DSCI's Submission to SEBI Consultation Paper on Responsible Usage of AI/ML in Securities Markets

The Data Security Council of India (DSCI) submitted its response to SEBI's Consultation Paper on the responsible usage of Artificial Intelligence and Machine Learning (AI/ML) in the Indian securities markets in the month of July 2025. While welcoming SEBI's initiative, our submission emphasizes the need for regulatory clarity, proportionality, and global alignment.

Some of our key recommendations include:

- Clear definitions for "AI/ML models" and "AI/ML systems" with prescriptive glossary.
- Risk-based approach and proportionate audits, focusing more on high-risk use cases.
- Succinct terminology such as "simulate" instead of "reconstruct" for system validation.
- Risk-based data retention, easing burdens on smaller entities.
- Focus on reducing; not eliminating the bias, aligned with international best practices.
- Materiality thresholds for incident reporting to separate minor issues from major risks.

We also welcome SEBI's move towards investor disclosures on AI/ML use and commend the thinking of SEBI to emphasize and enhance transparency and trust. Our response reflects strong support for SEBI's vision while suggesting refinements that balance investor protection with innovation and resilience in India's securities markets.