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CDSL/OPS/RTA/POLCY/2021/33

March 22, 2021

STREAMLINING THE PROCESS OF IPOs WITH UPI IN ASBA AND REDRESSAL OF INVESTOR GRIEVANCES

Issuers/RTAs are advised to refer to communicate no. CDSL/OPS/RTA/POLCY/2019/132 dated November 14, 2019 regarding Streamlining the Process of Public Issue of Equity Shares and convertibles – Extension of time line for Implementation of Phase II of Unified Payments Interface with Application Supported by Blocked Amount.

SEBI has now issued circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 regarding **Streamlining the process of IPOs with UPI in ASBA and redressal of investor grievances** (refer Annexure).

Issuers/RTAs are advised to take note of the same and ensure compliance.

Queries regarding this communiqué may be addressed to **CDSL – Helpdesk**: on telephone numbers (022) 2305-8624, 2305-8639, 2305-8642, 2305-8663, 2305-8640, 2300-2041 or 2300-2033. Emails may be sent to: helpdesk@cdslindia.com.

sd/-

Vinifer Kodia
Sr. Manager - Operations



SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M

March 16, 2021

To

Registered Merchant Bankers

Recognized Stock Exchanges

Registered Registrars to an Issue and Share Transfer Agents

Self-Certified Syndicate Banks

Dear Sir / Madam,

Sub: Streamlining the process of IPOs with UPI in ASBA and redressal of investor grievances

1. SEBI vide circular SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 01, 2018 introduced the use of Unified Payment Interface as an additional payment mechanism with Application Supported by Blocked Amount (ASBA) for Retail Individual Investors along with timelines for listing within six days of closure of issue (T+6).
2. While the above was operational in Phase 1, in Phase II w.e.f July 01, 2019 vide SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, UPI was mandated for applications by Retail Individual Investors submitted through Intermediaries.
3. Subsequently, SEBI vide circular SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 08, 2019 extended the timeline for implementation of Phase II. The said circular had prescribed the detailed timelines of T+6 listing, compliance, reconciliation process and reporting standards to be followed by Intermediaries.

4. The intermediaries in the IPO ecosystem have agreed to the standard operating procedure as well as the level of security for all messaging protocols from different nodes. This has addressed a lot of investor issues.
5. Gaining on the experience of the market with the current UPI system, the following issues have been identified based on the consultation with market participants which need to be addressed.
 - a) Delay in receipt of mandate by investors for blocking of funds due to systemic issues at Intermediaries/SCSBs.
 - b) Failure to unblock funds for cancelled/withdrawn/deleted cases in the Stock Exchanges platform.
 - c) Failure to unblock the funds in cases of partial allotment by the next working day from the finalization of basis of allotment (BOA).
 - d) Failure to unblock the funds in cases of non-allotment by BOA+1.
 - e) SCSB blocking multiple amounts for the same UPI application.
 - f) SCSB blocking more amount in the investors account than the application amount.
6. Therefore, need has been felt to put in place measures to have a uniform policy and to further streamline the reconciliation process among intermediaries/SCSBs. This circular also provides a mechanism of compensation to investors.

Streamlining the IPO Process

7. In terms of Regulations 23(2), 23(4), 23(5), 271, Schedules I & II of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and SEBI Circular No. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated Nov 08, 2019 the Lead Manager is the nodal entity for any issues arising out of a public issuance process and the timelines, processes and compensation policy defined in this circular shall form part of the agreement(s) that shall be signed among the intermediaries. Lead Managers shall ensure the adherence of timelines, processes and compensation policy by intermediaries.

8. In order to ensure timely response with regard to IPO process, SCSBs shall identify the nodal officer for IPO applications processed through UPI as a payment mechanism and submit the details as per **Annexure I** to SEBI within 7 working days from the issuance of this circular. For ease of reference, the details of nodal officers of SCSBs shall be hosted on the SEBI Website.
9. For ensuring timely information to investors, SCSBs shall send SMS alerts for mandate block and unblock. The SMS shall include the details as prescribed in **Annexure II**.
10. For ease of doing business, Sponsor Banks shall host a web portal for intermediaries (closed user group) from the date of IPO opening till the date of listing with details of statistics of mandate blocks/unblocks, performance of Apps and UPI Handles, down-time/network latency (if any) across intermediaries and any such processes having an impact/bearing on the IPO bidding process.

Reinitiations of UPI Bids

11. To avoid duplication, the facility of re-initiation provided to Syndicate Members shall preferably be allowed only once per bid/batch and as deemed fit by the concerned Stock Exchange, after bid closure time.

Cancelled/Withdrawn/Deleted applications

12. Registrars to an Issue (RTI) shall submit the details of cancelled/withdrawn/deleted applications to SCSB's on daily basis within 60 minutes of bid closure time from the Issue opening date till Issue closing date (T) by obtaining the same from Stock Exchanges. SCSB's shall unblock such applications by the closing hours of the bank day and submit the confirmation to Lead Managers and RTA on daily basis, as per the format prescribed in **Annexure III**.

Unblocking of UPI Mandates

13. Vide SEBI circulars SEBI/HO/CFD/DIL2/CIR/P/2018/138 and SEBI/HO/CFD/DCR2/CIR/P/2019/133, SEBI had endeavored that the unblock of applications shall be completed on T+4 (T: Issue Closing Date), which is

effectively BOA+1. However, in view of the complaints received pertaining to delayed unblock, the following process shall be implemented by intermediaries.

13.1 Sponsor Banks shall execute the online mandate revoke file for Non-Allottees /Partial Allottees on BOA+1. Subsequently, any pending applications for unblock shall be submitted to RTA, not later than 12:30 PM on BOA+1.

13.2 Subsequently, RTI shall submit the bank-wise pending UPI applications for unblock to SCSB's along with the allotment file, not later than 02:00 PM on BOA+1. The allotment file shall include all applications pertaining to full-allotment/partial-allotment/non-allotment/cancelled/withdrawn/deleted applications etc.

13.3 SCSB's shall ensure that the unblock for non-allotted/partial-allotted applications is completed by the closing hours of bank day on BOA+1. SCSB's shall submit the confirmation on the same, to Lead Managers and RTA, not later than BOA+1. Such report shall be submitted as per the format prescribed in **Annexure IV**.

14. SCSBs failing to provide the details as per **Annexure IV** to Lead Managers/RTI, not later than BOA+1 shall be liable to face appropriate action under Securities Laws. In order to provide an efficient redressal mechanism for complaints from investors pertaining to Block/Unblock of funds, to protect the interests of investors and to avoid any opportunity loss, the compensation structure as prescribed in **Annexure V** shall be applicable. SCSBs shall compensate the investor, immediately on the date of receipt of complaint from the investor.

15. If there is any delay in resolving the grievance beyond the date of receipt of complaint from investor, for each day delay, the compensation as prescribed in **Annexure VI** shall be applicable in addition to the compensation as per para 15 (Annexure V). A brief illustration of the same is provided below:

Scenario

Investor has applied in an IPO with an application amount of Rs. 15,000/-. The Public Issue is closed on November 02, 2020. The Investor got no-allotment and hence, the effective date for unblocking of funds shall be November 06, 2020 (BOA+1). However, Investor has raised a complaint on pending unblock of funds with Lead Managers/SCSB on November 25, 2020. The SCSB unblocks the amount in investors account on November 30, 2020.

Compensation by SCSBs (Annexure V)	Compensation by Post Issue Lead Managers (Annexure VI)
Rs.100/- per day or 15% per annum of the application amount , whichever is higher.	Rs.100/- per day or 15% per annum of the application amount , whichever is higher.
Duration : November 06, 2020 to November 25, 2020	Duration : November 26, 2020 to November 30, 2020

Total Compensation = Compensation by SCSBs + Compensation by Post Issue Lead Managers.

16. Lead Managers shall ensure that the payment of Processing fee/Selling commission to the intermediaries be released only after ascertaining that there are no pending complaints pertaining to block/unblock of UPI bids, receiving the confirmation on completion of Unblocks from Sponsor Banks/SCSBs and **Annexure IV** from RTI/SCSBs.
17. This circular shall come into force for IPOs opening on/after May 01, 2021. The provisions of this circular shall become part of the offer documents, DRHP and RHP. SCSBs/Lead Managers are also advised to resolve all pending issues related to pending unblock applications whether on the SEBI SCORES portal or otherwise using the compensation policy outlined in this Circular.

18. This circular is being issued in exercise of the powers under section 11 read with section 11A of the Securities and Exchange Board of India Act, 1992.
19. This circular is available on SEBI website at www.sebi.gov.in under the categories “Legal Framework” and “Issues and Listing”.

Yours faithfully,

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Annexure I

Details of Nodal officers of SCSBs for IPO applications processed through UPI

Format of certificate to be submitted by SCSBs

- (i) We, **[Name of the Bank]**, hold a valid certificate of registration as a Banker to an Issue under the SEBI (Bankers to an Issue) Regulations, 1994. Our SEBI registration number _____ is _____ valid up to _____.
- (ii) We hereby confirm that we have completed the UPI 2.0 certification process with National Payments Corporation of India (NPCI) as an Issuer/Issuer & Acquirer/Acquirer. We also confirm that we have complied with NPCI office circular 78 on 'Reconciliation and handling declined/timed-out transactions in UPI for one-time mandate block'. The certification done and sign off received from NPCI consists of the all UPI functionalities of mandate block/unblock cases inclusive of ASBA use case.
- (iii) We have undertaken the mock trial run of our systems for **ASBA with UPI**, with the NPCI and Registrar(s) and have satisfied ourselves that we have adequate systems/ infrastructure in place to fulfill our responsibilities/ obligations as envisaged in the ASBA facility with UPI as a payment mechanism within the timelines specified therein. These responsibilities/ obligations, inter-alia, include:
- a. Blocking funds to the extent of application money in the bank account specified in the UPI Mandate Block Request received from NPCI/PSPs till finalisation of the basis of allotment or withdrawal/ failure of the issue or withdrawal/ rejection of the application, as the case may be.
 - b. Ensuring that there is a proper segregation of UPI applications/amount/data issue- wise in respect of various issues that may be opened simultaneously.
 - c. Unblocking funds in the bank account specified in the ASBA with UPI, upon receipt of request from Registrar(s) and releasing the funds in favour of the issuer or unblocking of funds on withdrawal/ rejection of the ASBA UPI application, and
 - d. Unblocking funds in the bank account specified in the ASBA with UPI, upon receipt of information on withdrawal/ failure of the issue from the post issue merchant bankers through Registrar to an issue.

(iv) We have systems in place to ensure that the amount blocked by us in the bank account specified in the ASBA with UPI shall be available at all times, for the purpose of giving it to the issuer upon finalization of the basis of allotment.

(v) We are responsible for any omission or commission on our part while discharging our role as envisaged in the ASBA facility with UPI as a payment mechanism.

(vi) We have systems in place to satisfactorily redress complaints arising out of errors or delays on our part in processing the IPO applications with UPI , block or release funds, etc. In this regard, we will be governed by SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 and Circular No. SEBI/HO/CFD/DIL2/CIR/P/2018/22 dated February 15, 2018.

(vii) We have identified the following official of our bank as the nodal officer for the purpose of **ASBA facility with UPI:**

Name: _____
 Designation: _____
 Department: _____
 Address: _____
 Mobile number: _____
 E-mail ID: _____

(viii) We have identified the following escalation matrix for the purpose of **ASBA facility with UPI:**

First level escalation

Name : _____
 Designation: _____
 Department: _____
 Address: _____
 Mobile number: _____
 E-mail ID: _____

Second level escalation

Name : _____
 Designation: _____
 Department: _____
 Address: _____
 Mobile number: _____
 E-mail ID: _____

Final level escalation

Name : _____

Designation: _____

Department: _____

Address: _____

Mobile number: _____

E-mail ID: _____

Compliance Officer Details

Name : _____

Address: _____

Mobile number: _____

E-mail ID: _____

(ix) We undertake to inform changes, if any, in the aforesaid details furnished to SEBI, on as and when basis.

I, _____ on behalf of _____ as a SCSB , hereby confirm that we fulfill / undertake to fulfill all the conditions stated above in providing ASBA with UPI as a payment mechanism.

Name and Signature of Authorized/Nodal official of the Bank

Annexure II

Details of SMS to be sent to investors by SCSBs

Details to be present in SMS (for mandate block)
Name of the IPO
Total shares applied by the investor
Amount blocked and the corresponding date of block

Allotment Category	Details to be present in SMS (for mandate unblock)	
	SMS 1	SMS 2
Full Allotment	Name of the IPO	Name of the IPO
	Total shares allotted to the investor	Total shares allotted to the investor
	Total Amount to be debited/unblocked	Total Amount debited/unblocked.
	Tentative date of debit/unblock	-
	-	Actual date of debit/unblock.
Partial Allotment	Name of the IPO	Name of the IPO
	Total shares allotted and non-allotted	Total shares allotted and non-allotted
	Total Amount to be	Total Amount

	debited/unblocked	debited/unblocked
	Tentative date of debit/unblock	-
		Actual date of debit/unblock.
Non-Allotment	Name of the IPO	Name of the IPO
	Total shares non-allotted	Total shares non-allotted
	Total Amount to be unblocked	Total Amount unblocked
	Tentative date of unblock	-
	-	Actual date of unblock.

Annexure III

Format of report to be submitted by SCSB(s) with Registrar and Share Transfer Agent

Cancelled/Withdrawn/Deleted applications Report of [Name of Issuer/IPO]				
Bank Name	Period of IPO processing	Date	Total UPI Applications Cancelled/Withdrawn/deleted (Nos) received from RTA	Confirmation on unblocking (Yes/No)
	Issue opening date			
	Issue opening date + I			
	Issue Closing date (T)			

Authorized/Nodal official of the SCSB

1. Name –
2. Designation –
3. Mobile Number –
4. Email Id –
5. Contact Address –

Signature & Stamp of the Authorized/Nodal official.

Annexure – IV

Name of the IPO – -----

Banker to the Issue – -----

Registrar to an Issue – -----

CERTIFICATION OF COMPLIANCE BY SCSB's FOR COMPLETION OF UNBLOCK OF FUNDS ON THE NEXT WORKING DAY FROM THE FINALIZATION OF BASIS OF ALLOTMENT BY REGISTRAR TO THE ISSUE (BOA+1).

Note: All SCSBs are required to submit to Registrar to the Issue a certificate as per the format provided hereunder by the end of closing hours of Bank Day on BOA+1. Upon receipt of this certificate, RTIs shall maintain a record of it and the consolidated compliance of all SCSBs be provided to Post Issue Lead Manager on BOA+1. Post Issue Lead Manager shall provide the same to SEBI as and when it is sought.

Format of certificate to be submitted by SCSBs for Unblocking of Funds in UPI Applications

(i) We, **[Name of the Bank]**, hold a valid certificate of registration as a Banker to an Issue under the SEBI (Bankers to an Issue) Regulations, 1994. Our SEBI registration number is _____ valid up to _____.

In the IPO of _____, on/as on _____(BOA+1),

- We hereby confirm that _____ UPI applications were successfully processed for a total amount of _____ (in crores).
- We hereby confirm that _____ UPI applications have got no-allotment/partial-allotment for a total amount of _____ (in crores).

- We have received _____ UPI applications from _____ (RTI) for unblocking of funds.
 - We hereby confirm that we have completed the unblocking for non-allottees/partial-allottees/withdrawn/cancelled/deleted UPI applications.
 - We hereby confirm that there are no multiple amounts blocked in investor's account for a unique UPI application.
 - We hereby confirm that the bank has not blocked funds in excess of the application amount in any of the investor's account.
 - We hereby confirm that there are no outstanding UPI applications for which funds are still blocked.
- (ii) We are responsible for any investor grievances pertaining to blocking/unblocking of funds while discharging our role as envisaged in the ASBA facility with UPI as a payment mechanism .

Authorized/Nodal official of the SCSB

1. Name –
2. Designation –
3. Mobile Number –
4. Email Id –
5. Contact Address –

Signature & Stamp of the Authorized/Nodal official.

Annexure V

Compensation Mechanism for Investor Grievances

Scenario	Compensation Amount	Compensation Period	Who should compensate the investor?
Delayed unblock for cancelled/withdrawn/deleted applications	Rs.100/- per day or 15% per annum of the application amount , whichever is higher.	Date on which the request for cancellation/withdrawal/deletion is placed in Stock Exchanges Bidding Platform – Till the date of actual unblock.	SCSB
Blocking of multiple amounts for the same UPI Application	1. Instantly revoke the blocked funds other than the original application amount and 2. Rs.100/- per day or 15% per annum of the total cumulative blocked amount except the original application amount , whichever is higher.	Date on which multiple amounts were blocked – Till the date of actual unblock.	SCSB
Blocking more amount than the application amount	1. Instantly revoke the difference amount (Blocked Amount – Application Amount) and	Date on which the funds to the excess of application amount were blocked – Till the	SCSB

	2. Rs.100/- per day or 15% per annum of the difference amount , whichever is higher.	date of actual unblock.	
Delayed unblock for non-allotted/partially-allotted applications.	Rs.100/- per day or 15% per annum of the application amount , whichever is higher.	Since BOA+1 – Till the date of actual unblock.	SCSB

Annexure VI

Additional Compensation Mechanism for Investor Grievances

Scenario	Compensation Amount	Compensation Period	Who should compensate the investor?
Delay in grievance redressal.	Rs.100/- per day or 15% per annum of the application amount , whichever is higher.	The day on which the grievance is received by Lead Managers/RTAs) – Till the date of actual unblock.	Post Issue Lead Managers.