

SECURITIES LAWS

ASBA - AN INVESTOR FRIENDLY INITIATIVE OF SEBI

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ASBBA means 'Application Supported by Blocked Amount'. It enables investors to apply for Initial Public Offers (IPOs), Follow-on Public Offers (FPOs) and rights issues of shares without making any upfront payment. Instead, the amount is blocked in investors' own bank account and only an amount proportionate to the shares allotted goes out when the allotment is confirmed and the balance amount is unblocked. In case the application is rejected/ unsuccessful or the issue is withdrawn by the company, the amount is unblocked by the bank on receipt of intimation in this regard from the Registrar to the issue. In order to reduce the time gap between the closure of a public issue and the date of listing of shares from the average period of 22 days to just 12 days, the SEBI has recently substantially modified the timelines in the ASBA process.

This article outlines the benefits and process of ASBA. The SEBI has rightly coined the slogan, "ASBA - Simple, Safe, Smart way of making an application - make use of it". ASBA facility is like icing on the cake for investors since they can try their luck in IPOs without the fear of loss or delay in receipt of the refund orders or the loss of interest on the share application money.

Introduction

1. ASBA means "Application Supported by Blocked Amount". It enables investors to apply for Initial Public Offers (IPOs), Follow-on Public Offers (FPOs) and rights issues of shares without making any upfront payment. Instead, the amount is blocked in investors own bank account and only an amount proportionate to the shares allotted goes out when the allotment is confirmed and the balance amount is unblocked. In case the application is rejected/ unsuccessful or the issue is withdrawn by the company the amount is unblocked by the bank on receipt of intimation in this regard from the Registrar to the issue.

ASBA is a supplementary process of applying in public rights issues. It co-exists with the normal process of using cheque as a mode of payment while submitting the applications. Banks provide this value added service free of cost. Therefore, it makes sense for the investors to avail this facility and avoid hassle of waiting for refund orders in case of non-allotment or partial allotment of shares applied for. All investors including Qualified Institutional Buyers (QIBs) can submit applications through ASBA.

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Recently, SEBI has 'instructed mutual funds to accept applications in new fund offers through ASBA process.

In order to reduce the time gap between the closure of a public issue and the date of listing of shares from the average period of 22 days to just 12 days, the SEBI has recently substantially modified the timelines in the ASBA process. The new process is applicable to all public issues opening after May 3, 2010.

Benefits of ASBA

2. ASBA facility provides the following benefits to the investors :—

- ◆ The investors need not pay the application money through cheque/ bank draft rather their bank account is blocked to the extent of the application money. Thus, they continue to earn interest on the entire application money.
- ◆ The investors don't have to bother about refund orders as in ASBA only an amount proportionate to the shares allotted goes out from the bank account when the application is selected for allotment of shares.
- ◆ The application form is much simpler.
- ◆ The investor deals with the known intermediary, *i.e.*, his/her own bank.

SCSB acts as interface between the issuer company and the investor

3. The bank which is responsible for blocking the funds in the bank account of the investor is known as Self-Certified Syndicate Bank (SCSB). A bank which is registered with the SEBI as banker to the issue and is desirous of offering ASBA facility to its customers can apply to the SEBI for inclusion of its name in the list of SCSBs. A SCSB has to identify its Designated Branches (DBs) at which an investor can submit ASBA application and it also identifies a Controlling Branch (CB) to coordinate with the Registrar to the Issue, Stock Exchanges and Merchant Bankers. The SCSB may identify new DBs for the purpose of providing ASBA facility to its customers and intimate the details thereof to the SEBI. The issuer company is deemed to have entered into agreements with all the SCSBs who have been recognized by the SEBI. Thus an issuer has no discretion in choosing SCSBs.

SCSB shall retain Physical ASBAs for a period of six months and thereafter forward the same to the issuer. However, in case of Electronic ASBAs, 'printouts' of such applications need not be retained or sent to the issuer. SCSBs shall maintain the electronic records relating to ASBA process for three years. SCSB shall ensure that complaints of ASBA investors arising out of errors or delay in capturing of data, blocking or unblocking of bank accounts, etc., are satisfactorily redressed.

Subscription to rights issues through ASBA facility

4. It may be noted that an existing shareholder of a company can apply in a rights issue through ASBA provided the shares are held in dematerialised form. However, if the original shareholder has renounced his rights entitlements, then the renounee can't apply for such shares through ASBA. The renounee has to submit the Composite Application Form which evidences that the original shareholder has renounced his rights entitlement in his favour.

Filling up ASBA application form

5. An investor has to obtain an ASBA application form from any of the designated branches of the bank, in which he is maintaining a bank account, for making an ASBA bid since the ASBA form is different from the normal application form of a book built public issue. An investor can submit ASBA application to SCSB only if he fulfils the following conditions :—

- ◆ He is a person resident in India as defined under the Foreign Exchange Management Act, 1999.
- ◆ He has to bid only at cut-off price.
- ◆ He has to bid with only a single option as to the number of equity shares applied for.
- ◆ He has to agree not to revise the bid.

At the time of submitting an ASBA application, the investor should take utmost care to fill the correct particulars, viz., PAN, Depository Participant Identification Number (DP-ID), Client Identification Number (Client-ID) of the demat account, Bid Quantity and Bank Account Number. SCSBs have to ensure that not more than five applications are submitted from a bank account per issue. Further ASBA application needs to be signed by the account holder in case the applicant is not the account holder.

It is important to remember that an investor can apply either through ASBA or under the normal system by making payment through cheque because in case he submits applications through both the modes then the applications would be treated as multiple applications (based on identification through PAN) and, hence, shall be rejected.

ASBA process at a glance

6. The Table given below describes the ASBA process along with the relevant timelines to be adhered to by the various intermediaries.

Sr. No.	Details of ASBA process	Timeline/ Due Date
1.	<p>An investor intending to subscribe to a Public Issue has to submit ASBA application complete in all respects to SCSB, with whom the bank account to be blocked, is maintained. The application can be submitted either-</p> <p>(i) Physically to any of the Designated Branches (DBs) of the SCSB ("Physical ASBA");</p> <p>or</p> <p>(ii) Electronically through the internet banking facility provided by the SCSB ("Electronic ASBA")</p>	<p>During bidding Period <i>i.e.</i>, from opening of the issue till closing of the issue (where 'T' is issue closing date).</p>
2.	<p>SCSB gives an acknowledgement to the investor as a proof of having accepted ASBA in physical or electronic mode</p>	<p>During Bidding period</p>
3.	<p>If the bank account specified in ASBA does not have sufficient funds to meet the application money, the application is rejected by the SCSB</p>	<p>During Bidding period</p>
4.	<p>SCSB blocks the funds in the bank account specified in the Physical ASBA to the extent of the application money required for subscribing to the shares. The SCSB then uploads the Application No., DP-ID & Client-ID, Bid Quantity and PAN in the electronic bidding system provided by the Stock Exchange(s)</p> <p>In case of an Electronic ASBA, the investor himself fills the above-mentioned details and submits the application to the bank through internet banking facility. On acceptance of the application, the system generates an application number. The SCSB thereafter uploads the data in the electronic bidding system of the Stock Exchange(s)</p>	<p>During Bidding period</p>
5.	<p>The SCSB also generates a Transaction Registration Slip/ Order Number, confirming upload of ASBA details in the electronic bidding system of the Stock Exchange(s), which is given to the investors only on demand</p>	<p>During Bidding period</p>
6.	<p>In case an ASBA investor wants to withdraw the application during the bidding period, he shall submit his withdrawal request to the SCSB, which shall delete the details of the withdrawn ASBA from the electronic bidding system of the Stock Exchange(s) and unblock the funds in the concerned bank account.</p> <p>(In case an ASBA bidder wants to withdraw his bid after the closure of the issue, he has to submit the request for withdrawal to the Registrar to the issue)</p>	<p>During Bidding period</p>
7.	<p>Stock Exchange to allow SCSBs 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>	<p>T+ 1</p>

Sr. No.	Details of ASBA process	Timeline/ Due Date
8.	SCSB then sends the information (investor category-wise) giving details of total number of ASBAs uploaded, number of shares involved and the amount blocked, to the Registrar to the Issue	T + 2
9.	The Registrar reconciles the data received from SCSBs and the stock exchanges, matches the data with the depositories' database, processes the applications by weeding out multiple applications based on PAN. The names of investors who have withdrawn their bids after the closure of the bidding period are also removed from the list of applicants	T+2 to T+6
10.	The Registrar to the Issue finalises the basis of allotment and the same is submitted to the Designated Stock Exchange for approval	T+7
11.	<p>After approval of the basis of allotment by the Designated Stock Exchange, the Registrar to the Issue provides the following details to the CB of each SCSB along with instructions to unblock the relevant bank accounts and transfer the requisite money to the issuer's bank account within the timelines specified in the ASBA process :</p> <p>(i) Number of shares allotted against each valid ASBA bid</p> <p>(ii) Amount to be transferred from the bank accounts of the successful bidders to the issuer's bank account and the date by which such funds have to be transferred</p> <p>(iii) Details of rejected ASBAs along with reasons for rejection as well as the details of withdrawn/unsuccessful ASBAs, if any, to enable SCSBs to unblock the concerned bank accounts</p>	T+8
12.	SCSB transfers the requisite amount from the concerned investor's bank account to the issuer's bank account against each successful ASBA bid and the balance amount is unblocked. The entire application money in respect of the unsuccessful ASBA bids is also unblocked. Thereafter CB of each SCSB confirms the transfer of requisite amount to the Registrar to the Issue	T+9
13.	<p>Issuer company allots the shares.</p> <p>Registrar gives instructions to Depositories for credit of shares in demat accounts of the successful allottees</p>	T+9
14.	Issuer and Registrar files allotment details with designated stock exchange and seeks confirmation from the stock exchanges that all the formalities, except demat credit, are complete	T+10
15.	Registrar to receive confirmation of demat credit from depositories and submit the same to the stock exchanges Confirmation of demat credit and refund/dispatch to be filed with the stock exchanges	T+11

Sr. No.	Details of ASBA process	Timeline/ Due Date
	Advertisement is to be published in newspapers giving allotment schedule and the date of commencement of trading. Such advertisement has to be published in all the newspapers in which the opening/closing dates of the issue were advertised Stock Exchanges to issue commencement trading notice	
16.	Trading commences	T+12

Grounds for technical rejections under the ASBA Process

7. An ASBA can be rejected on any of the following grounds :—

- ◆ Application on plain paper or on split form.
- ◆ Amount mentioned in the ASBA form does not tally with the amount payable for the value of the equity shares bid for.
- ◆ Bids at a price other than at the cut-off price.
- ◆ PAN not stated or GIR number furnished instead of PAN.
- ◆ Bids for number of equity shares which are not in multiples of the number of shares specified by the company in the prospectus.
- ◆ Authorisation for blocking funds in the bank account not ticked or provided.
- ◆ Multiple bids as described in the Red Herring Prospectus.
- ◆ Signature of sole and/or joint bidders missing in case of ASBA form submitted in physical mode.
- ◆ ASBA form is not delivered by the bidder within the specified time and in accordance with the instructions provided in the ASBA Form and the Red Herring Prospectus.
- ◆ Inadequate funds in the bank account to block the bid amount specified in the ASBA form.
- ◆ ASBA form does not have the bidder's depository account details.
- ◆ If no corresponding record is available with the Depositories that matches three parameters, viz., Name(s) of the bidder(s) (including the sequence of names of joint holders), the DP-Id and the Client-Id.
- ◆ Revision of any bid under the ASBA process.
- ◆ In case of a bid under power of attorney, if the relevant documents have not been submitted.
- ◆ In case SCSB is not able to upload any bid in the electronic book of the Stock Exchange(s) due to any of the above-mentioned reasons then the same shall also be deemed to have been rejected.

Obligations of the issuer company

8. Some investors have fear in their mind that in case the public issue is oversubscribed, the company would give preference to the normal applicants, who have given upfront payment, over the ASBA applicants. However, this notion is completely baseless since the companies have to give an undertaking in their prospectus that the bids received through ASBA shall be treated at par with the other bids. It is worthwhile to note here that in case the company/Registrar to the issue fails to issue necessary instruction to SCSBs to unblock the bank accounts of unsuccessful bidders beyond the period of 15 days from the closure of the issue, then the company becomes liable to pay interest at the rate of 15 per cent per annum with effect from the fifteenth day. All grievances relating to ASBA applications have to be addressed to the Registrar to the issue with a copy to SCSB.

Conclusion

9. The SEBI has rightly coined the slogan, "ASBA - Simple, Safe, Smart way of making an Application - make use of it". ASBA is likely to change the way applications are made in public issues. It is expected that the rising popularity of ASBA will mark an end of the era where many companies used to earn crores of rupees as interest income on application money due to heavy oversubscription of their IPOs. We can say that ASBA facility is like icing on the cake for investors since they can try their luck in IPOs without the fear of loss or delay in receipt of the refund orders or the loss of interest on the share application money.

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