

Reduction of timeline for listing of shares in public issue

On May 20, 2023, the Securities and Exchange Board of India (“SEBI”) issued a consultation paper to invite comments from the public and market participants on the matter of reducing the timeline for listing of shares of the issuer company (“**Issuer Company**”) from the date of issue closure (“**T**”) in a public issue from the existing 6 (six) days (“**T+6**”) to 3 (three) days (“**T+3**”).

SEBI in the consultation paper states that a series of systemic enhancements enable the various intermediaries to streamline activities to achieve the reduced timeline of T+3 days. Some of these systematic enhancements as mentioned by SEBI, include, *inter alia*:

- 1) Digitisation of the acceptance of the application supported by blocked amount (“**ASBA**”) by BSE Limited (“**BSE**”) and the National Stock Exchange of India Limited (“**NSE**”) and together with BSE, the “**Stock Exchanges**”);
- 2) optimization of processes such as application performance and order acceptance process for large volumes by the Stock Exchanges by increasing applications and servers and upgradation of existing servers;
- 3) optimization of processes such as path segregation for both the Stock Exchanges, capacity upgradation of applications and database infrastructure by the sponsor bank(s), etc.

Brief Summary

Probably basis an inspiration from certain developed markets, wherein the equity shares are listed immediately post issue closure, this proposal provides guidance with regards to reduction in the timelines of each activity undertaken by the issuer and various intermediaries post the closure of the issue, a tabular representation of the same is as follows:

Sr. No.	Activity	Existing Timeline	Proposed Timeline
1.	Submission of applications by investors	Issue Opening Date to T	Issue Opening Date to T
	a) Physical applications	On or before 4:00pm on T for QIB and NII categories. On or before 5:00pm on T for all other categories except QIB and NII.	On or before 1:00 pm on T

Sr. No.	Activity	Existing Timeline	Proposed Timeline
	b) Electronic applications	On or before 4:00pm on T for QIB and NII categories. On or before 5:00pm on T for all other categories except QIB and NII.	On or before 4:00pm on T
	c) Electronic applications (Online ASBA through 3-in-1 accounts) for retail and other reserved categories except QIB and NII	On or before 5:00pm on T	On or before 5:00pm on T
	d) Modification of selected fields viz. DP ID/Client ID or PAN (but not both) by investors	Issue Opening Date to on or before 5:00pm on T	Issue Opening Date to on or before 5:00pm on T
2.	Processing of applications by self-certified syndicate banks (“SCSBs”) and intermediaries	Issue Opening Date to T	Issue Opening Date to T
3.	Initiation of scrutiny of applications with respect to third party investors	T+2	Issue Opening Date to T
4.	Submission of confirmation of funds blocked (Final Certificate) by SCSBs and sponsor bank(s) to the Registrar	T+1	T
5.	Initiation of corporate action to carry out lock-in for pre-issue capital held in depository system, by the Registrar	T+3	T+1
6.	Completion of scrutiny of applications with respect to third party investors	T+2	T+1
7.	Finalization of basis of allotment by the Registrar	T+3	T+2
8.	Approval of basis of allotment by the designated Stock Exchange	T+3	T+2
9.	Completion of lock-in for pre-issue capital by depository	T+4	T+2
10.	Issuance of fund transfer/debit instructions to SCSBs and sponsor bank(s) by the Registrar	T+3	T+2
11.	Issuance of unblock instructions to SCSBs and Sponsor Bank(s) by Registrar	T+3	T+2
12.	Completion of fund transfer to the escrow account of Issuer	T+4	T+2
13.	Completion of unblock for non-allottees	T+4	T+2
14.	Initiation of corporate action for credit of shares to the demat accounts of allottees	T+4	T+2
15.	Completion of credit of shares to the demat accounts of allottees	T+5	T+2
16.	Issuer to make a listing application to Stock Exchange(s) and Stock Exchange(s) to give listing and trading permission	T+5	T+2
17.	Stock Exchange(s) to issue commencement of trading notice	T+5	T+2

Sr. No.	Activity	Existing Timeline	Proposed Timeline
18.	Stock Exchange(s), Issuer, Merchant Banker and Registrar to publish the allotment advertisement on their website	T+6	T+2
19.	Publishing of allotment advertisement in all the newspapers where issue opening/closing advertisements have appeared earlier	T+6	T+3
20.	Trading commences	T+6	T+3

Foreseeable concerns regarding the proposed timelines

The consultation paper proposes a substantial cut down in the timelines from the already existing model by placing heavy reliance on use of various digital resources by each of the intermediaries involved, therefore, it becomes essential to ensure that such digital resources run smoothly and without any challenges consistently. It also raises concerns with regards to the proposed timelines being adhered to in case of any unforeseeable issue arising with even a single digital resource being used by any one of the intermediaries involved. Scrutiny and clarifications surrounding this aspect is crucial as the same is currently ambiguous in the consultation paper.

Another key concern arises out of the proposed timeline for the lock-in of pre-issue capital. The proposal by SEBI states that the Issuer Company must, on 1 (one) working day prior to the Issue Opening date, request depositories to deactivate ISIN of the Issuer Company effective from date of Issue Opening till listing of securities in the public issue on the Stock Exchanges and transfer of the pre-issue shares can take place only through a corporate action and will be completed 1 (one) day before the date of allotment. Ambiguity with respect to the timelines and details of such corporate action could be a potential roadblock in the proposed timeline, especially in situations where the shareholder/ shareholders participating in the offer for sale of an Issue is an individual or a foreign entity (selling in their capacity as the promoter or investor).

JSA Comment

While the consultation paper proposes to be mutually beneficial to both an Issuer Company and a prospective investor by providing faster access to the capital raised by an Issuer Company and the opportunity for the investors to have early credit and liquidity of their investment, we believe that there is a need for certain assurances and clarifications on aspects before the proposed timeline could be considered realistic in a real trade. We believe that in order to deal with the first concern as highlighted by us above, it is imperative that mock trials of the proposed timelines be carried out simulating real life situations of dealing with multiple transactions of various issue sizes. Further, we propose that certain standardised digital resources could be developed and introduced for ensuring uniformity and streamlining of the processes. We expect that such standardised digital resources could also be scrutinised by SEBI, from time to time, to ensure level of reliance to reduce risk of interruption that might potentially lead to setbacks in the proposed timeline. Additionally, we believe that there is a need for additional clarification on the second concern raised above.

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16 Practices and
11 Ranked Lawyers



7 Practices and
2 Ranked Lawyers



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