

CIRCULAR

CIR/CFD/14/2012

October 04, 2012

To

All Stock Exchanges
All Registered Merchant Bankers
All Registered Registrars to an Issue
All Registered Bankers to an Issue

Dear Sir / Madam,

Sub: Public issues in electronic form and use of nationwide broker network of Stock Exchanges for submitting application forms

1. The Hon'ble **Finance Minister** announced the following in his speech while presenting **Union Budget 2012-13**:

*“Simplifying the process of issuing Initial Public Offers (IPOs), lowering their costs and helping companies **reach more retail investors in small towns**. To achieve this, in addition to the existing IPO process, I propose to make it mandatory for companies to issue IPOs of Rs.10 crore and above in electronic form **through nationwide broker network of stock exchanges**”*

2. Pursuant to the above, in consultation with various market participants, SEBI has decided to introduce an additional mechanism for investors to submit application forms in public issues using the stock broker (“broker”) network of Stock Exchanges, who may not be syndicate members in an issue.
3. This mechanism can be used to submit ASBA as well as non-ASBA applications by investors.
4. Stock Exchanges shall provide for download of application forms on their websites/broker terminals, so that any investor or stock broker can download/print the forms directly.

5. Stock Exchanges shall ensure that the information relating to price band is pre-filled in such downloadable application forms.
6. The facility to submit the application forms will be available in more than 1000 locations which are part of the nationwide broker network of the Stock Exchanges and where there is a presence of the brokers' terminals (hereinafter referred to as "broker centre"). Based on the feedback received from market participants in this regard, it has been decided to increase the number of broker centres, in a phased manner as under:
 - a. **First phase**
Around four hundred (400) broker centres to be covered by January 01, 2013
 - b. **Second phase**
Remaining centres to be covered by March 01, 2013
7. Accordingly, details of locations including name of the broker, contact details such as name of the contact person, postal address, telephone number, e-mail address of the broker, etc. where the application forms shall be collected will be disclosed by the Stock Exchanges on their websites at least 15 days before the dates specified above. Stock Exchanges should ensure that the details so disclosed on their websites are regularly updated.
8. The details of this mechanism and the indicative timelines for various activities under this mechanism are specified at **Annexures A and B** respectively.
9. Merchant Bankers shall ensure that appropriate disclosures in this regard are made in the offer document.
10. All intermediaries are advised to take necessary steps to ensure compliance with this circular.

11. This circular shall be applicable for all offer documents filed with Registrar of Companies on or after January 01, 2013.
12. This circular is issued in exercise of powers conferred under Section 11 of the Securities and Exchange Board of India Act, 1992.
13. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework" and "Issues and Listing".

Yours faithfully,

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Details of the mechanism**Step 1: Investor to submit the application form to any registered broker (non-syndicate member) and broker to upload the bid on the Stock Exchange platform**

- a) Under the mechanism, an investor may submit the application indicating the mode of payment to any registered broker of the Stock Exchange having its office in any of the broker centre of the Stock Exchange
- b) Stock Exchanges shall provide for a mechanism to distinguish applications from syndicate and non-syndicate members
- c) Similar to secondary market transactions where the investor can check the status of its trade on the Stock Exchange website, Stock Exchanges shall facilitate investors to view the status of their issue applications on the websites of Stock Exchanges
- d) All accepted applications shall be stamped and thereby acknowledged by the broker at the time of receipt and will be uploaded on the Stock Exchange platform
- e) Broker shall be responsible for uploading the bid on the Stock Exchange platform, banking the cheque / submitting the ASBA form to SCSB, etc. and liable for any failure in this regard
- f) Stock Exchanges shall take action against brokers who fail to comply with the requirements of this circular and in case of repeated non-compliances; appropriate action shall be taken.

Step 2: In case of non-ASBA application, broker to deposit the cheque, prepare electronic schedule and send it to Banker to the Issue (For ASBA application, Step 2A to apply)

- a) All Bankers to the Issue ("BTI"), which have branch/es in a broker centre, shall ensure that at least one of its branches in the broker centre accepts cheques

- b) Brokers shall deposit the cheque in any of the bank branch of the collecting bank in the broker centre
- c) Brokers shall also update the electronic schedule (containing application details including the application amount) as downloaded from Stock Exchange platform and send it to local branch of the collecting bank
- d) Brokers shall retain all physical applications initially and send it to Registrar to Issue (“RTA” or “Registrar”) after 6 months

Step 2A: In case of ASBA application, broker to forward a schedule along with application form to respective ASBA Branch

Broker shall forward a schedule (containing application number and amount) along with application forms to the branch named for ASBA of the respective self certified syndicate banks (SCSBs) for blocking of fund

Step 3: Local Branch to mark for cheque return/block funds, update electronic schedule and send it to the controlling branch

Local branch of the collecting bank/SCSB shall update the schedule based on cheque clearance/ fund blocking and send it to controlling branch

Step 4: Controlling branch shall consolidate the electronic schedule of all branches and send it to the RTA

Controlling branch shall consolidate the electronic schedule of all branches, reconcile the amount received/blocked with the bank balance and send the consolidated schedule to the RTA along with Final certificate

Step 5: RTA to follow the extant process for other modes

- a) RTA shall reconcile the schedules received from the bank with the Stock Exchange data
- b) It shall calculate the compensation payable to each broker and share the details with the Stock Exchange

- c) It may request for physical application forms directly from Brokers/SCSBs under exceptional circumstances such as discrepancy in PAN/ demat account number/client ID, investor complaint, etc.
- d) It will follow the usual process of reconciliation, allotment, refund, etc

Other important points

- a) Acknowledgement by the broker shall form the basis of any complaint
- b) Brokers shall be made responsible for complaints against the sub-brokers
- c) Stock Exchanges shall disclose publicly the complaint and grievance redressal mechanism along with monetary/non-monetary penalty as applicable
- d) Issuer, Merchant Banker and Stock Exchange shall discuss and determine the commission that shall be payable to the non-syndicate member
- e) The commission that shall be payable to the non-syndicate member shall be disclosed upfront in the offer document
- f) In order to determine to which syndicate or non-syndicate broker commission is payable to, the terminal from which the bid has been uploaded will be taken into account
- g) Quantum of commission payable shall be determined not on the basis of **allotment**, but on the basis of **applications** which have been considered eligible for the purpose of allotment
- h) Based on the total commission payable to the non-syndicate broker as calculated by the RTA, Issuer shall disburse the amount to the Stock Exchange before listing and the Stock Exchange in turn shall pay to the brokers through clearing corporation within 2 days from the receipt of money from the issuer
- i) Listing shall be withheld by the Stock Exchanges till the time issuer pays brokers' commission to the Stock Exchange
- j) Issuer shall be liable to pay to the brokers for their activity even if the issuer withdraws the issue during the issue period

Indicative timelines for various activities under the mechanism

Sr. No.	Details of Activities	Due Date (Working Day*)
1.	Investor submits a completed bid cum application form indicating the mode of payment to any registered broker	Issue opening date to issue closing date (where T is issue closing date)
2.	Issue closes.	T
3.	<p>Stock exchange(s) to allow brokers to undertake modification of selected fields in the bid details already uploaded.</p> <p>Registrar to get the electronic bid details from the stock exchanges at the end of the day.</p>	T+1
4.	<p>Issuer, merchant banker and registrar to submit relevant documents to the stock exchange(s) except listing application, allotment details and demat credit and refund details for the purpose of listing permission.</p> <p>In case of non-ASBA application, Brokers (Non-Syndicate members) to forward a schedule (containing application number, payment instrument number and amount), and payment instruments to collecting banks.</p> <p>In case of ASBA application, Brokers to forward a schedule (containing application number and amount) along with application forms to the branch named for "Syndicate ASBA" of the respective SCSBs for blocking of fund.</p> <p>Collecting banks/Designated branches may not accept bid schedule, bid applications and payment instrument, after T+2 days.</p> <p>Collecting banks to commence clearing of payment instruments. SCSBs to start blocking funds.</p> <p>Registrar to give bid file received from the stock exchanges containing the application number and amount to all the</p>	T+2



	<p>collecting banks/SCSBs who may use this file for validation/reconciliation at their end.</p> <p>Registrar to commence validation of the electronic bid details with depositories records for DP ID, Client ID and PAN.</p>	
5.	<p>Registrar to continue validation of the electronic bid details with depositories records.</p> <p>Collecting banks to continue clearing of payment instruments. SCSBs to continue blocking funds.</p>	T+3
6.	<p>Registrar to complete validation of the electronic bid details with depositories records.</p> <p>Local Branch of the collecting banks/SCSBs to start sending bank schedules to controlling branch.</p>	T+4
7.	<p>Registrar to prepare list of rejected bids based on mis-match between electronic bid details and depositories data base.</p> <p>Registrar to undertake “Technical Rejection” test based on electronic bid details and prepare list of technical rejection cases.</p> <p>Local Branch of the collecting banks/SCSBs to complete sending bank schedules to controlling branch.</p>	T+5
8.	<p>Controlling branch of the collecting banks/SCSBs to submit status of clearance status of payment instrument/Blocking of fund i.e. “Final Certificate” to the registrar.</p>	T+6
9.	<p>Registrar to undertake and complete reconciliation of final certificate received from the controlling branch with electronic bid details.</p> <p>Registrar submits the final basis of allotment to Designated Stock Exchange(s) for approving the basis of allotment.</p>	T+7
10.	<p>Designated stock exchange(s) to approve the basis of allotment.</p> <p>Registrar to prepare funds transfer schedule based on approved allotment.</p> <p>Registrar to give instructions to depositories to carry out lock-in for pre issue capital.</p>	T+8



11.	<p>Registrar and merchant banker to issue funds transfer instructions to collecting banks/SCSBs.</p> <p>Collecting banks/SCSBs to credit the funds in Public Issue Account of the issuer and confirm the same.</p> <p>Issuer to make allotment.</p> <p>Registrar to give instruction to depositories for credit of shares to successful allottees.</p> <p>Registrar to receive confirmation for pre-issue capital lock-in from depositories.</p>	T+9
12.	<p>Issuer and registrar to file allotment details with designated stock exchange(s) and confirm all formalities are completed except demat credit and refund.</p> <p>Registrar to complete refund dispatch.</p> <p>Registrar to issue bank-wise data of allottees, allotted amount and refund amount to collecting banks/SCSBs.</p>	T+10
13.	<p>Registrar to receive confirmation of demats credit from depositories and submit the same to the stock exchange(s).</p> <p>Issuer and registrar to file confirmation of demat credit and refund dispatch with stock exchange(s).</p> <p>Issuer to make a listing application to stock exchange(s) and stock exchanges to give listing and trading permission.</p> <p>Issuer, merchant banker and registrar to publish allotment advertisement before the commencement of trading, prominently displaying the date of commencement of trading, in all the newspapers where issue opening/closing advertisements have appeared earlier.</p> <p>Stock exchange(s) to issue commencement trading notice.</p>	T+11
14.	Trading commences	T+12

*Working days will be all days excluding Sundays and bank holidays