

STREAMLINING THE PROCESS OF PUBLIC ISSUE OF EQUITY SHARES AND CONVERTIBLES¹

SEBI in its endeavour to provide issuers and investors with an efficient mechanism for raising funds, has been continuously striving to streamline the process and methodologies associated with public issue fund raising process.

Towards this end, in order to enable issuers to raise capital in the shortest possible time span and to reduce market risk for investors as well as issuers, the time duration from issue closure to listing was shortened from 12 days to 6 days with effect from January 01, 2016, by obviating the use of cheques and making Application Supported by Blocked Amount (ASBA) mechanism as the sole payment mechanism in public issues.

SEBI has been exploring ways and means to further streamline the process, including shortening the timeline from 6 days.

In view of the significant developments in the payment mechanisms, SEBI decided that the Unified Payments Interface (UPI), a process for electronic funds transfer launched by Reserve Bank of India (RBI) and National Payments Corporation of India (NPCI) in March 2016, could be incorporated with ASBA mechanism to further improve the efficiency of the process.

The proposed process would increase efficiency, eliminate the need for manual intervention at various stages, and will reduce the time duration from issue closure to listing by upto 3 working days. SEBI in consultation with the stakeholders notified the process.

Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to UPI payment mechanism, the proposed alternate payment mechanism and consequent reduction in timelines is proposed to be introduced in a phased manner as under:

Phase I : From January 01, 2019, the UPI mechanism for retail individual investors through intermediaries will be made effective along with the existing process and existing timeline of T+6 days. The same will continue, for a period of 3 months or floating of 5 main board public issues, whichever is later.

Phase II : Thereafter, for applications by retail individual investors through intermediaries, the existing process of physical movement of forms from intermediaries to Self-Certified Syndicate Banks (SCSBs) for blocking of funds will be discontinued and only the UPI mechanism with existing timeline of T+6 days will continue, for a period of 3 months or floating of 5 main board public issues, whichever is later.

Phase III : Subsequently, final reduced timeline will be made effective using the UPI mechanism.

- UPI is an instant payment system developed by the National Payments Corporation of India (NPCI). It allows instant transfer of money between any two person's bank accounts using a payment address which uniquely identifies a person's bank account.

¹ Available at: https://www.sebi.gov.in/sebi_data/attachdocs/nov-2018/1541067380564.pdf#pdfjs.action=download

- Currently, retail investors either invest in an IPO through bank ASBA or through broker ASBA, where the broker does the bidding and hands over the application form to the investor's bank.
- All entities involved in the process shall co-ordinate with one another to ensure completion of listing of shares and commencement of trading in phase I by T+6. In Phase II, such entities shall aim to expeditiously complete the process of listing of shares and commencement of trading, in any case, not later than T+6.
- An investor will have to create UPI ID at the bank. Then, the investor would enter the bid details in the form as per current practice and also enter the UPI ID. Subsequently, forms would be submitted to the broker, who in turn would upload the bid details along with the UPI ID on the stock exchange platform.
- Further, the exchange would undertake validation of the PAN and demat account details of investor with the depository.
- Post such validation, the exchange would electronically share the bid details along with investors UPI ID, with the escrow or sponsor bank appointed by the issuer.
- The sponsor bank will initiate a mandate request on the investor to authorise blocking of funds equivalent to application amount in his/her bank account and subsequent debit of funds in case of allotment. Upon confirmation of receipt of funds in the public issue escrow account, shares would be credited to the investors account.

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