

SEBI'S PLAN TO CUT IPO LISTING TO 3 DAYS

The Securities and Exchange Board of India (Sebi) recently brought out a consultation paper proposing the reduction of timeline for listing of shares following an initial public offer from the existing T+6 days to T+3 days. Sebi has sought feedback from the public till June 3. **Ashley Coutinho** takes a look at what the new timeline means



The current listing process

ONE DAY PRIOR to the issue opening, the company has to submit 1% of the issue as security deposit to designated stock exchange (DSE). On the same day, the company allocates the shares to the anchor investors. The issue can be open for minimum of three days and maximum of 10 days.

On the T+2 working day, the company submits the documents as per the checklist of the exchange. On the T+3 working day, the basis of allotment is carried out at DSE. On the T+4 working day, the company submits the listing documents to the exchange. On T+5, the company has to submit credit confirmation from the depository, or dematerialised shares to the allottee's account, and the exchange will issue a circular to the market for listing of shares with effect from the T+6 working day. On T+6, the company gets listed on the exchange.

Faster listing timelines

SEBI HAS BEEN striving to shorten the time duration from issue closure to listing. In 2010, the timeline was reduced from 22 days to 12. The regulator had made its intent clear in a 2015 consultation paper. "The post issue timelines will reduce from T+12 days to T+6 days. Once the process gets stabilised, timelines can be further curtailed to T+3/2 days. Further, on account of reduction in printing of application forms, the overall cost of public issues will also come down," the paper said. T is the day of issue closure.

In November 2018, Sebi introduced Unified Payment Interface (UPI) as an additional payment mechanism with Application Supported by Blocked Amount (Asba) for retail individual investors and prescribed the timelines for listing within six days of closure of issue (T+6).

Nov 2018

UPI, ASBA BROUGHT IN;
TIMELINE FOR LISTING
BROUGHT DOWN TO T+6

2010

THE TIME DURATION FROM
ISSUE CLOSURE TO LISTING
CUT FROM 22 DAYS TO 12

2015

CONSULTATION PAPER
ENVISIONED T+6 AND
FURTHER TO T+3/2 DAYS

Readiness

EVALUATION DONE BY
STAKEHOLDERS

Behind Sebi's latest proposal

OVER THE LAST FEW years, Sebi has pushed systemic enhancements across the IPO ecosystem to streamline activities in the processing of public issues, to reduce listing timelines from T+6 to T+3. The inputs of all stakeholders including stock exchanges, SCSBs, sponsor banks, NPCI, depositories and registrars have been taken, including on readiness to process the public issues in the proposed T+3 framework. Extensive back-testing and simulations have been carried out by the various stakeholders.

The shortened timelines will benefit both issuers as well as investors. Issuers will have faster access to the capital raised, and investors will get the opportunity to have early credit. It will help qualified institutional buyers. It will trim costs, and increase the reach of retail investors. It will reduce the investor's exposure to market volatility.

Some challenges remain

THE PROCESSING of Asba applications has been streamlined by mandating the exchanges to accept these in their electronic book-building platform only with a mandatory confirmation on the full application monies blocked. The systemic changes have been carried out by the exchanges, SCSBs, syndicate members, and

the same has come into effect for public issues opened on or after September 1, 2022. For applications processed via UPI, the bid book of stock exchanges shall include only those applications with corresponding successfully blocked amounts in full.

"The process of reconciliation of all the applications through Asba

and different categories of institutions along with finalising the basis of allotment will not happen quickly. That said, technology plays an ever-increasing role, which will make the transition to T+3 feasible," said Pranav Haldea, managing director, PRIME Database.

"Sebi will give enough time for the transition. The logistics

between the banks transferring the funds to the company account and the registrar doing all the processing work of the application will need to be done smoothly. Its all blocked money and the number of applications have also reached manageable levels," added Pranjal Srivastava, partner-investment banking at Centrum Capital.