



SIGNED, STORED, SECURED: SEBI'S NEXT BIG STEP

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INTRODUCTION

In a financial landscape that thrives on precision, compliance, and trust, the Securities and Exchange Board of India (SEBI) continues to shape the rules of the game. Essentially known for its regulatory vigilance and forward-looking directives, SEBI's latest move has stirred a quiet but powerful shift beneath the surface of India's capital markets. As dialogues around investor protection, digital transparency, and unclaimed financial assets gain momentum, SEBI appears poised to address a cluster of long-standing inefficiencies—some hidden even in plain sight. With a single decision, it has brought technology, regulation, and legacy systems into an unexpected conversation. In its conquest of increasing transparency in the Indian Securities Market, SEBI vide a Circular, SEBI/HO/OIAE/OIAE_IAD-3/P/CIR/2025/32 dated March 19, 2025 ('Circular')¹ mandated the integration of DigiLocker into the Indian securities market. The Circular comes into effect from 1st April, 2025.

GAINING INSIGHTS ON THE CIRCULAR

SEBI, based on Section 11(1) of the Securities and Exchange Board of India Act, 1992, has mandated the use of DigiLocker for securities documentation. This allows investors having a DigiLocker account to fetch their mutual fund and demat account statements.² The Circular is framed to provide a stronger security framework for protecting investor data. This mandate gives rise to new investor-friendly provisions to speed up asset transmission. New compliance measures are introduced for market participants, such as stock exchanges, depositories, and mutual funds, to ensure smooth digital integration. These institutions must now enable seamless access to securities-related documents via DigiLocker. This gives rise to enhanced

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¹ https://www.sebi.gov.in/legal/circulars/mar-2025/harnessing-digilocker-as-a-digital-public-infrastructure-for-reducing-unclaimed-assets-in-the-indian-securities-market_92769.html

² https://www.sebi.gov.in/media-and-notifications/press-releases/mar-2025/sebi-partners-with-digilocker-to-reduce-unclaimed-assets-in-the-indian-securities-market_92771.html

compliance obligations for financial intermediaries. This update reflects SEBI's push towards digitisation and investor protection by leveraging DigiLocker as a central repository for securities-related documents.

UNDERSTANDING DIGILOCKER AND ITS APPLICATION WITH THIS MANDATE

DigiLocker is an initiative under India's Digital India program of the Ministry of Electronics and Information Technology (**M.e.i.t.Y.**).³ It offers a secure, cloud-based platform for storing, sharing and verifying government-issued digital documents. It is available via the web and also as an app on both Android and iOS, making it very user-friendly. A shorter term for it may be a digital wallet for documents. DigiLocker provides a dedicated storage space for each resident, which is linked to their Aadhaar Number. Documents issued through DigiLocker are at par with original documents as per the Information Technology Act, 2000.⁴

DigiLocker is developed by Meity and is also recognised under the Information Technology Act, 2000, giving it robust security features and legal recognition. Talking about its security features, the platform employs data encryption, two-factor authentication, and a secure API in integrations with financial institutions to safeguard user data.⁵ It is not always feasible to carry physical copies of government-issued documents with us every time; that's when DigiLocker comes into play. Unlike physical documents that can be misplaced, fade over time and become obsolete, stolen, difficult to trace, or damaged, DigiLocker ensures the preservation and easy retrieval of digital records. Utilising Aadhaar-based identification not only helps in the easy location of documents linked to a person, but it also serves as a robust means for identity verification, enhancing security, and reducing the risks of fraudulent activities. You might be wondering why these features make it the 'perfect' platform to integrate with the securities market, but is that the reality?

SEBI, along with the Government of India ('**G.o.I.**'), are depending on the assumption that all the investors are digitally literate. Investors who are not adept with digital tools may face challenges in adopting and effectively using DigiLocker. As with any other digital platform, there are potential risks related to hacking, data breaches, or unauthorised access, which could

³ <https://blog.digilocker.gov.in/digilocker-an-initiative-towards-paperless-governance/>

⁴ <https://inc42.com/buzz/documents-in-digilocker-are-equivalent-to-original-docs-ministry-of-road-transport/>

⁵ <https://www.thehindu.com/sci-tech/technology/what-is-digilocker-and-does-it-keep-your-data-safe-explained/article68163891.ece>

compromise sensitive financial information, adding to the cons of this integration. Both financial institutions and investors may require time and resources to adapt to the new system, and initial implementation may encounter technical and operational hurdles, but with enough time, people will get used to the system. The GoI should make efforts to make the system user-friendly. A specialised grievance portal should be established in order to listen grievances of the users. With this, the GoI will be able to address the public's issues with the system, educate them, and also update the system efficiently with possible suggestions received. Through the Circular, SEBI has taken initiatives to target Asset Management Companies ('A.M.C.s'), Registrars and Transfer Agents ('R.T.A.s'), Depositories, and KYC Registration Agencies ('K.R.A.s'). The implementation of this new system will be a big improvement for all the stakeholders- the investors, financial institutions, as well as the market regulators. The investors will get a secure and centralised access to all their financial holdings, giving a more paperless experience. The financial institutions will be able to give a more enhanced customer experience and will also help them give a streamlined onboarding and KYC Process to the customers. It will also help them in decreasing their operational costs.

After the implementation of this Circular, a specific Demise Reporting System will be followed. The current system will be integrated with the Registrar General of India's Civil Registration System. There will be an alternate reporting mechanism through KRAs, too.

By Section 9A of the Information Technology Act, 2000, with the help of DigiLocker, investors can now not only access, verify their documentation but also specify nominees. This is a major update. After an investor's demise, their accounts will be frozen to prevent unsanctioned usage, and the specified nominees will then receive automatic notifications of the same. Their assets, investments and holdings can then be transferred to their chosen nominees, which is in line with the Registration of Births and Deaths (Amendment) Act, 2023.⁶ Earlier, if an investor had any holdings in the securities market that the investor's family was not aware of, and did not claim, they would be left as "Unclaimed Assets". As of 31st January, 2025, there is around Rs500 Cr worth of unclaimed wealth in the Indian securities markets.⁷ Of which, approximately Rs323 Cr is in the form of Funds and Rs182 Cr in the form of securities. This shows the financial immaturity among Indians, urging for a streamlined process of returning the

⁶ <https://government.economictimes.indiatimes.com/news/governance/sebi-to-use-digilocker-to-ease-transfer-of-deceased-investors-unclaimed-assets/116205062>

⁷ <https://economictimes.indiatimes.com/markets/stocks/news/sebi-proposes-fresh-rules-to-deal-with-unclaimed-funds/articleshow/118159311.cms?from=mdr>

“Unclaimed Assets” to the rightful owners. The implementation of the Circular aligns with the Indian Government’s Digital Transformation strategies, which are aimed at enhancing financial inclusion and promoting paperless governance.

CRITICAL ANALYSIS

In the fine print of regulatory updates, it is often easy to miss the tremors of a deeper transformation. SEBI’s latest move may read like a digital compliance mandate, but behind the technical language lies a vision to recalibrate how India understands access, inheritance, and financial accountability in the digital age. With this update, Investors will get much more enhanced transparency and security in managing their financial assets, leading to improved trust and engagement in the securities market. Financial Institutions get a more streamlined process, easing their work, which will in turn also reduce administrative burdens, and this will also help them in better compliance with regulatory mandates. Now, when it comes to the role of regulators, it gives them stronger oversight and monitoring. With securities-related documents accessible via DigiLocker, SEBI gains more real-time visibility into asset ownership and transmission flows. This helps detect irregularities, trace ownership trails, and respond faster to fraud or compliance lapses. One salient issue is the increased government spending, which will come with this update, as the existing DigiLocker servers will have to be expanded to accommodate such large amounts of financial data.

Insurance Regulatory and Development Authority of India (**‘I.R.D.A.I.’**), through its circular⁸, mandated that, by December 2022, all new insurance policies⁹ must be issued in electronic form only. Along with it, all existing policies must be converted into a paperless format by December 2023.¹⁰ Now, with the recent technological advancements, an insurance holder’s insurance policy details are also shown in DigiLocker. If IRDAI can successfully implement this, then so can SEBI. This will then truly help the GoI to make DigiLocker reach one step closer to an **‘everything under one roof’** for documentations.

⁸ https://irdai.gov.in/documents/37343/365848/Issuance+of++e-Policies+regulations+2022_Exposure+Draft_Annexure+A.pdf/f9743886-de6f-9a57-9a8a-5fcd60dc58c?version=1.1&t=1664515377869&download=true

⁹ <https://www.thehindubusinessline.com/blexplainer/bl-explainer-all-about-dematerialisation-of-insurance-policies/article65909354.ece>

¹⁰ <https://www.acko.com/insurance/dematerialisation-of-insurance-policies/>

SEBI's initiative focuses specifically on post-death asset transmission, an area many global systems are only starting to address. To illustrate, Canada¹¹ is developing a federated digital ID framework, where citizens can use one secure ID across banks,¹² brokers, and government services. The United Kingdom¹³, on the other hand, has been digitising investment platforms, especially through services like digital wills and platforms that track General Investment Accounts (**G.I.A.s**) and nominee structures. Singapore's¹⁴ government-backed platform **MyInfo** allows citizens to auto-fill verified data in financial applications. It's integrated with the Central Depository (**'C.D.P.'**), where all securities are held. SEBI's mandatory use of DigiLocker is a rare example of a regulator directly enforcing a government-backed digital repository into a regulated public market with private participants operating under strict government oversight. As mentioned above, other countries usually rely on private or semi-private platforms, whereas India uses a centralised, state-managed platform with legal backing (IT Act, 2000). As the boundaries between governance, technology, and investor rights continue to blur, this update offers more than just administrative reform. This might seem like an ordinary Circular by SEBI, but you will be wrong in assuming so. This update opens a conversation—one about the future of wealth management, the role of regulators in a digital democracy, and the quiet power of infrastructure that often goes unnoticed, until it changes everything. This is a win-win situation for everyone.

¹¹ <https://catalyst.independent.org/2023/06/16/digital-ids-canada/>

¹² <https://celero.ca/insights/defining-digital-id-and-what-it-means-for-canadian-financial-services/>

¹³ <https://www.cambridge.org/core/journals/cambridge-law-journal/article/digitising-the-uk-securities-market-the-case-against-and-a-proposal-to-enfranchise-indirect-investors/AA573CDC2B76E14B441A4858167A18FF>

¹⁴ <https://www.sgxgroup.com/sgxgroup/media-centre/20190506-sgx-taps-myinfo-roll-out-paperless-cdp-account-opening-service>