

Reduction of timeline for listing of shares in Public Issue from existing T+6 days to T+3 days

1. Objective:

1.1 This memorandum seeks to make proposals for reduction of timeline for listing of shares through Public Issue from existing T+6 days to T+3 days, with 'T' being the day of closure of issue. The proposed reduction in timelines for listing of shares is intended to benefit issuers, investors as well as other stakeholders viz. Stock Exchanges, Depositories, self-certified syndicate banks (SCSBs), Registrar to an Issue (RTI) and Merchant Bankers involved in the public issue process.

2. Background:

2.1 SEBI Board, in its meeting held on September 18, 2018, had approved in-principle the agenda item placed before it for Revisiting the public issue process as under:

“(i) To introduce Unified Payment Interface (UPI) with facility of blocking the funds (ASBA facility) as a payment mechanism, aimed at reducing the time period for listing of issues from T+6 days to T+3 days;

(ii) Amendment of MCA Rules/procedures for registering the prospectus with the Registrar of Companies (RoC) may be required, which may be considered by MCA”.

2.2 With respect to (ii) above, it may be noted that filing of prospectus with MCA has now been made by way of straight through processing and the same is being taken on record through electronic mode without any further processing by MCA.

2.3 SEBI Board, in its meeting held on June 23, 2015, had approved the proposal to reduce the post issue timelines leading up to listing of the issue from 12 days post closure of issue (T+12 days) to 6 days (T+6 days) with effect from January 01, 2016 and had approved to implement Application Supported by Blocked Amount (ASBA) mechanism as the sole payment mechanism in public issues. At present, the shares of the issuer are listed on the stock exchanges on 6th working day from the closure of the issue (T+6), which was made possible by implementation of ASBA.

2.4 Over the last few years, in addition to introduction of Unified Payment Interface (UPI) as a payment mechanism in public issue process, SEBI has facilitated introduction of a series of systemic enhancements and ease of online transactions involved in public issues that have been undertaken across all the

key stakeholders of public issue ecosystem so as to streamline the activities involved at various stages of processing of public issues and these systemic measures over the years have paved the way to reduce the listing timelines from T+6 days to T+3 days.

3. Recent measures for streamlining public issues process:

3.1 The series of systemic enhancements undertaken over last few years by Market Infrastructure Institutions (MIIs), RTI, National Payments Corporation of India (NPCI) with an objective to enhance their processing efficiency and capacity, inter-alia included API based processing of multiple activities involved in public issue process, increase of web servers/ database servers, load distribution, optimization of order acceptance, slicing of files, incoming path segregation etc.

3.2 Apart from the systemic enhancements, some of the key measures undertaken towards meeting the objective of reducing the timelines for listing from T+6 days to T+3 days are:

3.2.1 UPI as an additional payment mechanism with ASBA facility was introduced from November 01, 2018 and mandated from July 01, 2019 for applications made by Retail Individual Investors through Intermediaries where the application amount is upto Rs 2 lakhs.

3.2.2 From April 05, 2022 the UPI limit was increased to Rs 5 lakhs and was mandated for applications made by all Individual Investors through Intermediaries for making applications in between Rs.2 lakhs to Rs.5 lakhs.

3.2.3 As the retail applications constitute majority of the applications in public issues, the introduction of UPI has eliminated:

(a) manual processes such as physical delivery of application forms by the intermediaries thereby reducing the time involved in processing of such applications.

(b) the process of verifying investors' signature, blocking of the funds and updating the bid file with account number;

(c) the manual process earlier followed by RTI obtaining confirmation of block of funds from each SCSBs and sending separate instructions to each SCSBs for debiting investors account and unblocking of funds.

3.2.4 Also the Stock Exchanges have been mandated to accept the ASBA applications in their electronic book building platform only with a mandatory confirmation that the bid amount has been successfully blocked in full in the

bank account and for UPI applications, the bid book of Stock Exchanges shall include only the UPI applications with corresponding successfully blocked amounts in full.

4. Data of applications processed post revamping of ASBA

4.1 The aforesaid measures taken in recent times have ensured that in the public issue, majority of the applications received are now online applications which come either through UPI ASBA through intermediaries or from direct ASBA through electronic channels of SCSBs and online ASBA through 3-in-one accounts. In this regards, data of past 24 public issues were analysed, which opened for subscription since September 2022. The summary statistics of cumulative ASBA applications that have been received through the aforesaid three modes of submission of applications are depicted below.

Table 1 – Total Bid information

	Direct ASBA through SCSBs	Online ASBA through 3- in-one	UPI ASBA through intermediaries	Total Applications
Range of applications received across different public issues	2,328 to 10,78,218	2,375 to 2,54,332	9,669 to 13,18,691	14,372 to 26,51,241
Overall Number of applications	57,76,674 (42.41%)	13,73,777 (10.08%)	64,72,062 (47.51%)	1,36,22,513 (100%)

4.2 Thus, from the above, it may be noted that the applications received through UPI ASBA and online 3-in-1 ASBA together constitute 57.6% and Direct ASBA received from SCSBs constitute 42.4% of the total applications processed. It may be noted here that even in direct ASBA the majority of the applications are received through the electronic channels of private Banks i.e, SCSBs.

5. Readiness for the implementation of reduced timeline for listing of shares through public issues on the T+3 day:

The series of systemic enhancements undertaken over last few years by MIs/ intermediaries as enumerated in para 3.1 and 3.2 above were followed up by extensive back-testing and simulations by all stakeholders i.e, MIs, SCSBs, Sponsor Banks, NPCI and RTIs on their respective systems in respect of various key activities involved at every stage in the public issue process including the capacity and readiness for scaling up their IT Infrastructure, pursuant to which all the above stakeholders have expressed their readiness and ability to achieve listing of public issues on T+3 Day.

6. Consultation paper

SEBI adopted a wider consultative approach to bring about changes to the existing timelines for listing of shares on T+6 day so that the same can now be reduced to T+3 day. Accordingly, for the preparation of the consultation paper, inputs of stakeholders who are normally involved in public issue process have been obtained with respect to the proposed reduction in timeline and also about their readiness to process the public issues in the proposed T+3 framework. Thus, after all the stakeholders have agreed to the proposed timeline of listing in T+3 framework based on back-testing done by them on their respective systems, a consultation paper enumerating therein the detailed proposal on reduction of timelines for listing of a public issue in T+3 days was issued on **May 20, 2023** seeking public comments (**Annexure-A**).

7. Analysis of comments on consultation paper

7.1 The consultation paper contained 12 main proposals. Each of the proposals has one or more specific sub-proposals on which comments were solicited from the public. It is noted that the comments have been made by twenty commentators, the details of which are indicated below:

Data point	Count
No. of proposals (includes sub-proposals)	33
No. of commentators who have provided comments	20
No. comments received on proposals	203
Comments agreed upon by commentators	155
Comments partially agreed upon by commentators	22*
Comments disagreed upon by commentators	26*

*Placed at **Annexure B** (many of these comments have been submitted without rationale.)

7.2 These comments were analyzed and a summary of the same is given below:

7.2.1 Most of the commentators have agreed to the proposals and some commentators have also commented on proposals where they are in partial-agreement or disagreement.

7.2.2 The following proposals/sub-proposals in respect of which the commentators have either partially agreed or disagreed with or without a rationale have been analyzed in the subsequent paragraphs.

A. sub-proposals 2, 5 of proposal 1 and sub-proposal 6, 7 of proposal 2

B. sub-proposals 6, 7 of proposal 1 and sub proposal 1 of proposal 2

C. proposal 3

D. proposal 5

E. proposal 7

F. While commenting on all the proposals of a consultation paper, a commentator has also made a suggestion to make the listing timeline to T+4 days instead of the proposed T+3 days.

7.3 Analysis of comments on:

- **Sub proposal 2 of Proposal 1:** Retail Individual Investors can submit the applications online through SCSB on or before 4PM of T day.
- **Sub proposal 5 of Proposal 1:** Non Retail Investors can submit the applications online (electronically) on or before 4 PM of the T day;
- **Sub proposal 6 of Proposal 2:** Stock Exchanges shall close the bidding for QIB and NII categories at 4 PM of T day.
- **Sub proposal 7 of Proposal 2:** Stock Exchanges shall close the bidding for all categories other than QIB and NII at 5 PM of T day.

7.3.1 Comments / Suggestions received:

Some commentators have suggested that the cut-off time for acceptance of applications online from both retail and Non-retail investors (QIB/NII Categories) should be reduced so that SCSBs have sufficient time to process and bid on Stock Exchange Platform. While one of the

commentator has suggested a cut-off time of 3 PM and 2 PM on T day for retail and non-retail investors respectively, Other commentators have agreed to the proposed timeline for retail investors and suggested a change in the cut-off time for non-retail investors from the existing 4 PM to 3 PM on T day. Further, one of the commentator has suggested that the bidding for QIB and NII categories may be increased to 5 PM on T day from the existing 4 PM of T day.

7.3.2 Analysis:

7.3.2.1 While some commentators have suggested for reduction in cut-off timeline for acceptance of applications from investors, a commentator has also suggested for increase in cut-off time for bidding of non-retail applications. SCSBs may require adequate time to process and bid the applications in the stock exchange platform after receipt of the applications. As per the timelines proposed in the consultation paper, the cut-off time prescribed for acceptance of online applications from both retail and non-retail investors is 4 PM on T day. However, the bidding for retail and non-retail investors is closing at 5 PM and 4 PM on T day respectively.

7.3.2.2 The suggestion to decrease the cut-off time for acceptance of non-retail applications has a merit as the SCSBs may need time to process and bid these applications in the stock exchange platform on or before 4 PM on T day. Considering the suggestion, the cut-off time for acceptance of applications may be reduced from 4 PM to 3 PM on T day. This will bring parity in the time available for SCSBs for acceptance and bidding of applications of both retail and non-retail categories.

7.3.3 Revised proposal:

The sub proposal 5 of proposal 1 shall be modified as follows –

“Non-Retail Investors can submit the applications online (electronically) on or before 3 PM of the T day.”

7.4 Analysis of comments on:

- **Sub-proposal 6 of proposal 1:** Retail Individual Investors can submit the applications physically at any of the SCSB branches on or before 1PM of the T day;

- **Sub-proposal 7 of proposal 1:** Non Retail Investors can submit their physical applications to Intermediaries/SCSBs on or before 1 PM of the T day;
- **Sub-proposal 1 of proposal 2:** The intermediaries shall submit the physical applications to the SCSBs for blocking of funds followed by bidding on or before 2 PM of T day)

7.4.1 Comments / Suggestions received:

Some commentators have suggested that there should be a single cut-off time for acceptance of physical applications by SCSBs either directly from investors or through intermediaries for all categories of applications to enable easier processing at the branches of SCSB. Further, a commentator has suggested that the cut-off time for acceptance of physical applications from both retail and non-retail investors be reduced to 11 AM on T day.

7.4.2 Analysis:

7.4.2.1 As per the sub proposals 6 and 7 of proposal 1 and sub proposal 1 of proposal 2 of the consultation paper, the cut-off time for acceptance of physical applications on T day by SCSBs directly from investors is upto 1 pm and through intermediaries is upto 2 pm. Considering that some of the SCSBs have suggested to adopt the same cut-off time for acceptance of applications directly from investors as well as through intermediaries, prescription of standard timeline for acceptance of physical applications would enable ease in processing by SCSBs. However, the suggestion to stipulate a cut-off time as early as 11 AM on T day will curtail the time available to investors for making an application in the public issues.

7.4.2.2 Therefore, a cut-off time of 12PM on T day may be prescribed for intermediaries to accept the physical applications of Non-retail investors so that the same may be submitted to SCSBs by 1 pm for blocking of funds followed by bidding.

7.4.3 Revised Proposal:

Accordingly, the proposal shall be modified as follows:

Sub proposal 7 of proposal 1 - “Non-Retail Investors can submit the applications physically to Intermediaries/SCSBs on or before 12 PM of the T day.”

Sub proposal 1 of proposal 2 - “Intermediaries shall submit the applications to SCSBs for blocking of funds followed by bidding on or before 1 PM of T day”

7.5 Analysis of comments on proposal 3 - Scrutiny of applications with respect to third party investors

7.5.1 Comments / Suggestions received: Some of the commentators have suggested as under:

- a) to allow a third party or family member to apply multiple times up to 5,00,000/- amounts.
- b) SCSBs shall incorporate a checking mechanism in their internal softwares which will eventually reduce the chances of rejection at the end of the Registrar on the basis of third party.
- c) Third Party Validation may be exempted for Custodian Clients.
- d) Investors may be mandated to subscribe to public issue only through the same bank account as is mentioned in their Demat account. Further, it has been suggested that this step can be taken in phased manner in future so that investors have sufficient time to open multiple demat accounts with different bank account details, should they desire to do so.
- e) Real-time validation (like DP PAN Validation) to allow investors to immediately remedy the situation by applying again with the correct bank account.

7.5.2 Analysis:

7.5.2.1 As per the existing framework, third party applications are liable to be rejected by RTI and are not considered for allotment in the public issue in line with KYC/AML requirements. However, members of a family including minors can make applications in public issues by using their individual PAN/bank account and demat account.

7.5.2.2 As regards the suggestion on internal checks at the SCSBs to reduce the third party applications, it may be noted that

subsequent to the internal checks at SCSBs, the RTI has to essentially scrutinize all the applications with depository records to eliminate any third party applications prior to the finalization of basis of allotment to comply with the KYC/AML requirements.

7.5.2.3 On the suggestion on exempting custodian clients for third party validation, it is noted that the bank account linked to the demat account of the custodian client may vary with the bank account of the applicant in which the funds have been blocked. Hence, as per the extant practice the custodian has to confirm the third party status of such applications to RTI. Hence, no exemption is possible as the RTI has to scrutinize all the applications for ascertaining the third party status of applicants before finalizing the basis of allotment.

7.5.2.4 Since multiple bank accounts may not be linked to the same demat account, prescribing the blocking of funds only from the bank account linked to demat account would restrict the flexibility to the investor, to block the ASBA application monies in other bank accounts of the investor where the funds are available. Further, the suggestion made by the commentator where the investor makes multiple applications using different demat accounts linked with different bank accounts, all such applications are treated as multiple applications and rejected by RTI prior to the finalization of basis of allotment.

7.5.2.5 On the suggestion to undertake a real-time validation (like DP PAN validation), it may be mentioned that as per the extant third party verification process, PAN available in the demat account is verified with the PAN available in the bank records of the applicant. In cases of mismatch, the application is rejected as third party.

7.5.3 Proposal:

In view of the above analysis, no changes are required to be made in the proposal 3 regarding scrutinizing the third party status of the applications.

7.6 Analysis of comments on Proposal 5 - Lock-in of Pre Issue Capital

7.6.1 Comments / Suggestions received: Some commentators have suggested that the execution of lock-in may be completed even before the public issue closes and de activation of ISIN may be preponed to the Red herring prospectus (RHP) stage to eliminate the risk of new pledges being created between date of filing RHP and issue opening.

7.6.2 Analysis:

7.6.2.1 The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 prescribes that the lock-in of pre-issue capital shall be effective from the date of allotment of shares in public issues. To ensure compliance with the above, the lock-in process is initiated at different dates prior to the date of allotment. Depository executes the creation of lock-in in the depository system, based on the instruction received from RTI/Issuer.

7.6.2.2 In the consultation paper the ISIN was proposed to be deactivated one working day prior to the opening of the Issue. However, commentators have suggested that any pledge created by a shareholder between the date of RHP filing till one day prior to the opening of Issue, would restrict the creation of lock-in. RTIs generally completes the lock-in process with respect to all pre-issue shares in the depository system much before the date of allotment to avoid such scenarios as discussed above. In order to bring in uniformity in the lock-in process, there is a need for SOP prescribing the procedural aspects to ensure the completion of lock-in of pre-issue shares which shall be effective from the date of allotment of shares in public issue.

7.6.3 Revised Proposal:

The SoP for lock-in will be put in place by the Depositories in consultation with SEBI.

7.7 Analysis of comments on proposal 7(Fund transfer and Unblocking of ASBA application monies)

7.7.1 Comments / Suggestions received: One of the commentator has suggested to increase the time provided for completion of fund transfer and unblocking on T+2 day and also sought an additional day for completion of unblocking for non-allottees.

7.7.2 Analysis:

7.7.2.1 As per the proposed timeline, RTI will issue the fund transfer and unblocking instructions to banks on 9:30 AM on T+2 day and the

banks have been provided a time till 2 PM on T+2 day for completion of fund transfer and till 4 PM on T+2 day for completion of unblocking.

7.7.2.2 None of the banks except the commentator have suggested for increase in the timeline proposed. The suggestion is made by the commentator without any rationale or justification. Further, the commentator is seeking an additional day for completion of unblocking for non-allottees with an apprehension that he may become liable to compensate the investors for delay in unblocking as prescribed in the SEBI circular.

7.7.3 Proposal 7:

In view of the above analysis, no changes are required to be made in the proposed timelines regarding the timelines prescribed for fund transfer and unblocking of ASBA application monies.

7.8 Suggestions to list the shares through public issue on T+4 days instead of proposed T+3 days:

One of the commentator has proposed to shift the timeline for listing of shares from the proposed T+3 days to T+4 days and suggested to increase the timeline for majority of the key activities involved in the Public Issue Process due to the apprehension that SCSBs and Sponsor Bank might delay the submission of Final certificates. The SCSBs and Sponsor Bank who are essentially required to meet the proposed timeline for submission of final certificate, have not requested for any extension of timelines. Further, they are broadly in agreement with the proposed timelines for listing in T+3 days. Hence, the suggestion may not be accepted.

8 Proposed timelines for listing in T+3:

8.1 The present (T+6 days) and proposed timelines (T+3 days) for listing of shares through public issue for various activities have been detailed out at para 5 on page 14 of the consultation paper (Annexure A).

8.2 After consideration of the suggestions made by public on the proposed timelines and based on the analysis provided at para 7, the proposals at paras 7.3.3, 7.4.3 and 7.6.3 are suitably modified. Accordingly, the modified timelines and activities for listing of shares through public issues in T+3 days are indicated as under:

Sequence of Activities	Listing within T+3 days – Proposed Timeline (* T is Issue Closing Date)
Application Submission by Investors	<p>Physical Applications (Bank ASBA) – Upto 1PM on T day.</p> <p>Physical Applications (Syndicate Non-Retail, Non-Individual Applications) – Upto 12 PM on T day.</p> <p>Syndicate members shall transfer the physical applications of QIB, NII to banks – before 1PM on T day.</p> <hr/> <p>Electronic Applications (Bank ASBA through Online channels like Internet Banking, Mobile Banking and Syndicate UPI ASBA etc) – Upto 4PM on T day.</p> <p>Electronic Applications (Syndicate Non-Retail, Non-Individual Applications) – Upto 3 PM on T day.</p> <p>Electronic Applications (Online ASBA through 3- in-1 accounts) – Upto 5PM on T day.</p>
Bid Modification Window	From Issue opening date up to 5pm on T day
Validation of bid details with depositories	Real time through API Integration (On all bidding days up to issue closure)
Three-way reconciliation between Stock Exchanges – Sponsor Banks – NPCI and NPCI – PSPs/TPAPs – Issuer Banks; Reporting formats of bid information, UPI Analysis report and compliance Timelines	<p>On Daily basis</p> <p>Merchant Bankers to submit to SEBI, if sought.</p>
UPI Mandate acceptance time	T day – 5PM
Issue Closure	T day – 4 PM for QIB and NII categories

	T day – 5 PM for Retail and other reserved categories
Third party check on UPI applications	Online and real time - API Integration through Sponsor Banks Before 9:30AM on T+1 day .
Third party check on Non-UPI applications.	Online but not real time - API Integration through Sponsor Banks. Activity to be executed on daily basis from Issue Opening Date. To be completed before 01:00 PM on T+1 day .
Submission of final certificates: -For UPI from Sponsor Bank - For Bank ASBA, from all banks - For syndicate ASBA	UPI ASBA – Before 09:30PM on T day . All Banks for Direct ASBA – Before 07:30PM on T day Syndicate ASBA - Before 07:30PM on T day
Lock-in of pre-issue capital	Lock in shall be made effective from date of allotment of shares in public issue. The SoP for lock-in process may be put in place by Depositories in consultation with SEBI.
Finalization of rejections and completion of basis	Before 6PM on T+1 day.
Approval of basis by Stock Exchange	Before 9PM on T+1 day.
Issuance of fund transfer instructions in two files for debit and unblock. For Bank ASBA and online ASBA – To all Banks For UPI – To Sponsor Bank	Initiation not later than 09:30AM on T+2 day . Completion before 2PM on T+2 day for fund transfer and 4PM on T+2 day for unblocking .

Corporate action execution for credit of shares	Initiation - Before 2PM on T+2 Completion – Before 6PM on T+2
Filing of listing application with Stock Exchanges and issuance of trading notice	Before 7:30PM on T+2 day
Publish allotment advertisement	On website of Issuer, Merchant Banker and RTI - before 9PM on T+2 day . In newspapers – On T+3 day but not later than T+4 day
Trading starts	T+3

8.3 The proposed reduction of timelines for listing of shares through public issues to T+3 days will benefit the issuer, investors and also other stakeholder involved in the public issue process. While the issuers will have faster access to the capital raised, the investors will have opportunity for having early credit and liquidity of their investments and early release of funds blocked under ASBA but shares not fully allotted. Further, resources of other stakeholders in public issue process would be deployed for a shorter period thereby improving efficiency in the public issue ecosystem.

8.4 Regulation 24 of the SEBI (ICDR) Regulations, 2018 read with the Schedule 6 (Undertaking by the Issuer) inter-alia states as under –

*“The issuer shall undertake that the steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the specified securities are to be listed are taken within the time limit **specified by the Board**”.*

The present timeline of T+6 days for listing is specified by the board vide circular dated November 10, 2015. Thus, the aforesaid proposal to reduce the timeline for listing of shares in a public issue from T+6 days to T+3 days can be prescribed by issuance of a circular in terms of the aforementioned regulation of SEBI (ICDR) Regulations, 2018.

9 Proposal to the Board:

- 9.1 It is proposed that the timelines for listing of shares through public issues be reduced from existing T+6 days to T+3 days as detailed in para 8.2 above.
- 9.2 The operationalization of the framework for listing in T+3 days shall be implemented through issuance of a circular and in two phases viz.
- Phase I – Optional for all public issues opening on or after September 01, 2023 and
- Phase II- Mandatory for all public issues opening on or after December 01, 2023.
- 9.3 This memorandum is placed for consideration of the Board. The Board is also requested to authorize the Chairperson to take consequential and incidental steps to give effect to the above.

Annexure A

(The Consultation Paper is available on the SEBI Website)

Annexure B

(This has been excised for reasons of confidentiality)