

ASBA - A Mechanism to Subscribe IPOs through Banks



Introduction

Banks play a pivotal role in primary markets. ASBA is the service provided by banks.

ASBA means "Application Supported by Blocked Amount (ASBA)". It refers to an application mechanism which helps investors to subscribe IPOs (Initial Public Offerings)

ASBA ensures that the applicant's money remains in his/her bank account till the shares are allotted, it was introduced by Sebi for retail investors in 2008. Now it has been extended to corporate investors and HNIs as well (from January 1, 2010, onwards).

It is a mechanism in which the applicant has to give an authorisation to

block his/her application money in the bank account for subscribing to the IPO.

What is ASBA?

ASBA is an application containing an authorization to block the application money in the bank account, for subscribing to an issue. If an investor is applying through ASBA, his/her application money shall be debited from the bank account only if his/her application is selected for allotment after the basis of allotment is finalised, or the issue is withdrawn / failed.

It is a supplementary process of applying in Initial Public Offers (IPO), right issues and Follow on public offers (FPO) made through book building route and co-exists with the current process of using cheque as a mode of payment and submitting applications.

List of banks offering ASBA facility (as on 25 January 2016)

1. Axis Bank Ltd
2. State Bank of Hyderabad
3. Corporation Bank
4. State Bank of Travancore
5. IDBI Bank Ltd .
6. State Bank of Bikaner and Jaipur
7. YES Bank Ltd.
8. Punjab National Bank
9. Deutsche Bank
10. Union Bank of India
11. HDFC Bank Ltd
12. Bank of Baroda.
13. ICICI Bank Ltd.
14. Vijaya Bank
15. Bank of Maharashtra
16. State Bank of India.
17. Andhra Bank.
18. HSBC Ltd.
19. Kotak Mahindra Bank Ltd.

20. Bank of India.
21. CITI Bank.N.A
22. IndusInd Bank.
23. Allahabad Bank.
24. Karur Vysya Bank Ltd.
25. The Federal Bank.
26. Indian Bank.
27. Central Bank of India.
28. Oriental Bank of Commerce
29. Standard Chartered Bank
30. J P Morgan Chase Bank,N.A.
31. Nutan Nagarik Sahakari Bank Ltd.
32. UCO Bank
33. Canara Bank
34. United Bank of India
35. Syndicate Bank
36. South Indian Bank
37. Indian Overseas Bank
38. Tamilnad Mercantile Bank Ltd.
39. City Union Bank Ltd.
40. BNP Paribas
41. The Kalupur Commercial Cooperative Bank Ltd.
42. The Lakshmi Vilas Bank Ltd.
43. State Bank of Patiala
44. State Bank of Mysore
45. The Surat Peoples Co-op Bank Ltd
46. Dhanlaxmi Bank Limited(Has applied for new licence,as the previous one expired)
47. The Saraswat Co-Operative Bank Ltd.
48. DBS Bank
49. Dena Bank
50. Karnataka Bank Ltd.
51. The Ahmedabad Mercantile Co-Op. Bank Ltd.
52. ING Vysya Bank(merged with KMB)
53. Janata Sahakari Bank Ltd.
54. Barclays Bank PLC
55. Rajkot Nagarik Sahakari Bank Ltd

Eligibility criteria:

SEBI has been specifying the investors who can apply through ASBA.

In public issues with effect from May 01, 2010 all the investors can apply through ASBA.

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

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

who is applying through blocking of funds in a bank account with the 'Self Certified Syndicate' Bank

An "ASBA investors", at the time of submitting ASBA application should provide correct information related to

- PAN,
- DP ID,
- Client ID,
- Bid quantity, and
- Bank account number.

His/her bank account is debited only after the basis of allotment is finalised, or the IPO is withdrawn or fails. In a case of a rights issue, the application money is debited after the receipt of instructions from the Registrars.

Benefits of ASBA

1. The investor need not pay the application money by cheque rather block his / her bank account to the extent of the application money, thus continue to earn interest on application money.
2. The investor does not have to bother about refunds, as in ASBA only an amount proportionate to the securities allotted is taken from the bank account when his / her application is selected for allotment after the basis of allotment is finalised.
3. The application form is simpler.
4. The investor deals with the known intermediary i.e. his or her own bank.

5. No loss of interest, since the application amount is not debited to the savings account on the application.
6. Since the amount is considered for calculation and crediting of quarterly interest.
7. Customer can revise / withdraw the bid before the end of the Issue in the prescribed format with the Bank.

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