

ASBA - A BETTER ALTERNATIVE

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INTRODUCTION

ASBA (Applications Supported by Blocked Amount) is an additional mode of payment introduced by SEBI in July 2008 for easing up the process of applying in the Public Offer and making the process more efficient. For the purpose SEBI has Amended the SEBI (Disclosure and Investor Protection) Guidelines, 2000. This process is Available in all public issues made through the book building route. This process Co-Exists with the Current process where the cheques are used as a mode of payment. But due to the time duration involved in the refund process, SEBI in its continuing endeavor to make the existing public issue process more stringent and efficient.

MEANING

ASBA is an application for subscribing to an issue, containing authorization to block the application money in a bank account. If an investor is applying through ASBA, his application money shall be debited from the bank account only if his/her application is selected for allotment after the basis of allotment is finalized, or the issue is withdrawn/failed i.e if someone is applying in a public offer through ASBA the money needed to buy the shares will move out of the account only when the shares are allotted. Until then the amount shall be just marked for the investment in that public offer.

For ex. Mr.X has applied for 50 shares with a total investment of Rs.15000 through ASBA. The money will just be blocked in his account during the subscription phase. Suppose he is allotted only 15 shares instead of 50 applied for. Only the money for waiting the 15 shares will move out of the account. This solves the problem of waiting for the refund in case Mr. X is allotted fewer shares than he applied for.

IMPORTANT FEATURES

Self Certified Syndicate bank (SCSB): Self certified Syndicate bank is a Bank which offers the facility of applying through ASBA process. A Bank desirous of providing the

ASBA facility has to Submit certain details in a prescribed format to SEBI for its inclusion in the SEBI's list of SCSB's. The said list is displayed by SEBI on their website. ASBA can be accepted by only those SCSB's whose name appears in the list of SCSB's displayed in SEBI's Website. On inclusion in the list of SCSBs, a bank shall commence its activities as an SCSB w.e.f. the 1st or 15th of a month, whichever is earlier, from the date of such inclusion. It shall then be deemed to have entered into an agreement with the issuer and shall be required to offer the ASBA facility to all its account holders for all issues to which ASBA process is applicable. A SCSB shall identify its Designated Branches (DBs) at which an ASBA investor shall submit ASBA and shall also identify the Controlling Branch (CB) which shall act as a coordinating branch for the Registrar to the Issue, Stock Exchanges and Merchant Bankers. The SCSB, its DBs and CB shall continue to act as such, for all issues to which ASBA process is applicable. The SCSB may identify new DBs for the purpose of ASBA process and intimate details of the same to SEBI, after which SEBI will add the DB to the list of SCSBs maintained by it. The SCSB shall communicate the following details to Stock Exchanges for making it available on their respective websites; these details shall also be made available by the SCSB on its website:

- (i) Name and address of the SCSB
- (ii) Addresses of DBs and CB and other details such as telephone number, fax number and email ids.
- (iii) Name and contact details of a nodal officer at a senior level from the CB.

ELIGIBILITY OF INVESTOR

As per the SEBI's Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated 30 July 2008, an Investor shall be eligible to apply through ASBA process, if he/ she :

- (i) is a "Resident Retail Individual Investor";
- (ii) is bidding at cut-off, with single option as to the number of shares bid for;
- (iii) is applying through blocking of funds in a bank account with the SCSB;
- (iv) has agreed not to revise his/her bid;
- (v) is not bidding under any of the reserved categories.

Such investors are hereinafter referred as "ASBA investors".

In case of a Public Issue w.e.f. January 1, 2010 all the other investors other than Qualified Institutional Buyers (QIBs) can apply through ASBA.

In case of a rights issues, all shareholders of the company as on record date are permitted to use ASBA for making applications provided he/she/it:

- a) is holding shares in dematerialized form and has applied for entitlements or additional shares in the issue in dematerialised form;
- b) has not renounced its entitlements in full or in part;
- c) is not a renouncee;

- d) who is applying through blocking of funds in a bank account with the Self Certified Syndicate Bank.

Obligations of the Issuer: The issuer shall ensure that adequate arrangements are made by the Registrar to the Issue to obtain information about all ASBAs and to treat these applications similar to non-ASBA applications while finalizing the basis of allotment, as per the procedure specified in the Guidelines.

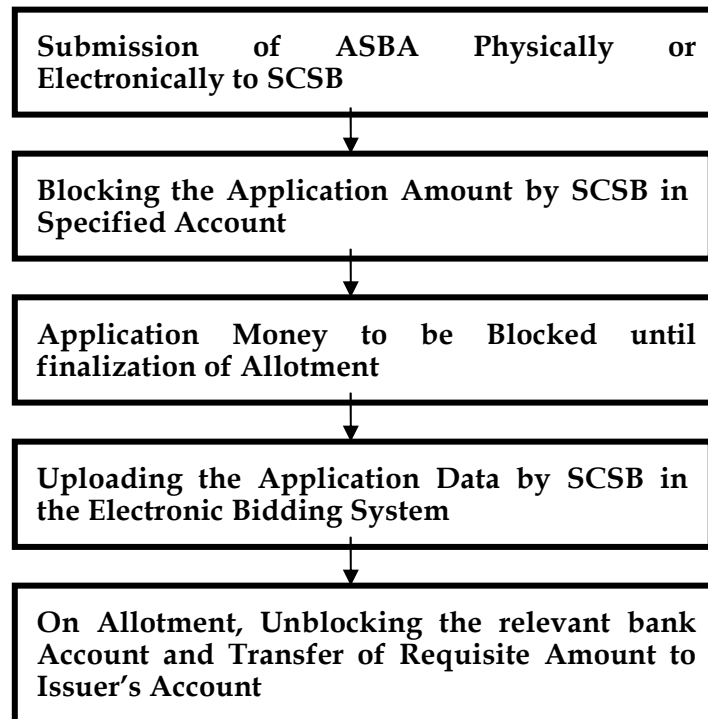
Applicability of ASBA process: ASBA process shall be applicable to all book-built public issues which provide for not more than one payment option to the retail individual investors.

ASBA PROCESS

The Following is the ASBA Process in detail:

- An ASBA investor, intending to subscribe to a book built public issue, shall submit a completed ASBA form1 to a Self Certified Syndicate Bank(SCSB) , with whom the bank account to be blocked, is maintained, through one of the following modes -
 - a) Submit the form physically with the Designated Branches (DBs) of the SCSB
("Physical ASBA");
OR
 - b) Submit the form electronically through the internet banking facility offered by the SCSB ("Electronic ASBA").
- The SCSB shall give an acknowledgement specifying the application number to the ASBA investor, as a proof of having accepted his/ her ASBA in a physical or electronic mode.
- After accepting a Physical ASBA, the SCSB shall block funds available in the bank account specified in the Physical ASBA, to the extent of the application money specified in the ASBA. The SCSB shall then capture/ upload the following details in the electronic bidding system provided by the Stock Exchange(s) for the particular public issue:
 - a) Application number
 - b) DP ID, Client ID
 - c) Bid Quantity
 - d) PAN
- In case of an Electronic ASBA, the ASBA investor himself/ herself shall fill in all the above mentioned details, except the application number which shall be system generated. The SCSB shall thereafter upload all the above mentioned details in the electronic bidding system provided by the Stock Exchange(s).

- The SCSB (Controlling Branch (CB) or DBs) shall generate a Transaction Registration Slip/ Order number, confirming upload of ASBA details in the electronic bidding system of the Stock Exchange(s). The Transaction Registration Slip/ Order number shall be given to the ASBA investor as a proof of uploading the details of ASBA, only on demand.
- In case an ASBA investor wants to withdraw his/ her ASBA during the bidding period, he/ she shall submit his/ her withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic bidding system of the Stock Exchange(s) and unblocking of funds in the relevant bank account.
- The Stock Exchange(s) shall make available the updated electronic bid file to the Registrar to the Issue.
- The SCSB shall send the following aggregate information to the Registrar to the issue after closure of the bidding period:
 - (i) Total number of ASBAs uploaded by the SCSB
 - (ii) Total number of shares and total amount blocked against the uploaded ASBAs



- The Registrar to the Issue shall reconcile the compiled data received from the Stock Exchange(s) and all SCSBs (hereinafter referred to as the “reconciled data”).
- The Registrar to the Issue shall then match the reconciled data with the depository’s database for correctness of DP ID, Client ID and PAN. In case any DP ID, Client ID or PAN mentioned in the bid file for ASBAs does not match with the one available in the depository’s database, such ASBA shall be rejected by the Registrar.
- The Registrar to the Issue shall inform each SCSB about errors, if any, in the bid details, along with an advice to send the rectified data within the time as specified by the Registrar.
- In case an ASBA investor wants to withdraw his/her ASBA after the bid closing date, he/ she shall submit the withdrawal request to the Registrar to the Issue. The Registrar shall delete the withdrawn bid from the bid file.
- The Registrar to the Issue shall reject multiple ASBAs determined as such, based on common PAN.
- The Registrar to the Issue shall finalize the basis of allotment and submit it to the Designated Stock Exchange for approval.
- Once the basis of allotment is approved by the Designated Stock Exchange, the Registrar to the Issue shall provide the following details to the CB of each SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the issuer’s account within the timelines specified in the ASBA process:
 - (i) Number of shares to be allotted against each valid ASBA
 - (ii) Amount to be transferred from the relevant bank account to the issuer’s account, for each valid ASBA
 - (iii) The date by which the funds referred to in sub-para (ii) above, shall be transferred to the issuer’s account
 - (iv) Details of rejected ASBAs, if any, along with reasons for rejection and details of withdrawn/ unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective bank accounts.
- SCSBs shall unblock the relevant bank accounts for:
 - (i) Transfer of requisite money to the issuer’s account against each valid ASBA.
 - (ii) Withdrawn/ rejected/ unsuccessful ASBAs.

The CB of each SCSB shall confirm the transfer of requisite money against each successful ASBA to the Registrar to the Issue.

- The Issuer shall make the allotment.
- The Registrar to the Issue shall credit the shares to the demat account of the successful ASBA investors.

ADVANTAGES OF ASBA

There are various advantages that ASBA has to offer in comparison to applying to an application with cheque:

- The investor need not pay the application money by cheque rather the investor submits ASBA which accompanies an authorization to block the bank account to the extent of the application money.
- The investor does not have to bother about refunds, as in ASBA only that much money to the extent required for allotment of securities, is taken from the bank account only when his application is selected for allotment after the basis of allotment is finalized.
- The investor continues to earn interest on the application money as the same remains in the bank account, which is not the case in other modes of payment.
- The application form is simpler.
- The investor deals with the known intermediary i.e. its own bank.

ASBA - FIRST APPROACH

The First Issue where ASBA was first used was 20 Microns, producer of white minerals, in September 2008. The 20 Microns' initial public offering (IPO) hit the markets on Sep. 8, 2008 and closed on Sep.11 2008. The offering was issued at a price of Rs 55 a share against the price band of Rs 50-Rs 55 a share. A total of 18,663,800 bids were received from the share offering of 435,063 leading to a subscription rate of upto 4.29 times.

Out of 25,003 applications received from retail individual investors from the initial public offering (IPO) of 20 Microns, 2,426 applications (9.70%) were received through ASBA.

As of January 4, 2010, 16 banks had taken mock trials and had been given the go-ahead for offering ASBA. These include the Axis Bank, Corporation Bank, IDBI Bank, Punjab National Bank, Union Bank, Bank of Baroda, ICICI Bank and State Bank of India.

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