

Details of the Mechanism

Step 1: Investor to submit the application form to any registered broker (non syndicate member) and broker to upload the bid on the Stock Exchange platform.

- a) Under the mechanism, an investor may submit the application indicating the mode of payment to any registered broker of the Stock Exchange having its office in any of the broker centre of the Stock Exchange.
- b) Stock Exchanges shall provide for a mechanism to distinguish applications from syndicate and non-syndicate members
- c) Similar to secondary market transactions where the investor can check the status of its trade on the Stock Exchange website, Stock Exchanges shall facilitate investors to view the status of their issue applications on the websites of Stock Exchanges
- d) All accepted applications shall be stamped and thereby acknowledged by the broker at the time of receipt and will be uploaded on the Stock Exchange platform
- e) Broker shall be responsible for uploading the bid on the Stock Exchange platform, submitting the ASBA form to SCSB, etc. and liable for any failure in this regard.
- f) Stock Exchanges shall take action against brokers who fail to comply with the requirements of this circular and in case of repeated non-compliances; appropriate action shall be taken.

Step 2: Local Branch to mark for block funds, update electronic schedule and send it to the controlling branch

Local branch of the collecting bank/SCSB shall update the schedule based on fund blocking and send it to controlling branch

Step 3: Controlling branch shall consolidate the electronic schedule of all branches and send it to the RTA

Controlling branch shall consolidate the electronic schedule of all branches, reconcile the amount blocked with the bank balance and send the consolidated schedule to the RTA along with Final certificate

Step 4: RTA to follow the extant process for other modes

- a) RTA shall reconcile the schedules received from the bank with the Stock Exchange data
- b) It shall calculate the compensation payable to each broker and share the details with the Stock Exchange
- c) It may request for physical application forms directly from Brokers/SCSBs under exceptional circumstances such as discrepancy in PAN/ demat account number/client ID, investor complaint, etc
- d) It will follow the usual process of reconciliation, allotment, refund, etc

Other important points

- a) Acknowledgement by the broker shall form the basis of any complaint
- b) Brokers shall be made responsible for complaints against the sub-brokers
- c) Stock Exchanges shall disclose publicly the complaint and grievance redressal mechanism along with monetary/non-monetary penalty as applicable
- d) Issuer, Merchant Banker and Stock Exchange shall discuss and determine the commission that shall be payable to the non-syndicate member
- e) The commission that shall be payable to the non-syndicate member shall be disclosed upfront in the offer document

- f) In order to determine to which syndicate or non-syndicate broker commission is payable to, the terminal from which the bid has been uploaded will be taken into account
- g) Quantum of commission payable shall be determined not on the basis of allotment, but on the basis of applications which have been considered eligible for the purpose of allotment
- h) Based on the total commission payable to the non-syndicate broker as calculated by the RTA, Issuer shall disburse the amount to the Stock Exchange before listing and the Stock Exchange in turn shall pay to the brokers through clearing corporation within 2 days from the receipt of money from the issuer
- i) Listing shall be withheld by the Stock Exchanges till the time issuer pays brokers' commission to the Stock Exchange
- j) Issuer shall be liable to pay to the brokers for their activity even if the issuer withdraws the issue during the issue period