



ERGO

Analysing developments impacting business

ROADMAP TO A SHORTER LISTING PERIOD – IMPLEMENTATION OF PHASE-II

4 July 2019

Background

The Securities and Exchange Board of India (SEBI) vide its circular dated 1 November 2018 (SEBI Circular) laid down the roadmap for shortening the timeline for listing in a public issue, from the existing framework of T+6 working days, to 3 working days from the date of issue closure. The framework was to be implemented in a phased manner. One of the key changes to achieve T+3 listing, was the introduction of the UPI payment mechanism and phasing out of the Syndicate ASBA mechanism. Our ERGO on the SEBI Circular can be accessed [here](#).

In Phase-I, the SEBI Circular permitted retail individual investors (RIIs) to bid through four channels, viz. (i) Self-Certified Syndicate Banks, through ASBA process (SCSB ASBA); (ii) syndicate member, stock broker, depository participant and registrar to the issue by blocking of funds, through ASBA process (Syndicate ASBA); (iii) 3 in 1 account offered by selected stock brokers (3 in 1 Account); or (iv) syndicate members, stock brokers, depository participants and registrar to the issue for blocking of funds through UPI mechanism (UPI Application) (Phase-I). Initially, the Phase-I of the SEBI Circular was to continue for a period of three months or launch of five main board public issues, however, SEBI vide its circular dated 3 April 2019, extended the timeline for the implementation of Phase-I till 30 June 2019. On 28 June 2019, SEBI vide a circular (Phase-II Circular), stipulated that Phase II of the SEBI Circular will come into effect from 1 July 2019.

Key Highlights of Phase-II Circular

- The existing channel of Syndicate ASBA will no longer be available for RIIs. However, this channel will continue to be available for Qualified Institutional Buyers and Non-Institutional Investors. Henceforth, only the following channels will be available for RIIs making bids in a public issue: (i) SCSB ASBA, (ii) 3 in 1 Account, or (iii) UPI Application;
- Applications through UPI in public issues can only be made through the Self-Certified Syndicate Banks (SCSB) listed on the SEBI website. As on date, the list includes 39 SCSBs. Further, the investors using UPI Application have to ensure that the name of the app and the UPI handle being used for making the application is also appearing on the aforesaid website. **An application made using incorrect UPI handle or using a bank account of an SCSB or bank which is not mentioned in the aforesaid list, is liable to be rejected;** and

- The intermediaries are mandated to retain: (a) physical application forms, submitted by RIIs using UPI, for a period of six months before being forwarded to the Issuer company/Registrar to the Issue; and (b) electronic records pertaining to such forms for a minimum period of three years.

Comments

UPI as a payment mechanism has not yet proved to be the preferred choice for retail investors bidding in public issues. This is evidenced by the negligible number of applications received through the UPI mechanism in the recent public issues undertaken in Phase-I. Significant efforts would be required by intermediaries to educate the RIIs about application through UPI Mechanism.

Historically, public issues have received the highest number of applications through the Syndicate ASBA channel. Hence, in the absence of Syndicate ASBA, the implementation of Phase-II will be the real test for the success of the UPI mechanism. We estimate that the 3-in-1 Account and SCSB ASBA channels will garner a higher number of applications in the forthcoming public issues.

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