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SEBI Proposes using UPI to Reduce Public Issue Timeline

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Recently, markets regulator SEBI has proposed introducing Unified Payments Interface (UPI) as an alternative payment option for retail investors buying shares in an initial public offer (IPO).

- Currently, retail investors either invest in an IPO through bank ASBA (Application Supported by Blocked Amount) or through broker ASBA, where the broker does the bidding and hands over the application form to the investors' bank.
- The UPI system, however, will only be restricted to retail investors, while institutional investors and high net worth individuals (HNIs) will continue to use existing ASBA process because the maximum proposed limit for UPI transfers is only Rs 200,000.

Note

- UPI is an instant payment system developed by the National Payments Corporation of India (NPCI), an entity regulated by the Reserve Bank of India (RBI). It allows instant transfer of money between any two person's bank accounts using a payment address which uniquely identifies a person's bank account.
- ASBA [Applications Supported by Blocked Amount] is a system of blocking the funds of applicants of IPOs in their respective accounts. This money is released to the Company only after the allotment, as per the extent of allotment made. The remaining amount is unblocked in the account.

Benefits

- The use of UPI mechanism would allow the investor to authorise blocking of funds for making an application, as is done using ASBA (Application Supported by Blocked Amount).
- The move will help cut down the time taken between the closing of an IPO and listing of the equity shares from current six days to just three days, and also result in the reduction in manpower costs.
- It will also do away with the physical movement of application forms.

- ASBA had helped in reducing the timeline two years back from 12 days to 6 days. UPI could help in further bringing down the overall IPO timeline.
- The unified payments interface (UPI) could be incorporated with the ASBA mechanism to further improve the efficiency of the (IPO) process.