IAS

1. SEBI's regulatory framework need to pave the way for a technologically balanced regime that encourages non-fund based financial services providers to use the latest technologies. Discuss.

Recently SEBI introduced amendments to its regulatory framework for investment advisors which is a step for protecting retail investors. But the technology neutrality for investment advisors has seen a wide theme of discussion.

Indian demography → Investments through mobile Apps, AI, automated tools → More technology lessens manual investment advisors

Flow Chart Explanation:

1. Today's investment through advisory mobile applications for equity investments.
2. Faster, easier and less expensive approach
3. But the same regulations for investment advisors persist for algorithm based automated advisors

Advantages – Technology financial services:

1. Free trials provided so that customers can choose customised plan investment advices

2. Has control questions in place to easily identify and eliminate clients who are unsuitable to use technology tools thereby making good reliability on investment

3. Finance service providers using automated tools can easily raise funds through FDI as A-I regulated service providers can have partly approval route from Finance Ministry

Current SEBI rules and regulations

1. SEBI has rules on limited fee scale on automated tools thereby decreases its usability

2. The FDI on Technology-based financial advisors require careful KYC norms, thereby reducing FDI on automated financial norms.

3. Requires 2 years experience and ₹50 lakh net worth to start automated financial advisors which discourages the new startups.

Reasons for SEBI for lack of Technology adoption:

1. Indian market varies widely and cause distortions if not carefully managed by automated tools.

2. Lack of regulations for technology advisors

3. Only young demography favours technology.

Future Prospects: 1. Technology adopted to have many investment in the stock market.

2. But careful regulations needed to prevent distortions