



Chapter 5: Compensation to Retail Individual Investors (RIIs) in an IPO¹⁰

1. Applications Supported by Block Amount (ASBA) has resulted in almost complete elimination of complaints pertaining to refunds, there have been instances where the applicants in an Initial Public Offering have failed to get allotment of specified securities and in the process may have suffered an opportunity loss due to the following factors:
 - 1.1. Failure on part of the Self Certified Syndicate Banks (SCSB) to make bids in the concerned Exchange system even after the amount has been blocked in the investors' bank account with such SCSB.
 - 1.2. Failure on part of the SCSB to process the ASBA applications even when they have been submitted within time.
 - 1.3. Any other failures on part of an SCSB which has resulted in the rejection of the application form.
2. In order to have a uniform policy for calculation of minimum compensation payable to investors in scenarios as mentioned above in Para 1 a), b) and c), the following factors have been taken into account:
 - 2.1. the opportunity loss suffered by the investor due to non-allotment of shares;
 - 2.2. the number of times the issue was oversubscribed in the relevant category;
 - 2.3. the probability of allotment; and
 - 2.4. the listing gains if any on the day of listing.
3. The following formula is mandated for calculation of minimum fair compensation:

Compensation = (Listing price* - Issue Price) X No. of shares that would have been allotted if bid was successful X Probability of allotment of shares determined on the basis of allotment

**Listing price shall be taken as the highest of the opening prices on the day of listing across the recognized stock Exchanges.*

The formula is explained with the help of an example in the [Annexure IV](#) to this circular.
4. In case of issues which are subscribed between 90-100%, i.e. non oversubscribed issues, the applicants would be compensated for all the shares which they would have been allotted.
5. No compensation would be payable to the applicant in case the listing price is below the issue price.

¹⁰ [SEBI/HO/CFD/DIL2/CIR/P/2018/22](#) February 15, 2018



6. RTAs shall share the basis of allotment file, if sought by SCSB, so that the SCSB shall have access to the allotment ratio for the purpose of arriving at the compensation.
7. Any applicant whose application has not been considered for allotment, due to failure on the part of the SCSB, shall have the option to seek redressal of the same within three months of the listing date with the concerned SCSB. On receipt of such application/s, the SCSB would be required to resolve the same within 15 days, failing which it would have to pay interest at the rate of 15% per annum for any delay beyond the said period of 15 days.
8. In case the SCSB fail to redress such grievances within the stipulated time, additionally SEBI may initiate action as deemed fit.
9. The SCSB are required to submit the half yearly report to SEBI as per below format:

Half Yearly Report w.r.t No. of complaints received for compensation under ASBA						
S. No	Opening balance	No. of complaints received	No. of complaints resolved			Closing balance
			No. where compensation was paid without interest	No. where compensation was paid with interest	No. where compensation was not required to be paid	