


India must streamline rules for the institutional trustee industry

 [livemint.com/money/personal-finance/india-must-streamline-rules-for-the-institutional-trustee-industry-sebi-wealth-management-investor-protection-11748852891368.html](https://www.livemint.com/money/personal-finance/india-must-streamline-rules-for-the-institutional-trustee-industry-sebi-wealth-management-investor-protection-11748852891368.html)

mint

June 2, 2025

Tanmay Patnaik 4 min read



There is a pressing need to establish robust, uniform regulations to protect all stakeholders and foster sustainable industry growth. **(Pixabay)**

Summary

India's wealth management ecosystem is undergoing rapid transformation, with institutional trustees playing a pivotal role in safeguarding assets, enabling succession, and ensuring fiduciary compliance.

Yet, the regulatory framework governing institutional trustees remains fragmented and outdated, exposing the system to significant risks. As the volume of wealth under institutional trusteeship soars—estimated in the range of tens of thousands of crores—there is a pressing need to establish robust, uniform regulations to protect all stakeholders and foster sustainable industry growth.

Institutional trustee services in the country are primarily governed by two main statutes: (i) The Indian Trusts Act, 1882, which provides the foundation for the creation, administration, and duties of trustees in private trusts; and (ii) SEBI (Debenture Trustee) Regulations, 1993, administered by the markets regulator, specifically governing debenture trustees.

Despite these frameworks, there is no comprehensive, unified regulation or certification regime for all institutional trustees, especially those operating outside the debenture and securities space. This regulatory gap exposes the industry to inconsistencies and serious risks.

Why institutionalization is the need of the hour

Enhanced professional standards and accountability: Institutionalising the industry would introduce mandatory certification, training, and ongoing education, similar to how chartered accountants (CAs) are regulated by the Institute of Chartered Accountants of India (ICAI). CAs must pass rigorous exams, adhere to a code of ethics, and undergo regular peer reviews, ensuring high professional standards and accountability. This structure has led to greater public trust and fewer instances of malpractice in the accounting profession.

Improved transparency and investor protection: A regulated institutional trustee industry would require robust disclosure norms, regular audits, and transparent reporting, reducing the risk of fraud, mismanagement, or conflicts of interest. As seen in the CA profession, regulatory oversight deters unethical behaviour and builds investor confidence.

Uniformity in practices and reduced legal ambiguity: Currently, the lack of standardization leads to varying practices and legal uncertainties, particularly in private trusts and family offices. Regulation would harmonize procedures, documentation, and dispute resolution mechanisms, reducing litigation and confusion.

Better risk management and systemic stability: With thousands of crores of wealth under trusteeship, unregulated practices pose systemic risks to the wealth management and financial services sectors. Regulation would enforce risk management protocols, capital adequacy norms, and contingency planning, safeguarding both beneficiaries and the broader economy.

Facilitated market growth and global competitiveness: A regulated and institutionalized trustee industry would attract more domestic and international capital, as investors prefer jurisdictions with clear rules and protections. This would enable Indian trustees to compete globally and foster innovation in trust structures and estate planning.

International precedents: Lessons from abroad

UK: The UK's trust industry is regulated by the Financial Conduct Authority (FCA), which mandates licensing, compliance, and anti-money laundering checks. This has resulted in a transparent, reliable, and globally respected trustee sector.

Singapore: The Monetary Authority of Singapore (MAS) regulates trust companies, ensuring high standards of governance and investor protection. This has made Singapore a preferred hub for wealth management and family offices.

US: Trust companies are state-licensed and subject to regular audits and capital requirements, ensuring safety and soundness for beneficiaries.

In all these jurisdictions, regulation and oversight has benefited all stakeholders—trustees, beneficiaries, and the financial system—by reducing fraud, enhancing professionalism, and boosting investor confidence

Risks of delayed action in India

If India does not move swiftly to institutionalize and regulate its institutional trustee industry, the following risks loom large:

Increased incidents of fraud and mismanagement: Without oversight, unscrupulous operators can exploit loopholes, leading to financial losses for beneficiaries and reputational damage to the industry.

Legal and operational risks: Ambiguities in trustee duties and the lack of oversight can result in costly legal disputes, delays, and reputational damage.

Loss of investor confidence: High-profile scandals or disputes could deter both domestic and foreign investors from using Indian trustee services.

Regulatory arbitrage: Inconsistent rules could lead to regulatory arbitrage, where entities exploit gaps between different legal frameworks, undermining the integrity of the financial system.

Systemic risk: The sheer quantum of wealth under trusteeship—estimated to be in the range of several lakh crores—means that failures could have ripple effects across the financial sector.

Competitive disadvantage internationally: India may lose out on attracting global capital and trust business if it does not adopt internationally recognised governance standards.

The institutional trustee industry in India stands at a crossroads. While there are a handful of institutional trustees currently operating per global best practices, several are not. To protect the vast wealth under their stewardship and to foster a robust, transparent, and globally competitive wealth management ecosystem, there is an urgent need to institutionalize and regulate trusteeship. Establishing a certification or regulatory body would professionalize the sector, protect stakeholders, and unlock long-term benefits for trustees, mirroring successful international models and established Indian professional bodies.

Tanmay Patnaik is partner-private client practice at Trilegal.