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Introduction

Welcome to the Indian Journal of Legal Affairs and Research (IJLAR), a distinguished platform dedicated to the dissemination of comprehensive legal scholarship and academic research. Our mission is to foster an environment where legal professionals, academics, and students can collaborate and contribute to the evolving discourse in the field of law. We strive to publish high-quality, peer-reviewed articles that provide insightful analysis, innovative perspectives, and practical solutions to contemporary legal challenges. The IJLAR is committed to advancing legal knowledge and practice by bridging the gap between theory and practice.

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Preface

The Indian Journal of Legal Affairs and Research is a testament to our unwavering commitment to excellence in legal scholarship. This volume presents a curated selection of articles that reflect the diverse and dynamic nature of legal studies today. Our contributors, ranging from esteemed legal scholars to emerging academics, bring forward a rich tapestry of insights that address critical legal issues and offer novel contributions to the field. We are grateful to our editorial board, reviewers, and authors for their dedication and hard work, which have made this publication possible. It is our hope that this journal will serve as a valuable resource for researchers, practitioners, and policymakers, and will inspire further inquiry and debate within the legal community.

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Description

The Indian Journal of Legal Affairs and Research is an academic journal that publishes peer-reviewed articles on a wide range of legal topics. Each issue is designed to provide a platform for legal scholars, practitioners, and students to share their research findings, theoretical explorations, and practical insights. Our journal covers various branches of law, including but not limited to constitutional law, international law, criminal law, commercial law, human rights, and environmental law. We are dedicated to ensuring that the articles published in our journal adhere to the highest standards of academic rigor and contribute meaningfully to the understanding and development of legal theories and practices.

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THE GHOST IN THE STOCK MARKET: REGULATING AI-GENERATED FINFLUENCERS AND SYNTHETIC INVESTMENT ENDORSEMENTS IN INDIA

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Abstract

The rapid development of Artificial Intelligence (AI) has transformed the manner in which financial information is created, communicated and consumed. Social media platforms have witnessed the emergence of financial influencers, commonly known as finfluencers, who influence investment decisions through videos, reels, online recommendations and financial discussions. However, the development of generative AI has introduced a new dimension to this phenomenon through AI-generated financial personalities, deepfake videos, cloned voices and synthetic investment endorsements. These technologies allow individuals and organisations to create virtual financial experts who may appear genuine but possess no actual professional qualifications, financial experience or regulatory registration.

In India, the increasing popularity of digital investment content raises serious concerns regarding investor protection, misleading advertisements, financial fraud and market manipulation. Although the Securities and Exchange Board of India (SEBI) has introduced measures to regulate associations between registered intermediaries and unregistered financial influencers, the existing framework does not comprehensively address the challenges created by AI-generated personalities. The Information Technology Rules, 2021, as amended in 2026, provide an additional framework for addressing synthetically generated information, but their application to financial promotions requires further examination.

This paper examines the nature and risks of AI-generated finfluencers, analyses the existing Indian legal and regulatory framework and compares the approaches adopted in the United States and the United Kingdom. It identifies the gaps in existing legislation and recommends a specialised regulatory approach based on transparency, identification, accountability and investor awareness. The paper argues that AI-generated financial promotions should be regulated according to their actual influence and financial purpose rather than merely the technology used to create them.

Keywords: Artificial Intelligence, Finfluencers, Synthetic Investment Endorsements, SEBI, Deepfakes, Investor Protection, Financial Market Regulation, Generative AI.

The Rise of the Digital Money Guru: AI, Finfluencers and the Changing Face of Financial Influence

Social media has become an important source of financial information, particularly for young and first-time investors. Platforms such as Instagram, YouTube and Telegram allow financial influencers, popularly known as finfluencers, to explain investment concepts, discuss market trends and promote financial products.

Artificial intelligence has introduced a new category of financial influencers: synthetic finfluencers. These are digitally created personalities that use AI-generated faces, voices and scripts to produce financial content. Unlike traditional influencers, they may not represent real individuals and may be designed entirely by companies, marketing agencies or anonymous operators.

Their realistic appearance creates a serious risk of deception. An AI-generated personality may claim to be an experienced investor, display fabricated profits or endorse a financial product without having any genuine investment experience. Investors may consequently trust content that has no authentic human experience behind it.

The central concern is not the use of AI itself but the possibility that synthetic personalities may create false credibility in financial markets. This raises important questions about disclosure, accountability and the responsibility of those who create, operate and commercialise such content.

Behind the Artificial Face: Understanding the Anatomy of AI-Generated Finfluencers

Synthetic finfluencers operate through AI-generated images, videos, voices and written content. They may resemble professional traders, financial analysts or successful investors. Their content can be produced at scale, translated into multiple languages and modified to target different categories of investors.

Their commercial use can take several forms. A company may create a virtual financial personality to promote its investment platform, while an unregistered operator may use a fabricated identity to attract followers into paid investment groups. In more serious cases, AI-

generated videos may imitate well-known financial experts or public personalities to promote fraudulent investment schemes.

These activities create three major risks. First, synthetic identities can misrepresent the qualifications and experience of the person supposedly providing financial information. Second, AI-generated testimonials and profit screenshots can create misleading impressions of investment performance. Third, the absence of a clearly identifiable human speaker makes it difficult for investors to determine who is responsible for the content.

Therefore, synthetic finfluencers should not be treated merely as a new form of digital advertising. Their activities may directly influence investment decisions and require appropriate regulatory attention.

When Digital Trust Turns into Financial Deception: Risks of Synthetic Investment Endorsements

SEBI plays a central role in protecting investors and regulating activities connected with the securities market. The SEBI Act, 1992, particularly Sections 11 and 12A, provides the regulator with powers to protect investors, regulate market intermediaries and address fraudulent or unfair trade practices.

The SEBI (Investment Advisers) Regulations, 2013 and the SEBI (Research Analysts) Regulations, 2014 are particularly relevant. Individuals or entities providing investment advice or research services for consideration may fall within these regulatory frameworks, depending on the nature of their activities and applicable exemptions. A person cannot avoid regulatory obligations merely by describing professional investment advice as social media content.

SEBI's 2024 amendments to the Intermediaries Regulations introduced restrictions concerning associations between regulated entities and unregistered persons engaged in providing securities-related advice or making claims about securities or investment performance. These measures are significant because they seek to prevent regulated market participants from indirectly promoting unregistered financial influencers.

Further, SEBI's 2026 initiative requiring regulated entities and their agents to disclose their registered names and registration numbers on social media platforms strengthens transparency. Such requirements can help investors distinguish authorised market participants from unregistered promoters.

However, the existing framework does not comprehensively address every situation involving synthetic financial personalities. A virtual influencer may be operated by an anonymous

company, an advertising agency or an individual who remains hidden behind an AI-generated identity. This makes identifying the responsible person and determining the applicable regulatory obligations more difficult.

The Law Behind the Algorithm: India's Existing Legal and Regulatory Framework

The Information Technology Act, 2000 provides an important legal foundation for addressing certain forms of AI-enabled deception.

Section 66C deals with identity theft involving the fraudulent or dishonest use of another person's electronic signature, password or unique identification feature. Section 66D addresses cheating by personation using a computer resource or communication device. These provisions may become relevant where AI-generated identities are used to impersonate genuine financial experts or deceive investors.

Section 79 provides conditional safe-harbour protection to intermediaries, subject to statutory requirements. Social media platforms may therefore have responsibilities concerning unlawful content, depending on their role and compliance with applicable legal obligations.

The regulatory position has also developed through amendments to the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021. The 2026 changes concerning synthetically generated information strengthen the emphasis on disclosure, labelling and traceability of AI-generated content.

These developments are important because investors should be able to identify when financial content has been artificially generated or manipulated. However, labelling alone cannot prevent deception. A synthetic video may carry an AI-generated label and still contain false investment claims. Effective regulation must therefore address both the artificial nature of the content and the truthfulness of the financial representation.

Who Pulls the Strings? Regulatory Challenges in Identifying and Holding AI Finfluencers Accountable

The Consumer Protection Act, 2019 provides another layer of protection against misleading financial promotions. False representations, deceptive advertisements and misleading endorsements may attract liability under the Act, depending on the facts and the applicable provisions.

The Central Consumer Protection Authority's Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022 are also relevant. They emphasise truthful representations and appropriate disclosure by endorsers. The Advertising Standards Council of India's guidelines on influencer advertising further promote transparency in commercial relationships.

These principles can apply to AI-generated endorsements where a synthetic personality promotes a financial product or service. For example, a virtual influencer claiming to have personally earned substantial profits from a trading platform may create a misleading impression if the experience is entirely fabricated.

However, synthetic endorsements create a difficult legal question: can an AI-generated personality itself be treated as an endorser? Since an AI avatar does not possess independent legal personality, responsibility must generally be examined through the individuals or entities controlling, creating, sponsoring or publishing the endorsement.

The law should therefore focus on the real persons behind the synthetic identity rather than treating the artificial character as an independent legal actor.

Ghosts in the Market Engine: SEBI's Mandate in the Age of Algorithmic Advice

The Securities and Exchange Board of India (SEBI) regulates unauthorized financial advice primarily through indirect, ecosystem-level prohibitions. Under the August 2024 amendments to its Intermediaries, Depositories, and Securities Contracts Regulations, SEBI restricted regulated entities and their agents from engaging with, referring business to, or sharing revenue with unregistered individuals offering securities advice or guaranteed returns. While this framework curtails the commercial monetization of unregistered finfluencers, it does not explicitly define or directly register synthetic entities or AI personas. Parallelly, SEBI's June 2025 Consultation Paper on the Responsible Usage of AI/ML in Indian Securities Markets outlines foundational standards for governance, algorithmic transparency, robust testing, bias control, and human oversight. However, these guidelines target registered market intermediaries rather than autonomous or pseudonymous AI entities deploying promotional content across social media. Registered advisers utilizing AI tools remain personally liable for compliance, data privacy, and algorithm-driven outputs under existing advisory mandates. Crucially, SEBI's enforcement regime faces structural bottlenecks against fully synthetic personas due to the lack of direct jurisdiction over non-human entities, the challenge of

attributing liability to hidden creators or offshore operators, and the reliance on intermediary-focused disclosure rules.

Beyond Borders: Comparative Lessons from Global Securities Regulators

A comparative evaluation demonstrates that international jurisdictions prioritize technology-agnostic enforcement, offering vital lessons for India's regulatory trajectory. In the United States, the SEC's Marketing Rule under the Investment Advisers Act governs endorsements by focusing on economic substance rather than speaker identity, mandating strict disclosures regarding compensation, conflicts of interest, and regulatory status. Complementarily, the UK Financial Conduct Authority (FCA) enforces a technology-neutral regime under Section 21 of the Financial Services and Markets Act 2000 (FSMA), where any financial promotion—regardless of whether it originates from a human or a synthetic entity—must be approved by an authorized person or meet explicit exemption criteria. The UK model establishes that legal scrutiny attaches directly to the nature of the financial communication rather than the biological existence of the speaker. For India, these comparative frameworks underscore the necessity of adopting an outcome-based regulatory approach that combines clear disclosure of beneficiary entities with strict accountability for the human operators behind synthetic promotional campaigns.

The Legal Phantom: Mind the Gap Between Synthetic Content and Financial Liability

The primary research gap in Indian law lies in the disconnect between digital content regulations and capital market accountability. Existing laws operate in silos: SEBI governs investment advice and return claims, MeitY handles technical content standards under the Information Technology (IT) Rules, the Central Consumer Protection Authority (CCPA) penalizes misleading advertisements, and the Advertising Standards Council of India (ASCI) enforces self-regulatory influencer guidelines. Crucially, a technical label declaring content as "AI-generated" under MeitY guidelines does not guarantee that the financial claims therein are lawful or compliant with securities regulations. Traditional securities frameworks rely on human-centric legal constructs—such as fiduciary duty, subjective intent, and individual professional licensing—which founder when applied to algorithmic agents or synthetic avatars. Bridging this gap requires an integrated legal framework that explicitly defines synthetic financial speakers, attributes accountability to underlying operators and beneficiary platforms,

and implements swift regulatory remedies for non-compliant algorithmic promotions.

Blueprint for Control: Architecting Accountability in Algorithmic Finance

To remediate these regulatory gaps, SEBI, in coordination with MeitY and the CCPA, must establish targeted rules governing synthetic financial content. First, SEBI should issue dedicated guidelines defining AI-generated finfluencers and synthetic investment endorsements, extending its regulatory scope to any automated content discussing securities, trading platforms, or advisory services aimed at Indian investors. Second, regulations must mandate prominent, real-time visual and audio disclosures ("AI-Generated Content. Not Licensed Financial Advice") integrated directly into the media file rather than buried in metadata. Third, digital platforms and financial sponsors should enforce strict "Know Your Creator" (KYC) requirements to establish transparent chains of legal ownership for synthetic personas. Additionally, online platforms must deploy automated APIs connected to SEBI's databases to verify registration credentials before permitting financial promotions, while holding regulated intermediaries vicariously liable if they benefit from unauthorized AI promotions. Finally, a joint inter-regulatory task force (SEBI-MeitY-CCPA) supported by national investor literacy initiatives must be established to streamline swift takedown protocols, preserve digital evidence, and educate retail investors on identifying algorithmic financial misrepresentation.

The Horizon Ahead: Harmonizing Synthetic Innovation with Capital Integrity

The emergence of AI-generated financial influencers presents a complex challenge at the intersection of capital market integrity, consumer protection, and technology law. While Indian regulators have made strides through ecosystem-level restrictions and baseline AI governance guidelines, the current framework leaves a noticeable void regarding autonomous or pseudonymous synthetic personas. Regulatory policy should not stifle the beneficial uses of generative AI in democratizing financial literacy and data synthesis; rather, it must draw a decisive boundary between educational technology and unauthorized, algorithmic investment solicitation. Moving forward, India requires a unified, technology-neutral regulatory posture anchored by a clear doctrine: any financial promotion that would be unlawful if delivered by an unregistered human remains equally unlawful when generated, amplified, or communicated by an artificial intelligence.