, transparency, cybersecurity, data privacy and model accountability. The success of AI in financial markets will depend as much on responsible regulation as on technological innovation.

Supporting this transformation is India's world-class digital public infrastructure. Aadhaar-enabled verification, digital KYC, UPI-powered payments and paperless account opening have significantly lowered barriers to market participation, enabling millions of first-time investors to access formal financial markets. Few countries have combined technology, scale and regulatory innovation as effectively as India, creating a strong foundation for the next phase of capital market development.

Looking ahead, the role of capital markets will extend well beyond raising capital. They will increasingly finance infrastructure, accelerate innovation, support entrepreneurship and

enable wealth creation for millions of Indians. Their continued evolution will shape not only the pace of economic growth but also its resilience, inclusiveness and sustainability.

As India moves towards becoming a developed economy, the strength of its capital markets will be measured not only by their size, but by their ability to mobilise savings, attract global capital, foster innovation and allocate resources efficiently. In that sense, capital markets are no longer merely a reflection of India's economic progress; they are becoming one of its most powerful engines of future growth.





India's Capital Market Growth Story: Scale, Participation and Innovation

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The capital market is the backbone of any country's economy. Access to capital is a critical factor, alongside land and labour, and plays a key role in building the economy. India's capital market is projected to report strong growth through 2034, despite challenges in global economies owing to geopolitical developments, war in West Asia, trade restrictions, tariff changes and exchange rates. India's growth narrative is supported by increasing retail participation, digital transformation and supportive regulatory framework. Virtually every segment of the Indian capital market—including the IPO market, corporate bond market, asset management, wealth management, brokerage services, investment banking, and alternative investment funds—has experienced remarkable growth over the past few years.

While India's IPO market continues to ace the competition, the country's corporate bond market has demonstrated resilience in absorbing new issuance. However, the latter remains a vital financing avenue, especially for sectors like infrastructure, renewable energy and financial services. Green bonds and sustainability-linked debt instruments have also gained momentum as environmental, social, and governance (ESG) investing becomes more prominent.

The present landscape presents opportunities for investors in debt as well as equity markets. In the corporate bond segment, infrastructure, renewable energy, and financial sector companies offer attractive risk-adjusted returns, particularly for high-quality issuers. The underpenetrated retail bond market also holds potential, as digital platforms and SEBI reforms enhance accessibility.

India's corporate bond market sits at a critical intersection of scale and efficiency, where depth exists without adequate liquidity. India needs to bridge this gap to build a mature financial ecosystem that is capable of funding long-term sustainable development. While the corporate bond market has reached a sizable market in absolute terms, it is still smaller relative to GDP compared to more developed bond markets like the US, China, Japan, Malaysia, South Korea, etc.

Debt securities have also attracted growing foreign investors through multiple investment routes. Regulatory reforms and changes in debt taxation have enhanced the attractiveness of Indian debt markets for global investors. After several months of net selling, Foreign Portfolio Investors (FPIs) turned net buyers in July, indicating renewed confidence in India's economic prospects. However, the sustainability of these inflows will depend on global financial conditions, interest rate movements, and the direction of India's domestic growth.

Foreign capital plays an important role in high-growth emerging markets such as India. The foreign investment flows are, broadly, long-term strategic investments and market-linked portfolio investments. While strategic capital generally involves overseas entities establishing or expanding business operations and productive assets in India, portfolio inflows reflect global investors' participation in domestic financial markets, including equities and debt instruments. Together with domestic capital, foreign investment has been instrumental in accelerating India's growth.

In the past few years, the Government of India and the Securities and Exchange Board of India (SEBI) have taken several initiatives to improve regulations and attract foreign capital. An international stock exchange has been set up to assist foreign investors. Various initiatives and regulations in the FII space have been undertaken to attract foreign capital – SEBI's compliance relaxation to FPIs; launch of the SWAGAT-FI framework; introduction of key reforms for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs); and permitting FPIs in commercial paper and non-convertible debentures with an original maturity of up to one year.

Another critical aspect of India's capital market growth is the country's ability to channel household savings into productive finance capital. Over the years, particularly since COVID-19, Indian households have increasingly shifted their savings away from traditional physical assets such as gold and real estate, as well as conventional fixed deposits, toward financial assets including equities, mutual funds, bonds, exchange-traded funds (ETFs), and systematic investment plans (SIPs). Retail participation in Initial Public Offerings (IPOs) has reached record levels, while the number of demat accounts has grown exponentially. This is not a temporary or seasonal shift, but a defined structural move which will power India's capital market growth for decades.

While the capital market is a better avenue for financialisation of savings, it is a complex process and requires various initiatives and policies to protect the interests of retail investors. Also, it requires investor awareness and financial literacy programs to educate individual investors about the risks and benefits of wealth creation through financial assets. Additionally, stricter regulations and improved monitoring are necessary to manage highly speculative segments such as Futures and Options (F&O) trading, ensuring that market integrity and investor confidence remain intact.

The incorporation of Artificial Intelligence (AI) into global finance has reshaped the landscape of capital markets worldwide. Similarly, AI has emerged as a transformative force in the Indian capital market, reshaping market dynamics and presenting both opportunities and challenges. AI has huge potential to enhance market efficiency, risk management, fraud detection, predictive analytics, sentiment analysis and personalised investment advice. It is being used in all segments of the Indian capital market, be it equity, debt and credit markets or the derivative market.

Similarly, whether it is intermediaries, infrastructure providers or regulatory bodies, incorporating AI in their models has benefited all through more accurate predictions, analysis of large data, finding the right and meaningful trends, and helping in fraud detection and compliance monitoring and supervision. However, the full benefits of AI have not yet been unlocked. AI also poses certain challenges such as algorithmic complexity, data ethics concerns, lack of transparency, regulatory gaps, data privacy issues, and potential job displacement, which require careful regulation and ethical consideration.

In conclusion, the Indian capital market is paving the way for greater economic change. By efficiently mobilising domestic and foreign capital, facilitating industrial expansion, financing infrastructure, encouraging entrepreneurship, and promoting financial inclusion, the capital market contributes significantly to national development. As retail participation continues to rise, digital innovation accelerates, regulatory frameworks evolve, and technologies such as Artificial Intelligence reshape financial services, India's capital market has a ripple effect on strengthening the country's financial architecture, generating employment, improving living standards, accelerating sustainable development, and supporting India's aspiration of becoming a developed economy in the coming decades.





Quarterly reporting in the age of AI

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As AI makes financial reporting faster, cheaper, and more accurate, the U.S. SEC is considering allowing companies to report less frequently. The argument is flexibility and lower compliance costs versus a potential erosion of transparency and investor protection. At a time when information flows in real time, is less frequent disclosure really the right direction?

As artificial intelligence (AI) makes transaction matching more accurate, improves anomaly detection and speeds up financial close, the U.S. Securities and Exchange Commission (SEC) has counterintuitively moved in the opposite direction. Earlier this year the SEC sought public comments[1] proposing allowing companies to choose between reporting on a quarterly or on a semiannual basis.

"Public companies have an obligation under the federal securities laws to provide information that is material to investors. Yet the rigidity of the SEC's rules has prevented companies and their investors from determining for themselves the interim reporting frequency that best serves their business needs and investors," said SEC Chairman Paul S. Atkins[2].

The SEC makes four main arguments. First, companies differ significantly in size, industry, business model, and investor base so could choose the reporting schedule that best suits their business and investors.

Second, the SEC notes that investors today receive information through many channels, including earnings calls, investor presentations, press releases, and Form 8-K filings for material events.

Third, preparing quarterly reports takes time and money. It requires work from finance teams, lawyers, auditors, and senior management. The SEC argues that these costs can be particularly burdensome for

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[1] https://www.sec.gov/files/rules/proposed/2026/33-11414.pdf

[2] https://www.sec.gov/newsroom/press-releases/2026-42-sec-proposes-amendments-permit-optional-semiannual-reporting-public-companies

smaller and growth-stage companies and that reducing reporting requirements could make public markets more attractive; the SEC is concerned that the number of listed U.S. companies has fallen from about 6,900 in 2000 to roughly 4,000 today.

Four, supporters argue that less frequent reporting would reduce pressure on management to focus on short-term results and allow greater attention to long-term value creation.

The proposal is surprising because technology is reducing making financial reporting easier, not harder. AI is increasingly being used to automate reconciliations, improve transaction matching, identify anomalies, assist with regulatory compliance, and accelerate the financial close process. As these tools become more widespread, the cost and effort involved in producing timely financial information are likely to fall. Research[3] at institutions like Stanford and MIT is showing how AI is speeding up financial closure. This raises an obvious question: if technology is making reporting faster, cheaper, and more accurate, is reducing reporting frequency the right response?

Critics are unconvinced and argue that quarterly reporting remains one of the most important safeguards for transparency and investor protection. Quarterly reports help ensure that all investors receive the same information at the same time, limiting the advantage held by insiders and large institutions. This gap raises a market-integrity concern. Less frequent disclosures increase the value of inside information and widen the advantage enjoyed by investors with better access to management and industry networks.

This issue is especially important for retail investors. In comments highlighted by the Financial Times' Alphaville, the Reddit investing community WallStreetBets described quarterly reporting as "the single most important levelling mechanism between retail and institutional investors in U.S. equity markets." Large institutions already benefit from analyst access, expert networks, and direct engagement with management. Public disclosures help narrow that gap. As they quipped "If quarterly reporting is crushing American capitalism, American capitalism is hiding it well."

The claim that quarterly reporting encourages short-term thinking has also been challenged. Former U.S. Treasury Secretary Lawrence Summers dismissed the idea that fewer reporting obligations would suddenly make managers more long-term oriented. He compared managers complaining about frequent reporting to students complaining that examinations prevent them from pursuing their intellectual passions. His point was simple: accountability is rarely convenient.

As argued earlier by us[4], companies already monitor their businesses far more frequently than once a quarter. CEOs and boards receive monthly, weekly, and often daily performance reports. Private equity firms routinely demand detailed and frequent updates from portfolio companies. If management needs regular information to run the business, allocate capital, and respond to emerging risks, it is difficult to argue that shareholders should receive less.

[3] https://mitsloan.mit.edu/ideas-made-to-matter/how-generative-ai-can-make-accountants-more-productive

[4] https://www.iiasadvisory.com/institutional-eye/in-defence-of-the-quarterly-reporting-cycle



Investors are also capable of looking past a bad quarter. Capital is routinely invested in companies based on management quality, strategy, and long-term growth prospects. Venture capital, private equity, and IPO markets all operate on this principle. A weak quarter does not prevent investors from assessing a company's long-term potential.

Experience elsewhere offers little support for the SEC's case. After the UK and Europe removed mandatory quarterly reporting requirements, many companies continued to provide quarterly trading updates voluntarily. Investor demand for regular information remained strong. There is little evidence to suggest that reducing reporting frequency led to more listings or stronger capital markets.

Importantly, quarterly reporting is not just about the numbers. Earnings releases and investor calls give management an opportunity to explain economic conditions, competitive developments, regulatory changes, capital allocation decisions, and strategic priorities. Investors and analysts use the data and interactions to assess not only performance but also leadership quality, credibility, and preparedness. The result is more efficient pricing and markets.

The real issue is not whether companies should report quarterly or semi-annually, but what reporting cadence best serves investors and capital markets. Markets operate in real time: companies monitor performance continuously, investors receive news instantly and AI enables faster reporting and analysis than ever before. Against this backdrop, the push for less frequent disclosure appears out of step with the broader direction of information flows.



Financializing India's Savings: The Quiet Reform That Funds Everything Else

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Indian households are gradually financializing their savings. The pace of that shift, and how far it reaches beyond the metros, will determine how much domestic capital India can mobilise to meet its investment needs over the coming decade.

Why financialization matters

India is a capital-hungry economy. It runs a structural current account deficit, its investment needs outstrip what it saves at home, and every ambition from the energy transition to manufacturing ultimately rests on someone's savings to finance it. Household savings held in financial form become the deposits that banks lend, the bonds that fund the government, and the equity that finances corporate investment. Savings locked in real estate or physical gold finance none of this. Gold sitting idle in lockers in fact widens the import bill and weighs on the rupee. Deeper domestic capital pools also lower the cost of capital and reduce the economy's reliance on foreign money. FY26 brought record foreign portfolio outflows and subdued foreign direct investment, yet domestic institutions, powered by record SIP flows, provided a critical buffer.

The trend in numbers

Net household financial savings rose to 7% of gross national disposable income in FY25 from 5.8% in FY24, recovering from a multi-decade low of 5.1% in FY23. Deposits still dominate financial assets, followed by provident and pension funds and insurance, but the incremental flow is tilting steadily toward the markets. Mutual fund assets under management reached ₹82.2 lakh crore in June 2026, having crossed ₹30 lakh crore only in November 2020. Monthly SIP contributions have held at or above ₹31,000 crore for five consecutive months, and active demat accounts have risen from roughly 4 crore in March 2020 to nearly 23 crore by mid-2026. The stock of wealth, however, tells a different story. Financial assets make up just 25.8% of gross household wealth in India, among the lowest of the 56 markets studied, against nearly 79% in the United States and about 52% in China (UBS Global Wealth Report 2026).

The barriers, and why they should fall

The preference for land and gold is inherited. For generations these were the only inflation hedges available to households with patchy access to banking, and they carry a tangibility and social signalling

that financial assets lack. The case for the shift, though, is a practical one. Financial assets are liquid, divisible, transparently priced, and can be diversified across sectors and geographies in ways physical assets cannot.

What is being done, and what AI changes

SEBI has moved beyond awareness campaigns to reshaping the underlying economics. Its Chhoti SIP initiative aims to make ₹250 monthly investments viable, funded partly by subsidies from the investor education corpus. MF Lite has smoothed the path for low-cost passive funds since March 2025, and revised distributor incentives from March 2026 deliberately target investors beyond the top 30 cities as well as women. What none of these measures can fix on its own is the economics. No human advisor can profitably educate, onboard and serve a first-time ₹250 investor in a small town, in her own language. AI can.

AI and the trust deficit

The problem is visible in the numbers. An NSE survey found that 63% of Indian households are aware of market products such as mutual funds and shares, yet only 9.5% actually own them. The gap has four causes. People fear being cheated, most have limited financial knowledge, many act on tips and lose money, and financial firms find small customers too costly to serve. AI can help address all four.

a) The first is the fear of fraud, and here SEBI has already laid the groundwork. Since October 2025, every SEBI-registered firm that collects money through UPI must use a verified @valid ID, and a tool called SEBI Check lets anyone confirm in multiple Indian languages whether a UPI ID or bank account genuinely belongs to a registered firm. AI can extend this. It can warn an investor before money leaves for an unverified account, detect fabricated videos of well-known investors dispensing stock tips, and monitor social media around the clock for groups that inflate a stock and then dump it.

b) The second is limited financial knowledge. A first-time investor will never read a hundred-page fund document, but she will readily ask a voice assistant, in her own language, how much her investment would fall if the market dropped 10%. AI can answer such questions patiently and correctly, any number of times, at any hour, and at almost no cost.

c) The third is the loss that follows from acting on tips. People rely on tips because sound advice was never available for small sums. A regulated AI advisor, with every answer recorded, can tell an investor what suits her income, goals and risk appetite within seconds and for a few rupees. Tips will lose their grip only when good advice becomes cheaper and faster than a tip.

d) The fourth is the high cost of serving small accounts. Banks and advisors overlook small savers because serving them costs more than they yield. AI rewrites that arithmetic. Reviewing a portfolio, tracking a goal and flagging a failed SIP payment are services once reserved for the wealthy, and they can now be offered to a ₹250 investor. Because every AI recommendation is logged, regulators can screen for mis-selling far more easily than they ever could with human agents.

The plumbing already exists. UPI moves money, and account aggregators share financial data with the customer's consent. Place an AI assistant on top of these rails and every household can have what only the wealthy enjoy today, namely someone who watches their money, recommends suitable products based on financial goals of investors, acts only with permission, suggests appropriate rebalancing when required and keeps a complete record. No other country combines digital infrastructure and scale in this way. India made payments free for everyone. It can now make sound financial advice free relatively inexpensive for everyone, including bottom of the pyramid. That is what will finally draw household savings into the markets.

The new frontiers

The product shelf has broadened materially in recent years. REITs and InvITs let a small investor own a slice of office parks and highways. REITs have also been classified as equity-related instruments by SEBI to boost broader participation and improve market liquidity by allowing MFs & SIFs to hold them in their fund portfolios. SEBI has introduced Small and Medium REITs for smaller properties, and the new Specialised Investment Funds (SIFs), launched in 2025 and already managing ₹17,858 crore by June 2026, sit between mutual funds and PMS. SEBI has also proposed a new Mutual Fund-only Portfolio Management Service (MF-PMS) framework, lowering the minimum investment for investors to ₹25 lakh (from the current ₹50 lakh) and reducing the applicant net worth requirement to ₹2 crore (from the current ₹5 crore). This is expected to broad-base participation of mass affluent customer segment into 'direct' plan mutual funds, whilst the lower net worth requirement should facilitate smaller MFDs / IFAs to register as PMS managers – a welcome divergence from the current stuttering RIA model that they operate within. The MF-PMS model allows inherent charging to clients vs the RIA model which required clients to cut out a separate cheque for charges – one of the key reasons for the RIA model not taking off, especially for smaller clients. RBI's Retail Direct platform lets individuals buy government bonds directly, and SEBI-registered online bond platforms have opened corporate bonds to retail money.

Adoption, though, is thinner than the headlines suggest. India's listed REITs had roughly 4.25 lakh unitholders as of Q4FY26, against nearly 23 crore demat accounts. Distribution is part of the reason. Banks and post offices, the channels rural India actually trusts, actively push deposits and small savings schemes rather than market products. Until that trusted last-mile channel carries these instruments, they will remain the preserve of the already-converted.

Some doors remain shut altogether. Overseas diversification is effectively frozen, since the mutual fund industry's ceiling for foreign investment is exhausted and fund houses have suspended fresh inflows into international schemes. An Indian saver cannot easily own the world's best companies. Digital assets are another gap. The United States has approved spot Bitcoin ETFs and Europe has a full licensing regime under MiCA, whereas India taxes crypto heavily while offering no regulated investment route, pushing users onto offshore platforms with no protection. Whether crypto belongs in household portfolios is a fair debate, but it cannot be left unregulated. Retirement products with the flexibility of America's 401(k), and interval funds that give retail investors access to private assets, are further gaps.

Here AI's contribution can be product discovery. Fund houses today design products in conference rooms and test them in the market. AI can invert that sequence, mining consented account-aggregator and transaction data to identify what savers actually need, simulating demand before launch, and giving SEBI the analytical tools to approve new products faster within its regulatory sandbox.

Conclusion

India's savings are steadily financializing, yet most still rest in deposits, and property and gold remain the preferred stores of wealth, the reverse of most developed markets. For a capital-hungry economy, changing this is not optional. The barriers that keep households away, namely fear of fraud, low awareness, tip culture and the high cost of serving small savers, are precisely the ones AI is well placed to solve. Combine that with wider frontiers, and the coming decade of financialization could prove India's most inclusive yet.

FICCI Capital Markets Committee Initiatives

Global Investor Outreach

Investors' Roundtable with Mr Tuhin Kanta Pandey, Chairman, SEBI

❖ Tokyo, Japan - 19 January 2026

- The roundtable witnessed high-level engagement with over 25 leading Japanese strategic and portfolio investors and corporates.
- This was followed by exclusive one-on-one investor meetings with senior executives of major Japanese investors and corporates with strong interest and ongoing engagement in India.





❖ Singapore – 25 August 2025

- The roundtable brought together 40+ global investors, fund managers and corporates to showcase India's evolving regulatory landscape and investment opportunities.
- This was followed by exclusive one-on-one investor meetings with senior executives of major Singapore based investors and corporates with strong interest and ongoing engagement in India.





OUTCOME

Strengthened foreign investor confidence, enhanced cross-border capital flows and reinforced India's position as an attractive investment destination.

Thought Leadership

22nd Annual Capital Markets Conference (CAPAM)
Mumbai - 21 August 2025

- The Conference was inaugurated by the Chief Guest, Mr Tuhin Kanta Pandey, Chairman, SEBI.
- Other distinguished speakers included Dr Arunish Chawla, Secretary, DIPAM, Ministry of Finance; Ms Deepti Gaur Mukerjee, Secretary, Ministry of Corporate Affairs, Mr Ananth Narayan G, Former Whole Time Member, SEBI; Mr Kamlesh Varshney, Whole Time Member, SEBI and Mr Amarjeet Singh, Whole Time Member, SEBI. The Conference was attended by over 400 participants and received wide media coverage.
- The Conference Knowledge Paper - The Experts' Voice, a compilation of articles written by key market experts was released by Chairman, SEBI.





Financial Products Distribution Summit
Mumbai - 13 May 2026

- The Conference was inaugurated by the Chief Guest, Mr Amarjeet Singh, Whole Time Member, SEBI.
- Distinguished speakers included Mr Manoj Kumar, Executive Director, SEBI; Mr Ashwini Kumar Tewari, MD, State Bank of India; Mr Neeraj Choksi, Summit Co-Chair and Co-founder, NJ Group; Mr Navneet Munot, Summit Co-Chair and MD & CEO, HDFC Asset Management Company; Ms Sonia Dasgupta, Co-chair, FICCI Capital Markets Committee and Managing Director & CEO – Investment Banking, JM Financial Limited.
- FICCI-PwC Knowledge Paper was released by Mr Amarjeet Singh, WTM, SEBI. This was developed on the theme – 'Reimagining Distribution – Scale, Trust and Sustainability', examining the structural shifts reshaping India's financial distribution landscape.





OUTCOME

Convened key regulators, policymakers and industry leaders to identify actionable measures to deepen capital markets, broaden investor participation and strengthen financial products distribution. The discussions helped shape FICCI's policy agenda and build consensus on priorities for the next phase of market development.

Engagement with Regulator

Interaction with Mr Kamlesh Chandra Varshney, Whole Time Member, SEBI Mumbai - 29 January 2026

- Discussions focused on key regulatory issues impacting listed companies, AIFs, mutual funds, debt markets and investors, including LODR, Takeover, ICDR and Delisting Regulations.





OUTCOME

Constructive engagement between industry and the regulator, leading to tangible policy refinements, advancing ease of doing business and strengthening the consultative framework.

Engagement with Government

Deposition before Parliamentary Standing Committee on Finance on Securities Markets Code

- The Securities Markets Code, 2025 was tabled in the Lok Sabha on 18 December 2025 and was subsequently referred to the Standing Committee.
- In January 2026, FICCI constituted a Working Group under the chairmanship of Mr Pramod Rao, Former Executive Director, SEBI, with representation from across the capital markets ecosystem, including Market Infrastructure Institutions (MIIs), intermediaries and corporates.
- The Working Group held detailed industry consultations to examine the Securities Markets Code and identified key issues and recommendations.
- Based on these deliberations, FICCI submitted detailed recommendations to the Parliamentary Standing Committee on Finance, Department of Economic Affairs, Ministry of Finance and SEBI.
- There after, FICCI deposed before the Parliamentary Standing Committee on Finance on 24 April 2026, presenting industry's key concerns and recommendations.

OUTCOME

Strengthened engagement between industry and the government and helped bring industry concerns and practical implementation perspectives into the legislative process.

Policy Recommendations

1. Suggestions to SEBI on Consultation Papers issued

Based on inputs received from members, detailed submissions have been made through the year on the following Consultation Papers issued by the Regulator from time to time:

A. Amendments to provisions relating to related party transactions under SEBI (LODR) Regulations, 2015 and circulars thereunder

B. Measures for Regulation of activities of Credit Rating Agencies

C. Review of Simplification of Procedure and Standardisation of Formats of Documents for Issuance of Duplicate Securities Certificates

D. Re-introduction of Open Market Buy-back of Shares or Other Specified Securities through Stock Exchange

2. Suggestions to SEBI on targeted relaxations amid market volatility

Following the geopolitical tensions in the Middle East and heightened volatility in capital markets, FICCI made a detailed submission to SEBI highlighting the practical challenges faced by issuers and market participants. These included challenges relating to Minimum Public Shareholding (MPS) compliance, validity of SEBI observation letters, public float requirements for REITs and InvITs, preferential issues and a few others. The prevailing market conditions were resulting in potential forced dilution at unfavourable valuations, inefficiencies in price discovery, delays in capital raising and constraints on strategic restructuring.

In this context, FICCI proposed targeted, time-bound relaxations and structural measures to facilitate efficient market functioning and improve ease of doing business, while recognising SEBI's pragmatic approach during periods of market stress.

SEBI subsequently announced two one-time relaxations on 7 April 2026, addressing key concerns highlighted by FICCI:

- ✓ **Validity of SEBI Observations:** SEBI extended, up to 30 September 2026, the validity of observation letters expiring between 1 April and 30 September 2026.
- ✓ **Minimum Public Shareholding (MPS):** SEBI granted a one-time relaxation from penal provisions for listed entities whose MPS compliance due date falls between 1 April and 30 September 2026. Stock exchanges and depositories were advised not to take penal action during this period, with provision for withdrawal of penal actions already initiated from 1 April 2026.

The measures provided timely regulatory relief to issuers and listed entities, helping avoid forced market actions during a period of heightened volatility and demonstrating the value of sustained industry–regulator engagement and also the strength of industry's collective voice through FICCI.

3. Suggestions to Corporation Finance Department (CFD), SEBI

Pursuant to the roundtable interaction with WTM, SEBI on 29th January 2026, a detailed representation was submitted to SEBI outlining specific suggestions for further strengthening and deepening India's capital markets. The recommendations covered a range of issues, including improving ease of doing business for FPIs, widening participation in bond instruments, deepening commodity markets, tokenisation of financial assets, streamlining the delisting framework, rationalising the Merchant Bankers Regulations, strengthening the AIF ecosystem, the IPO framework, and issues relating to the PIT Regulations, among others.

Two areas highlighted in FICCI's representation have subsequently seen significant regulatory developments:

- ✓ **Re-introduction of Open Market Buy-back:** FICCI had recommended the re-introduction of open market buy-back through the stock exchange. SEBI's subsequent Consultation Paper dated 2 April 2026 on the Re-introduction of Open Market Buy-Back of Shares or Other Specified Securities through Stock Exchange expressly noted that FICCI had made representations seeking reinstatement of this mechanism. The proposal was subsequently approved and implemented with effect from 1 August 2026, providing companies with an additional route for undertaking buybacks.

- ✓ **FPI participation in Commodity Derivatives:** FICCI had also highlighted the need to deepen commodity markets and facilitate wider participation in commodity market instruments. Recently, on 11 August 2026, SEBI issued a Consultation Paper on FPI Participation in Exchange Traded Commodity Derivatives, proposing a framework to facilitate FPI participation in this segment.

Such engagements strengthen industry - regulator dialogue, while SEBI's consultative approach helps ensure that genuine industry concerns are duly considered.

4. Suggestions to Parliamentary Standing Committee on Finance on the Securities Markets Code, 2025

The Securities Markets Code, 2025 was introduced in the Lok Sabha on December 18, 2025 and subsequently referred to the Standing Committee for detailed examination. Recognizing the implications of the proposed Code for market intermediaries, listed companies and other capital market participants, FICCI constituted a Working Group under chairmanship of Mr Pramod Rao, Former Executive Director, SEBI to formulate industry inputs and recommendations.

The Working Group comprised representatives from across the capital markets ecosystem, including market infrastructure institutions, intermediaries and corporates. Through detailed consultations, the Group examined the proposed provisions and identified key areas requiring greater clarity, proportionality and alignment with market realities. These included provisions on delegation of powers, appeals to SAT, power of MIIs, investor grievance redressal, investigation and many others.

Based on these deliberations, FICCI submitted a detailed representation to the Parliamentary Standing Committee on Finance, setting out industry concerns and recommendations on key provisions of the Code. FICCI subsequently deposed before the Standing Committee on 24 April 2026, presenting its recommendations and highlighting the practical implications of the proposed framework. Mr Pramod Rao led the FICCI delegation for the deposition.

Following the consultation and review process, the Standing Committee on Finance has submitted its Report on the Code, with several recommendations reflecting issues and concerns raised by FICCI.

5. Suggestions to DPIIT on Amendments to FDI policy on investments from countries sharing land border with India - Press Note 2 (2026 Series)

On 15 March 2026, the Department of Promotion of Industry and Internal Trade issued Press Note 2 (2026 Series) to amend the Consolidated Foreign Direct Investment Policy Circular of 2020, in relation to investments from countries sharing a land border with India. PN 2 clarifies that prior Government approval for investments connected with land border countries will apply only where beneficial ownership from such countries crosses the prescribed threshold of 10%.

FICCI submitted its recommendations on the implementation of PN 2 to Shri Piyush Goyal, Minister for Commerce and Industry; Shri Shaktikanta Das, Principal Secretary-2 to the Prime Minister and Mr Jai Prakash Shivahare, Joint Secretary (FDI), DPIIT. FICCI has also been actively engaged with DPIIT in consultations on PN 2 and has highlighted practical issues arising from the revised framework, particularly the treatment of legacy investments.

FICCI has specifically sought grandfathering of existing investments made prior to PN 2, where beneficial ownership from land-border countries was below the newly prescribed 10% threshold. It has been recommended that such investments, having been made in compliance with the FDI policy applicable at the time, should be deemed compliant without requiring fresh Government approval, thereby avoiding a significant burden of post-facto applications and providing greater regulatory certainty to investors.

FICCI will continue to engage with DPIIT and relevant stakeholders on the implementation of PN 2 and the issues arising therefrom.

6. Suggestions to SEBI on Strengthening Investments

Following an interaction with Mr KVR Murty, Whole Time Member, SEBI on strengthening the investment ecosystem in India, FICCI submitted a detailed representation identifying key policy, regulatory, legal and taxation bottlenecks affecting private sector investments alongwith recommendations to facilitate greater mobilisation of private capital towards India's growth.

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