

CHAPTER XI A

GUIDELINES ON INITIAL PUBLIC OFFERS THROUGH THE STOCK EXCHANGE ON-LINE SYSTEM (e-IPO).

11A.1 A company proposing to issue capital to public through the on-line system of the stock exchange for offer of securities shall comply with the requirements as contained in this Chapter in addition to other requirements for public issues as given in these Guidelines, wherever applicable.

11A.2. **Agreement with the Stock exchange.**

11A.2.1 The company shall enter into an agreement with the Stock Exchange(s) which have the requisite system of on-line offer of securities.

Provided that, where the Regional Stock Exchange has the requisite system of on-line offer of securities, the company shall also, enter into an agreement with the Regional Stock Exchange for offering securities to public through on-line system.

11A.2.2 The agreement mentioned in the above clause shall specify inter-alia, the rights, duties, responsibilities and obligations of the company and stock exchange (s) inter se. The agreement may also provide for a dispute resolution mechanism between the company and the stock exchange.

11A.3 **Appointment of Brokers**

11A.3.1 The stock exchange, shall appoint brokers of the exchange, who are registered with SEBI, for the purpose of accepting applications and placing orders with the company.

11A.3.2 For the purposes of this Chapter, the brokers, so appointed accepting applications and application monies, shall be considered as 'collection centres'.

11A.3.3. The broker/s so appointed, shall collect the money from his/their client for every order placed by him/them and in case the client fails to pay for shares allocated as per the Guidelines, the broker shall pay such amount.

11A.3.4 The company/lead manager shall ensure that the brokers having terminals are appointed in compliance with the requirement of mandatory collection centres, as specified in clause 5.9 of Chapter V of the Guidelines.

11A.3.5 The company/lead manager shall ensure that the brokers so appointed are financially capable of honouring their commitments arising out of defaults of their clients, if any.

11A.3.6. The company shall pay to the broker/s a commission/fee for the services rendered by him/them. The exchange shall ensure that the broker does not levy a service fee on his clients in lieu of his services.

11A.4 **Appointment of Registrar to the Issue**

11A.4.1 The company shall appoint a Registrar to the Issue having electronic connectivity with the Stock Exchange/s through which the securities are offered under the system.

11A.5 **Listing**

11A.5.1 Subject to the requirement of listing on the Regional Stock Exchange, the company may apply for listing of its securities on an exchange other than the exchange through which it offers its securities to public through the on-line system.

11A.6. Responsibility of the Lead Manager

11A.6.1 The Lead Manger shall be responsible for co-ordination of all the activities amongst various intermediaries connected in the issue / system.

11A.6.2 The names of brokers appointed for the issue alongwith the names of the other intermediaries namely Lead managers to the issue and Registrars to the Issue shall be disclosed in the prospectus and application form.

11A.7 Mode of operation

11A.7.1. The company shall, after filing the offer document with ROC and before opening of the issue, make an issue advertisement in one English and one Hindi daily with nation wide circulation, and one regional daily with wide circulation at the place where the registered office of the issuer company is situated.

11A.7.2 The advertisement shall contain the salient features of the offer document as specified in Form 2A of the Companies (Central Government's) General Rules and Forms, 1956. The advertisement in addition to other required information, shall also contain the following:

- (i)the date of opening and closing of the issue
- (ii)the method and process of application and allotment
- (iii)the names, addresses and the telephone numbers of the stock brokers and centres for accepting the applications.

11A.7.3 During the period the issue is open to the public for subscription, the applicants may

- (a) approach the brokers of the stock exchange/s through which the securities are offered under on-line system, to place an order for subscribing to the securities. Every broker shall accept orders from all clients who place orders through him;
- (b) directly send the application form alongwith the cheque/Demand Draft for the sum payable towards application money to the Registrar to the Issue or place the order to subscribe through a stock- broker under the on-line system.

11A.7.4 In case of issue of capital of Rs. 10 crores or above the Registrar to the Issue shall open centres for collection of direct applications at the four metropolitan centres situated at Delhi, Chennai, Calcutta and Mumbai.

11A.7.5 The broker shall collect the client registration form duly filled up and signed from the applicants before placing the order in the system as per "Know your client rule" as specified by SEBI and as may be modified from time to time.

11A.7.6 The broker shall, thereafter, enter the buy order in the system, on behalf of the clients and enter details including the name, address, telephone number and category of the applicant, the number of shares applied for, beneficiary ID, DP code etc. and give an order number/order confirmation slip to the applicant.

11A.7.7 The applicant may withdraw applications in terms of the Companies

11A.7.8 The broker may collect an amount to the extent of 100% of the application money as margin money from the clients before he places an order on their behalf.

11A.7.9 The broker shall open a separate bank account [Escrow Account] with the clearing house bank for primary market issues and the amount collected by the broker from his clients as margin money shall be deposited in this account.

11A.7.10 The broker shall, at the end of each day while the issue is open for subscription, download/forward the order data to the Registrar to the Issue on a daily basis. This data shall consist of only valid orders (excluding those that are cancelled). On the date of closure of the issue, the final status of orders received shall be sent to the Registrar to the issue/company.

11A.7.11 On the closure of the issue, the Regional Stock Exchange, alongwith the Lead merchant banker and Registrars to the Issue shall ensure that the basis of allocation is finalised in fair and proper manner on the lines of the norms with respect to basis of allotment as specified in Chapter VII of the Guidelines, as may be modified from time to time.

11A.7.12 After finalisation of basis of allocation, the Registrar to the Issue/company shall send the computer file containing the allocation details i.e. the allocation numbers, allocated quantity etc., of successful applicants to the Exchange. The Exchange shall process and generate the broker-wise funds pay-in obligation and shall send the file containing the allocation details to member brokers.

11A.7.13 On receipt of the basis of allocation data, the brokers shall immediately intimate the fact of allocation to their client /applicant. The broker shall ensure that each successful client/applicant submits the duly filled-in and signed application form to him along with the amount payable towards the application money. Amount already paid by the applicant as margin money shall be adjusted towards the total allocation money payable. The broker shall, thereafter, hand over the application forms of the successful applicants who have paid the application money, to the exchange, which shall submit the same to the Registrar to Issue/company for their records.

11A.7.14 The broker shall refund the margin money collected earlier, within 3 days of receipt of basis of allocation, to the applicants who did not receive allocation.

11A.7.15 The brokers shall give details of the amount received from each client and the names of clients who have not paid the application money to the exchange. The brokers shall also give soft copy of this data to the exchange.

11A.7.16. On the pay- in day, the broker shall deposit the amount collected from the clients in the separate bank account opened for primary issues with the clearing house/bank. The clearing house shall debit the primary issue account of each broker and credit the amount so collected from each broker to the "Issue Account"

11A.7.17 In the event of the successful applicants failing to pay the application money, the broker through whom such client placed orders, shall

bring in the funds to the extent of the client's default. If the broker does not bring in the funds, he shall be declared as a defaulter by the exchange and action as prescribed under the Bye-Laws of the Stock Exchange shall be initiated against him. In such a case, if the minimum subscription as disclosed in the prospectus is not received, the issue proceeds shall be refunded to the applicants.

11A.7.18 The subscriber shall have an option to receive the security certificates or hold the securities in dematerialised form as specified in the Guidelines

11A.7.19 The concerned Exchange shall not use the Settlement/Trade Guarantee Fund of the Exchange for honoring brokers commitments in case of failure of broker to bring in the funds.

11A.7.20 On payment and receipt of the sum payable on application for the amount towards minimum subscription, the company shall allot the shares to the applicants as per these Guidelines. The Registrar to the issue shall post the share certificates to the investors or, instruct the depository to credit the depository account of each investor, as the case may be.

11A.7.21. Allotment of securities shall be made not later than 15 days from the closure of the issue failing which interest at the rate of 15% shall be paid to the investors.

11A.7.22 In cases of applicants who have applied directly or by post to the Registrar to the issue, and have not received allocation, the Registrar to the issue shall arrange to refund the application monies paid by them within the time prescribed.

11A.7.23 The brokers and other intermediaries engaged in the process of offering shares through the on-line system shall maintain the following records for a period of 5 years :

- (i) orders received
- (ii) applications received
- (iii) details of allocation and allotment
- (iv) details of margin collected and refunded
- (v) details of refund of application money

11A.7.24 SEBI shall have the right to carry out an inspection of the records, books and documents relating to the above, of any intermediary connected with this system and every intermediary in the system shall at all times co-operate with the inspection by SEBI. In addition the stock exchange have the right of supervision and inspection of the activities of its member brokers connected with the system.
