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ENHANCEMENT OF UPI LIMITS FOR PUBLIC ISSUE OF DEBT SECURITIES

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Introduction

The Securities and Exchange Board of India (SEBI) vide circular number SEBI/HO/DDHS/P/CIR/2022/0028 dated 8 March 2022 (Revision Circular), has amended the Operational Circular bearing number SEBI/HO/DDHS/P/CIR/2021/613 dated 10 August 2021, in respect of procedures pertaining to issue and listing of non-convertible securities, securitised debt instruments, security receipts, municipal debt securities and commercial paper (Operational Circular).

- The National Payments Corporation of India (NPCI) had issued a circular bearing reference number NPCI/UPI/OC No. 127/ 2021-22 dated 9 December 2021 (Circular), whereby, it had enhanced the per transaction limit in unified payments interface mechanism (UPI) from INR 2 lakh to INR 5 lakh for UPI based Application Supported by Blocked Amount (ASBA) with respect to initial public offers of debt securities.
- The Operational Circular provided for investors to apply in public issues of debt securities with the facility to block funds through UPI mechanism for application value upto INR 2 lakh. The Revision Circular brings UPI mechanisms under the Operational Circular in line with the Circular, which shall be operative for public issues of debt securities which open on or after 1 May 2022.

Key Amendments introduced by the Revision Circular

The new amendments in Chapter (I) and (II) of the Operational Circular prescribe that the value in respect of payments made under UPI stands increased to INR 5 lakh from the previous value of INR 2 lakh. Accordingly, an investor may submit the bid-cum-application form with a self-certified syndicate bank or a recognised intermediaries and use their bank account linked UPI ID for the purpose of blocking of funds, if the application value is less than INR 5 lakh. Further, stock exchanges have been mandated to provide a platform for making applications through app based / web interface from investors with UPI mode for blocking the mode for application value upto INR 5 lakh.

Chapter II (*Application Form and Abridged Prospectus*) has been amended accordingly and prescribes that the overleaf of the application form shall include UPI mechanism for blocking funds would be available for application value upto INR 5 lakh.

Also, in order to remove any ambiguity, the definition of a 'Sponsor Bank' has been modified to mean,

"a banker to the issue registered with SEBI which is appointed by the issuer to act as a conduit between the stock exchanges and the NPCI in order to push the mandate collect requests and / or payment instructions of the investors into the UPI",

whereas previously "investors" read as "retail investors" under this definition. This clarifies that UPI mechanisms are not exclusive to "retail investors" as the Operational Circular prescribed before.

Comments

The Revision Circular has been issued to ensure uniformity in payment mechanisms wide the market participants (for both debt and equity investments, and specifically to align with the Circular) and for ease of investment to investors. UPI mechanisms offer great flexibility and ease of operation to Investors and widening its scope could definitely be viewed as an investor friendly move by SEBI.

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