
NAVIGATING SEBI'S VIGILANCE ON FINFLUENCERS

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ABSTRACT

Financial influencers or the “Finfluencers” are social media influencers, who give financial advice on various topics such as stocks, cryptocurrency, cover budgeting, financial trend tracking etc. They are, in layman’s terms, individuals on social media platforms such as Instagram, YouTube, Twitter etc., who give opinions and break down complex financial concepts into simple language making it easier for potential and interested investors to gain information ultimately helping them in investing.

Financial influencers often being unqualified and unregistered furnished advice to individuals and retail investors and further partnered up with financial entities and earned fat commissions which subsequently resulted in them influencing market trends as well. This being brought to the attention of Securities and Exchange Board of India (SEBI), significantly resulted in a series of regulatory guidelines. These guidelines and regulations aimed to tackle unregulated investment advice, curb misleading information and penalise unregulated activities in general.

The authors, through this paper, aim to firstly analyse the previous regulations and guidelines. Secondly, expound the current regulations with respect to finfluencers and finally, the authors will conclude with the recommendations.

Keywords: Finfluencers, SEBI, unregulated investment advice, misleading information, social media platforms, material considerations, Investment advisers, research analysts, ASCI guidelines

I. Introduction

With the advent of social media, finfluencers gained a platform to solicit financial advice in the form of personal experiences, opinions and promotional content on investing in stocks, mutual funds, cryptocurrencies and various other financial tools. This was being done through platforms such as YouTube, telegram, Instagram, Facebook, twitter etc. “Finfluencers” or “financial gurus” were seen to have prominently risen to popularity during the Covid and lockdown.

Given that everything went online and digital due to covid, these finfluencers preyed on defenceless investors by dispensing financial advice on digital and social media platforms to the dawn of online activities during the lockdown period. Naturally, due to the dawn of online activities, influencers shifted their paradigm targeting such potential investors and began soliciting investment advisory. This was done so by posting online content containing various modes of investment on different topics of financial advice.

While traditional investment advises by investment advisers (IAs) and or by research analysts (RAs) were scrutinised by way of registration, finfluencers falling out of this ambit of definition and being excluded from the definition never attracted such responsibilities, thereby making these self styled “fingurus” or “finfluencers” deviate from sharing personal opinions to soliciting advises to the general public or followers of them on social media platforms.

The latest regulations introduced by SEBI were prompted by the activities of these finfluencers in various notorious incidents among which few prominent ones are discussed below. One of the most prominent incidents is where SEBI banned a well-known Youtuber and options trader PR Sundar from dealing in the securities market for a year in May 2023 marks a historic move that signalled the start of regulatory scrutiny over finfluencers in India. According to SEBI’s regulation on investment advisers¹ Sundar, his firm Mansun Consulting and its co-promoter, was accused of offering investment advising services without registering as required by law. The parties decided to settle the proceedings by agreeing to pay Rs. 46.80 lakh as a settlement fee and disgorging Rs. 6 Crore, which included the profits earned from the unregistered advisory services and the applicable interest.¹

¹ Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, reg. 3(1) (India)

Action was taken against Mohammad Nasiruddin Ansari, also known online as ‘Baap of Chart’, as a part of SEBI’s ongoing campaign against market manipulation fuelled by social media. Even though he presented himself as an authority and offered almost certain profits through educational content, SEBI discovered that he had suffered significant trading losses. He was sentenced to return Rs. 17.2 crore that he has gained from giving false evidence and was banned from the market, highlighting the increasing dangers of unregulated influencers. In another case, telegram- based influencers were reported by SEBI for providing compensated stock recommendations without being properly registered. Their actions disrupted market activity and misled investors, demonstrating once more the harm that unregulated online advice can do to retail participants.²

The new regulations are implemented as the previous set of guidelines and regulations were deemed to be inadequacy and inefficiency. However, it is vital to examine the precise effectiveness of the most crescent SEBI legislation. To thoroughly understand the current framework and its efficiency, it is vital to trace the previous and the first few sets of regulations and guidelines propounded by various regulating authorities including SEBI. This tracing of previous few regulations and guidelines will help us achieve a thorough and a comprehensive insight into SEBI’s vigilance.

II. Research methodology

The authors in this paper have adopted a descriptive approach aiming to explain in simple terms, i.e., the legislative breakdown of the current scenario which has been laid down by various authorities. The authors have used regulations and circulars from SEBI’s official website, along with news articles and other research papers. Furthermore, the authors have designed a layout in this paper. In the first section, all the regulations, guidelines, rules and laws laid down are analysed in depth. In the second section, the paper expounds the current loopholes, implications and working of the existing framework.

Lastly, the authors have suggested recommendations to bridge the legal lacunae for an effective operative legislation to curb the nuisance perpetrated by these finfluencers to ultimately shield innocent and naive investors from adversity.

² Re: Stock Recommendations via social media channel, WKM/SKM/54/201-22 (SEBI)

III. An overview of general provisions

‘Investment adviser’ (IA) under SEBI (Investment Advisers) Regulations, 2013 is defined as “a person who for consideration is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called”¹. He is an individual who charges certain consideration to provide such advice unlike influencers whose content is publicly available on the internet, which influences their investor audience. Similarly, SEBI (Research Analysts) Regulations, 2014 defines a research report as any written or electronic analysis or recommendation, or opinion about securities or public offers intended to guide investment decisions. It excludes general market commentary, index discussions and internal documents.³ In order to become an IAs or RAs, one should possess qualifications such as a postgraduate degree or diploma in finance, minimum 5 years of professional experience in relevant fields, pass NISM certification exam etc.¹ As many influencers don't possess these qualifications; they cannot be registered as either IAs or RAs, therefore being unregulated.

However, influencers are required to adhere to general regulations under SEBI Act, 1992 which prohibits use of misleading devices or schemes to defraud investors, dissemination of non- public material information or trading on it etc.⁴ This section covers grey area situations that may not neatly fit into conventional definitions but nevertheless run the danger of impairing market integrity as held in *Mithani Investment v. Securities and Exchange Board of India*.¹ Further, certain broad regulations exist under securities law, is Regulation 4 of which prohibits publishing false or misleading information or advice, mis- selling securities or services, inducing trades to inflate prices or earn commissions, spreading false news to influence securities prices etc.⁵ But lacks providing penalty and also doesn't exclusively define that these regulations are applicable to influencers.

These general provisions remain vague and do not specifically include financial influencers, and they are manifestly inadequate. In contrast to IAs and RAs, who are subject to SEBI regulation, financial influencers are mostly unregulated and operate unreprimanded.

³ Securities and Exchange Board of India (Research Analysts) Regulations, 2014, § 2(1)(w) (India)

⁴ Securities Exchange Board of India Act, 1992, § 12-A (India)

⁵ Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, § 4 (India)

IV. Chronological oversight of the current regulations

The authors in this section of the paper, trace the evolution and development in the regulations of finfluencers by various regulatory bodies, starting with the advent of ASCI guidelines of 2021 up until the latest SEBI circulars of 2025 is explored in this section.

Disclosures were the core concept of the *ASCI guidelines* because it was evident that the financial entities along with the finfluencers had a financial relationship. In the financial ecosystem, influencers formed these kinds of connections by endorsing trading platforms, cryptocurrency, brokerages, or investing apps in return for considerations. Influencers were compensated or given consideration in the form of monetary or non-monetary rewards. They were compensated in the various forms that included - incentives for referrals, free services, and contest entry, among others.

Therefore, there are guidelines that explicitly require that influencers disclose everything they post on any social media platform by labelling it as "sponsored," "ad," or "partnership."¹ Additionally, they went a step further and required that influencers using YouTube or Instagram adhere to certain timeframes. For videos under 15 seconds, they must disclose the content for at least 3 seconds, and for videos between 15 and 2 minutes, they must remain visible for one-third of the duration. For videos longer than two minutes, the disclosure must be present throughout the entire video.⁶ Similar disclosures must be presented at the start and finish of live streaming and audio content, and they must be reiterated between breaks.¹

While it mandated that disclosure was mandatory, they excluded addressing personal experience. This became the lacunae that the finfluencers bypassed and yet again went about soliciting financial advice via their content.

Following this, *the NSE's 2023 circular* marked a significant change in the regulations governing financial promotions by influencers. According to this circular, it would be considered advertising if a financial influencer shared and promoted any information on behalf of a financial entity on any social media platform that could influence the decisions of investors. All these promotional content needs to be pre- approved and adhere to stringent requirements. Brokers are required to maintain openness by prominently displaying their registration

⁶ Advertising Standard Council of India, Guidelines for Influencers Advertising in Digital Media, Aug. 17, 2023, § 1.2 (e) (India)

information and incorporating standard disclaimers that warn investors of risks.⁷ Additionally, they were specifically prohibited from offering incentives such as vouchers, certificates or coupons that would promote account openings or trading activity, and were required to refrain from using any language that would imply guaranteed returns or compare brokers without trustworthy independent proof.¹ The circular made it clear that SEBI sought to stop deceptive investment practices used by financial influencers who have influenced the choices of individual investors.

Building on the momentum of regulatory tightening, a more comprehensive framework was introduced which clarified the requirements for IAs and RAs communications with investors and outlawed deceptive advertising, performance guarantees, and unjust promotions. This brought anything that potentially swayed someone's investment choice be it, YouTube videos, social media posts, emails under the purview of advertisement. The goal was clear i.e., to prevent investors from being misled.⁸ But, was limited to SEBI-registered IAs or RAs, the term "influencer" or "finfluencers" was not specifically mentioned either, which regrettably left finfluencers out of its purview thereby leaving them unaddressed once more.

This opened the door for financial advice to be disguised as subjective opinion or instructional material, even though it clearly and subtly influenced people's investment choices. As there are unclear and ambiguous regulations governing these content creators, retail investors are nonetheless at danger from inaccurate, biased, or promotional financial information that circulates on digital platforms.

Thereafter, SEBI released a *consultation paper* which aimed to end the malpractices by finfluencers which recommended that registered intermediaries and regulated organisations avoid collaborating with influencers. Further it made clear that regulated organisations shouldn't give influencers access to private client data.¹ Finally, charges would also be brought against any financial influencers if found to have made false declarations about their affiliations. Apart from restricted referrals from retail clients, it was suggested that commissions and referral payments to influencers be outlawed. Registered companies would

⁷ National Stock Exchange, Revised Code of Advertisement for Stock Brokers, Feb. 2, 2023, Circular Ref. No. 14/2023, § 4, (India)

⁸ Securities and Exchange Board of India, Advertisement Code for Investment Advisers (IA) and Research Analysts (RA), Apr. 5, 2023, Circular No. SEBI/HO/MIRAD- PoD-2/P/CIR/2023/51 (India) https://www.sebi.gov.in/legal/circulars/apr-2023/advertisement-code-for-investment-advisers-ia-and-research-analysts-ra-_69798.html (India)

also have to distance themselves from unregistered influencers who misuse their name and take legal action if necessary. Influencers who were registered with SEBI, stock exchanges, or AMFI were required to adhere to strict codes of conduct, which included posting disclaimers, registration details, and grievance contacts.⁹

Despite these guidelines, a number of shortcomings can be found, such as lack of structured registration or licensing for these influencers and the inability to specify how the current IT regulations would cope with the removal of objectionable content that might endanger investors before any enforcement action could be taken. Furthermore, despite SEBI's jurisdiction being significantly expanded to be extraterritorial, it completely disregarded the regulation of foreign financial influencers.

Subsequently, the *Amendment Act to SEBI (Intermediaries) Regulations*, reiterated the prohibition of association between Registered Intermediaries and unregistered entities who solicited investment recommendations. It clearly prohibited unregistered influencers and any regulated financial entity from collaborating, paying, referring clients or integrating digital tools with them for any activity involving recommendations or claims.¹

In addition to financial transactions, the term 'association' was expanded to encompass client referrals, IT systems, and other agreements that could covertly confirm unregulated counsel. It does, however, fall under an exemption. In the event the exchange took place on a SEBI-regulated platform with strong security measures in place to identify and stop abuse, as well as those engaged in investor education, so long as they refrain from subtly offering advice or making performance claims without SEBI's consent.

Lastly, in response to the growing concerns about unregistered entities, especially well-known social media personalities and influencers giving financial advice, SEBI adopted a strong stance at its 206th Board meeting. It made it illegal for registered intermediaries and their agents to collaborate in any way either be it technological or financial i.e., financial transactions, sharing of IT systems, client referrals etc. with anybody who offers investment advice or returns guarantees without SEBI's approval. However, it is not considered illegal if individuals that are permitted by the SEBI to carry out the above-mentioned activities, individuals solely dedicated to investor education and associations through specified digital

⁹ *Id.* at § 4.4

platforms which do not provide advice collaborate with registered entities.¹⁰ However, neither did it create a framework for holding influencers legally responsible, nor did it clarify enforcement procedures.

Following the regulations issued by the SEBI in 2024, numerous notices were issued to people who were essentially acting as finfluencers who were not registered as IAs in June 2025 shows the vigilance of SEBI. The fact that warning notices were sent to unregistered IAs who work as influencers under various aliases and channels such as classic trader on Telegram Channel, @niftycrud on Twitter by one Shri Madhava Reddy,¹ king of share market and gold room by one Surya Krishnan on Telegram,¹¹ etc indicates that SEBI has increased security.

However, a pertinent question that can be raised here is how much of an impact these notices, regulations, and guidelines have had on its efficacy post June 2024 in halting the activities of financial influencers.

V. Limitations

Upon a descriptive study and analysis of all the above regulations, guidelines, consultation paper and the circulars, the authors in this segment of the paper aim to highlight and discuss the legal lacunae and also draw attention to what has remained unaddressed by the Authorities.

(i) Financial influencers undefined/ Undefined financial influencers

The term ‘influencer’ is currently defined as “someone having access to an audience and power to affect such audiences’ purchasing decisions or opinions about a product, service, brand or experience because of the influencer’s authority, knowledge, position, or relationship with their audience”. In accordance with this, the IA and RA have been precisely defined. But the definition of the financial influencers is still amiss. Even if it has been quietly apparent that the essence of the task has stayed the same, they are neither included nor excluded from being IA and RA under their definition. Referring to the SEBI advertisement code of April 5, 2023, for example, did not address whether these influencers are classified as either RA or IA. On a

¹⁰ Securities and Exchange Board of India, Press Release PR No. 12/2024

¹¹ Securities Exchange Board India, Warning Letter issued to Surya Krishna- Unregistered Investment Adviser, Jan. 29, 2025, https://www.sebi.gov.in/media-and-notifications/public-notices/jan-2025/warning-letter-issued-to-surya-krishnm-unregistered-investment-adviser_91222.html (India)

general note, they continue to be unregulated and Scott-free because of their ambiguous position and definition.

(ii) No essential distinction between advising and educating

The authors have also made it clear that the ASCI guidelines clearly exempt personal experience, which enables influencers to avoid disclosure requirements. It goes beyond saying that there is a little distinction between the two. Additionally, a vague exception for "investor education" is provided under Regulation 16A of the SEBI (Intermediaries) (Amendment) Regulations, 2024, which may allow for circumvention. Although, in its 206th Board meeting, SEBI stated that registered intermediaries should avoid working with unregistered entities; nevertheless, it authorised partnerships or collaborations that were approved by SEBI for educational purposes. But once more, there was no explanation of what constituted advertising and what constituted instruction. Furthermore, in its 2023 NSE circular, SEBI mandated that influencers first disclose required registrations and then characterise any action that would amount to influencing investors.

Despite requiring disclosures in their posted content, these standards have not drawn a clear distinction between influencers who offer financial advice and those who present personal experiences. The fine line of difference between educating through personal experience and offering advice are being abused. Because in the name of sharing personal experiences, financial advice is being offered to the audience which has resulted in the swinging of investors' decisions.

(iii) No mandate on registration or qualification

SEBI neither suggested a registration nor a qualification system in its consultation paper, SEBI's (Intermediaries) Amendment regulation 16A, or during its 206th meeting.

Essentially, they only emphasised on reiterating to refrain from collaborations with the unregistered entities for "non educational purposes" and ultimately failed to at the least-mandate any sort of registration and licensing mechanism for the finfluencers on one hand there is an explicit mandate for both- qualification and for registration of an IA and RA, which positively resulted in a better regulatory front.

The regulatory part of it has been severely impacted by the influencers' lack of qualification and registration requirements, both as financial influencers and as IAs or RAs.

(iv) Foreign influencers and their subjectivity to SEBI

The Supreme Court reaffirmed SEBI's extraterritorial jurisdiction in the Pan Asia Advisers Ltd. case, and the consultation paper further elaborated on this point. If a foreign influencer's influence damages an Indian citizen's investment, SEBI has outreach to them. However, the regulatory aspect of foreign influencers is also not covered by SEBI's current study. This opened a huge gap and a loophole that foreign influencers have effectively exploited to influence Indian investors using social media platforms that are accessible at any time and from any location.

(v) Multiple regulations and guidelines and still ineffective enforceable framework.

Though there are a plethora of rules, regulations, consultation papers, and circulars, all of them have been ineffective from a practical standpoint. They have not been effective in controlling any of these influencers' influencing endeavours. Instead of enforcing a single regulation against these influencers to actively protect innocent investors, numerous rules and guidelines are only contributing to a slump.

VI. The way ahead

The authors in this fragment of the paper expound potential recommendations and suggestions that can be considered as adoptive measures to curb the unregulated activities of these irresponsible influencers. These set of suggestions include:

(i) Extend the definition by amending it to incorporate them:

facilitating these financial influencers a definition is the initial act that can be undertaken by the regulating authorities. Given that they perform essentially the same functions and operate similarly to IAs and RAs, they can either be incorporated under the existing definitions of IAs and RAs by expanding them, or new, distinct definitions that are only applicable to financial investors should be provided in the legislation.

Once the definition is established, it will eventually and formally acknowledge their existence,

which can enable SEBI to bring them under the legal scope and that subsequently authorise the authorities to further govern them in a more thorough, efficient and stringent manner.

(ii) Mandatory compliance and due diligence framework.

Once the influencers have been legally defined, SEBI could potentially offer proposal for compliance and due diligence or impose obligations on the end of influencers by implementing a regulated legal framework for an effective compliance and due diligence system. This can additionally result establishing a relationship of trust with the authorities, promote transparency among the authorities, and enable the provision of high-quality educational content to investors on social media.

(iii) Imperative Prerequisites for registration

Under the French model, influencers who give advice to the broader public must first register themselves. It requires them to register with Autorite des marches financiers (AMF), the market regulator. In 2021, the authorities ARPP launched the “responsible influence certificate” which 1000 plus influencers registered themselves with. The authorities clearly obligated the registration aspect, failing which resulting in non-compliance can attract heavy penalties worth 300,000 euros along with jail time of two years.¹ This protects the audience of investors by guaranteeing that the investment-related advice that these influencers solicit is governed by law. In a comparable vein the Australian model also made abundantly clear that executing financial services without registration was against the law and could result in fines of millions of dollars along with five years of imprisonment.¹²

In order to regulate these influencers more effectively, SEBI can potentially take a cue from the French and Australian models and require a compulsory registration. Additionally, it will improve the calibre, accountability, and standards of the financial advice they promote on social media.

(iv) Mandatory educational qualification:

The IA and RA set a competent quality, responsibility, and accountability in their work towards the investor community because they are required to operate, and function based on certain

¹² Corporations Act, 2001, Chap 7.6, § 911A and 920C, (Australia)

qualification standards. IAs and RAs are required to possess a degree relevant to the field and have 5 years' worth of experience to attain NISM certificate through examination, which enables them to operate.¹

Another similarity to the French training module can be found here. These influencers are required by the French model to finish a training module that covers the regulations pertaining to the financial products and services industry within its purview. Additionally, it covers trading and investment advice, authorised experts and how to verify their credentials, digital asset service providers (DASPs), crypto-assets, and other assets. Following the training, the influencers must complete a set of 25 MCQs and must attain 75% which enables them to get the certification to operate on social media platforms.

Adopting a similar approach as the French can help the SEBI to regulate them and establishes a benchmark for the calibre of their work. However, because these influencers lack the necessary qualifications, and ironically, they end up educating the public without required qualifications about the financial field and sector poses leading to a massive threat. This can only be mitigated by requiring financial influencers to have the necessary qualifications.

(v) Measures against overseas finfluencers:

Due to social media's global accessibility, any financial influencer can reach Indian investors and sway their investment decisions with their financial advisory content. The Supreme Court gave SEBI extra territorial authority under section 11 to take remedial and preventive action against any foreign firm in the best interests of Indian investors in the case of *Pan Asia Advisors Ltd. v. Securities and Exchange Board of India*.¹³ In light of this, SEBI must also create a framework that addresses the actions, functions, and operations of foreign investors in order to influence Indian investors. This can be done by creating cross-border agreements with the appropriate authorities and regulators, similar to how the EU model can facilitate stringent international governance.

VII. Conclusion

In hindsight the authors observe that, in the digital age, finfluencers possess a powerful tool that can swing an investor's decision to make a certain investment in the name of financial

¹³ *Pan Asia Advisors Ltd. Securities and Exchange Board of India*, AIR 2015 SC 2782

education. This can resultantly influence the securities market too. Conversely, a set of regulations enacted by the Securities and Exchange Board of India on Prohibition of Fraudulent and Unfair Trade Practices (PFUTP) aim to prevent market abuse by discouraging the spread of misleading information and preventing false impressions in the marketplace. Yet it is still required that the investors demonstrate proof that they have used such influencer-sponsored content on social media and that consumption of such financial advice has an adverse influence based decision making. Unless it can be demonstrated that the investor was harmed by the financial advice, the regulations continue to allow the influencers to stay out of trouble and limit any action against them. Therefore, this legislation is not a perfect solution to the problem

It is also quite imperative at this juncture that a simplified and a unified law addressing financial influencers is the need of the hour as it is evident that multiple regulations, guidelines, code have deemed to be inefficient in regulation of these finfluencers.

Financial influencers operated and functioned without the necessary training or education. This poses a serious risk to investors' money. Although the SEBI has strictly enforced several measures to limit all of these activities it still leaves a plethora of legal lacunae which has been exploited by financial influencers. The SEBI can approach and incorporate them by recognizing and regulating them through a single framework that encourages competent and qualitative financial advice which can be done by adopting various efficient strategies. Banning them would simply be excessively restrictive while enabling them with a framework can result in a transparent relationship between finfluencers, Investor audience and the regulatory authority like SEBI.