

Chapter 10: Use of Unified Payment Interface (UPI) in Public Issue⁵⁴

1. SEBI has introduced the use of Unified Payments Interface (UPI) as a payment mechanism with Application Supported by Block Amount (ASBA) for applications in public issues by retail individual investors through intermediaries (Syndicate members, Registered Stock Brokers, Registrar and Transfer agent and Depository Participants). This payment mechanism would increase efficiency, eliminate the need for manual intervention at various stages.

2. New entities / mechanisms part of the public issue process using UPI with ASBA

2.1. **National Payments Corporation of India (NPCI):** NPCI, a Reserve Bank of India (RBI) initiative, is an umbrella organization for all retail payments in India. It has been set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks Association (IBA).

2.2. **Unified Payments Interface (UPI):** UPI is an instant payment system developed by the NPCI. It enables merging several banking features, seamless fund routing & merchant payments into one hood. UPI allows instant transfer of money between any two persons' bank accounts using a payment address which uniquely identifies a person's bank a/c.

2.3. **Sponsor Bank:** Sponsor Bank means a Banker to the Issue registered with SEBI which is appointed by the Issuer to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the retail investors into the UPI.

3. Channels for making application

3.1. For the purpose of public issues, UPI would allow facility to block the funds at the time of application. With the introduction of UPI as a payment mechanism, various channels for making application in public issue by various categories of investors are as under:

Category of Investor	Channels for making application			
	Channel I	Channel II	Channel III	Channel IV
Retail Individual Investor (RII)	Investor may submit the Application-cum Bidding form with ASBA as the sole mechanism for making payment, physically at the branch of a SCSB, i.e. investor's bank, or online, if such facility is provided	Investor may submit the Application-cum Bidding form online using the facility of linked online trading, demat and bank account (3-in-1 type accounts), provided by	Not applicable	A RII would also have the option to submit Application-cum Bidding form with any of the intermediary and use his/her UPI ID for the purpose of blocking of funds.
Qualified Institutional			Investor may submit Application-cum	Not applicable

⁵⁴ SEBI Circular no. [SEBI/HO/CFD/DIL2/CIR/P/2018/138](#) dated November 01, 2018



Buyer (QIB)	by the SCSB.	some of the	Bidding form with	
Non Institutional Investor (NII)	For such applications, the existing process of uploading of bid and blocking of funds in investors account by the SCSB would continue.	brokers.	any of the intermediary, along the details of his/her bank account for blocking of funds. For such applications, the intermediary would upload the bid in Stock Exchange bidding platform and forward the application form to a branch of SCSB for blocking of funds.	An individual NII would also have the option to submit Application-cum Bidding form with any of the intermediary and use his/her UPI ID for the purpose of blocking of funds upto the limit for which blocking through UPI is permitted. ⁵⁵ (Presently it 5 lakhs)

4. Process of becoming a Sponsor Bank

4.1. Banks desirous of becoming Sponsor Bank and to be eligible to be appointed as a Sponsor Bank by the Issuer shall complete the following formalities:

- 4.1.1. Register with SEBI as Bankers to an Issue in terms of the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994
- 4.1.2. UPI certification as specified, with NPCI
- 4.1.3. Mock trial run of the systems with Stock Exchange and RTAs, and
- 4.1.4. Certify to SEBI about readiness to act as a Sponsor Bank and for inclusion of their name in SEBI's list of Sponsor Bank, as per the format specified in

[Annexure XIV](#).

5. Process of UPI 2.0 Certification by Self Certified Syndicate Banks (SCSBs)

5.1. All SCSBs offering facility of making application in public issues shall also provide facility to make application using UPI.

5.2. For this purpose, all SCSBs shall undertake necessary certification with NPCI.

5.3. Certify to SEBI about readiness to provide facility to investor to make application using UPI as an alternate payment mechanism, as per the format specified in

[Annexure VII](#).

6. An indicative process flow for applications in public issue submitted by retail individual investor is placed at [Annexure XV](#).

7. Validation by Depositories

⁵⁵ SEBI Circular No. [SEBI/HO/CFD/DIL2/CIR/P/2022/45](#) dated April 05, 2022



7.1. The details of investor viz. PAN, DP ID / Client ID, entered in the Stock Exchanges platform at the time of bidding, shall be validated by the Stock Exchanges with the Depositories on real time basis.

7.2. Stock Exchanges and Depositories shall put in place necessary infrastructure for this purpose.

8. Number of applications per bank account

8.1. In order to ensure parity across the various channels for submitted applications, an investor making application using any of the aforesaid channel, shall use only his / her own bank account or only his/her own bank account linked UPI ID to make an application in public issues.

8.2. Applications made using third party bank account or using third party linked bank account UPI ID are liable for rejection.

8.3. Sponsor Bank shall provide the investors UPI linked bank account details to RTA for purpose of reconciliation.

8.4. RTA shall undertake technical rejection of all applications to reject applications made using third party bank account.

9. Obligations of the Issuer

9.1. The issuer shall appoint one of the SCSBs as Sponsor Bank to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the retail investors into the UPI;

9.2. The Sponsor Bank appointed by the issuer may be the same as the bank with whom the public issue account has been opened.

10. Other requirements

10.1. The intermediaries shall provide necessary guidance to their investors in use of UPI while making applications in public issues.

10.2. The text of data fields required in the Application-cum-bidding-form relating to UPI and an illustrative Application-cum-bidding-form is placed at [Annexure XVI](#).

10.3. Merchant bankers shall ensure that appropriate disclosures with respect to UPI are made in offer documents and advertisements in accordance abovementioned requirements. Format for the advertisement will be issued separately.

11. SCSBs on UPI⁵⁶

11.1. Applications through UPI in IPOs can be made only through the SCSBs/mobile applications (apps) whose name appears on the SEBI website – www.sebi.gov.in at the following path:

⁵⁶ SEBI Circular No. [SEBI/HO/CFD/DIL2/CIR/P/2019/76](#) dated June 28, 2019



Home » Intermediaries/Market Infrastructure Institutions » Recognised Intermediaries » Self Certified Syndicate Banks eligible as Issuer Banks for UPI

11.2. The details of SCSBs and mobile application, which are live for applying in public issues using UPI mechanism is available on SEBI website www.sebi.gov.in.

11.3. An investor shall ensure that when applying in IPO using UPI, the name of his Bank appears in the list of SCSBs displayed on the SEBI website which are live on UPI. Further, he/she shall also ensure that the name of the app and the UPI handle being used for making the application is also appearing in the aforesaid list.

11.4. An application made using incorrect UPI handle or using a bank account of an SCSBs or bank which is not mentioned in the aforesaid list is liable to be rejected.

12. Retention of forms by Intermediaries⁵⁷

12.1. Intermediaries shall retain physical application forms submitted by retail individual investors with UPI as a payment mechanism, for a period of six months and thereafter forward the same to the issuer/Registrar to Issue. However, in case of Electronic forms, “printouts” of such applications need not be retained or sent to the issuer. Intermediaries shall, at all times, maintain the electronic records relating to such forms for a minimum period of three years.

12.2. Frequently asked questions (FAQs) regarding use of UPI with ASBA in public issue process can be accessed at the following path on the SEBI website – www.sebi.gov.in.

Home » FAQs » Primary Market Issuances » Use of Unified Payments Interface (UPI) with ASBA in public issue process

13. Streamlining the process of IPOs with UPI in ASBA and redressal of Investor grievances⁵⁸

13.1. The following issues with the UPI system based on the consultation with market participants have been identified, which needs to be addressed:

13.1.1. Delay in receipt of mandate by investors for blocking of funds due to systemic issues at Intermediaries/SCSBs.

13.1.2. Failure to unblock funds for cancelled/withdrawn/deleted cases in the Stock Exchanges platform.

13.1.3. Failure to unblock the funds in cases of partial allotment by the next working day from the finalization of basis of allotment (T+1).

13.1.4. Failure to unblock the funds in cases of non-allotment by T+2.

⁵⁷ SEBI Circular No. [SEBI/HO/CFD/DIL2/CIR/P/2019/76](http://www.sebi.gov.in/sebi_data/attachdata/SEBI/HO/CFD/DIL2/CIR/P/2019/76) dated June 28, 2019

⁵⁸ SEBI Circular No. [SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M](http://www.sebi.gov.in/sebi_data/attachdata/SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M) dated March 16, 2021; SEBI Circular no. [SEBI/HO/CFD/DIL2/P/CIR/2021/570](http://www.sebi.gov.in/sebi_data/attachdata/SEBI/HO/CFD/DIL2/P/CIR/2021/570) dated June 02, 2021; SEBI Circular no. [SEBI/HO/CFD/DIL2/CIR/P/2022/51](http://www.sebi.gov.in/sebi_data/attachdata/SEBI/HO/CFD/DIL2/CIR/P/2022/51) dated April 20, 2022

13.1.5. SCSB blocking multiple amounts for the same UPI application.

13.1.6. SCSB blocking more amount in the investors account than the application amount.

13.2. 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.

Streamlining the IPO Process

13.3. In terms of Regulations 23(2), 23(4), 23(5), 271, Schedules I & II of the ICDR Regulations 2018, 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.

13.4. 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 XVII](#) to SEBI. For ease of reference, the details of nodal officers of SCSBs shall be hosted on the SEBI Website.

13.5. For ensuring timely information to investors, SCSBs/UPI Apps eligible for Public Issues shall send SMS alerts to Investors for all ASBA applications and may also provide the *Invoice in the Inbox* as an additional feature to verify the UPI mandate details. The *SMS/Invoice in the Inbox* shall include the details as prescribed in [Annexure XVIII](#).

13.6. 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.

13.7. **Web Portal for CUG:** The Stock Exchanges and Lead Managers shall facilitate providing the requisite data of Closed User Group (CUG) entities to Sponsor Bank for the development of web portal before opening of the Public Issue.⁵⁹

13.8. **Re-initiation of UPI Bids**⁶⁰: To avoid duplication, the facility of re-initiation provided to Syndicate Members shall preferably be allowed only once per

⁵⁹ SEBI Circular [SEBI/HO/CFD/DIL2/P/CIR/2021/570](#) dated June 02, 2021

⁶⁰ SEBI Circular no. [SEBI/HO/CFD/DIL2/P/CIR/2021/2480/1/M](#) dated March 16, 2021



bid/batch and as deemed fit by the concerned Stock Exchange, after bid closure time.

- 13.9. **Cancelled/Withdrawn/Deleted applications**⁶¹: 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 XIX](#).
- 13.10. **Unblocking of UPI Mandates**⁶²: SEBI had endeavored that the unblock of applications shall be completed on T+2 (T: Issue Closing Date). However, in view of the complaints received pertaining to delayed unblock, the following process shall be implemented by intermediaries.
- 13.10.1. Sponsor Banks shall execute the online mandate revoke file for Non-Allottees/Partial Allottees on T+2. Subsequently, any pending applications for unblock shall be submitted to RTA, not later than T+2.
- 13.10.2. Subsequently, RTI shall submit the bank-wise pending UPI applications for unblock to SCSB's along with the allotment file, not later than T+2. The allotment file shall include all applications pertaining to full-allotment / partial-allotment / non-allotment / cancelled / withdrawn / deleted applications etc.
- 13.10.3. SCSB's shall ensure that the unblock for non-allotted/partial-allotted applications is completed by the closing hours of bank day on T+2. SCSB's shall submit the confirmation on the same, to Lead Managers and RTA, not later than T+2. Such report shall be submitted as per the format prescribed in [Annexure XX](#)⁶³.
- 13.11. SCSBs failing to provide the details as per **Annexure XX** to Lead Managers/RTI, not later than T+2 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 XXI](#) shall be applicable. SCSBs shall compensate all ASBA applications processed by the SCSBs, immediately on the date of receipt of complaint from the investor.

⁶¹ SEBI Circular no. [SEBI/HO/CFD/DIL2/P/CIR/2021/2480/1/M](#) dated March 16, 2021

⁶² SEBI Circular no. [SEBI/HO/CFD/DIL2/P/CIR/2021/2480/1/M](#) dated March 16, 2021

⁶³ SEBI Circular no. [SEBI/HO/CFD/DIL2/CIR/P/2022/51](#) dated April 20, 2022



- 13.12. 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 XXII](#) shall be applicable in addition to the compensation as prescribed in Annexure XXI. 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 04, 2020 (T+2). 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 XXI)	Compensation by Post Issue Lead Managers (Annexure XXII)
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 05, 2020 to November 30, 2020	Duration: November 26, 2020 to November 30, 2020

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

- 13.13. The compensation prescribed above shall be applicable to all ASBA applications processed by the SCSBs.⁶⁴
- 13.14. 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 XX](#) from RTI/SCSBs.
- 13.15. The provisions mentioned under para 13 of this circular shall become part of the offer documents, DRHP and RHP.⁶⁵

⁶⁴ SEBI Circular no. [SEBI/HO/CFD/DIL2/CIR/P/2022/51](#) dated April 20, 2022

⁶⁵ SEBI Circular no. [SEBI/HO/CFD/DIL2/CIR/P/2022/51](#) dated April 20, 2022