# Sebi levels field with QIB rule

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**Mumbai:** The Securities and Exchange Board of India (Sebi) has made it mandatory for qualified institutional bidders (QIBs) to put in 100% of the money as margin at the time of applying for securities in a public issue.

In its meeting on Saturday, the Sebi board decided that effective May 1, 2010, all types of investors would be required to bring in 100% of the application money as margin along with the application for securities in all kind of public issues including initial public offers (IPO), follow-on offers (FPO) and right issues.
“This would avoid inflated demand in public issues and provide level playing field to all investors subscribing for securities,” the regulator said.

“The sentiments of QIBs would get affected and may create a bit of negative impact for the primary market in short term. This would also remove leeway for QIBs subscribing to multiple IPOs open during the same period. However, this will ensure level playing field for all investors and help in getting in only genuine QIB investors,” said Dara Kalyaniwala, vice-president (investment banking) at broking house Prabhudas Lilladher.

QIBs till now were required to pay just 10% of the value of shares at the time of application, while anchor investors were required to pay 25% at the time of application; with balance amount to be paid on allotment.

This resulted in issues getting heavy subscription from QIB portion and often QIBs getting unnecessary advantage in terms of applying for several issues which were open simultaneously.
“This move will hurt short-term players who used to subscribe just for listing day gains as their cost of acquisition and funding will go up. The move will ensure parity and reduce distortion in demand which was caused by QIBs bidding aggressively beyond their actual demand,” said Mehul Savla, director of Ripple Equity Pvt Ltd.
The bankers who collect the IPO money would be happy with this move as they would receive

more money upfront though it may annoy investment bankers as the level of over-subscription of an issue will get diluted.

“Though this may have short term impact, QIBs would probably now start applying on the last day,” said an investment banking head, at domestic brokerage firm involved in large number of issuances, not wished to be named.

In line with its effort to cut the IPO processing time, the Sebi board also discussed on a timeframe for achieving this.

“Sebi is working to bring down the time gap between closing of an IPO and its listing on stock exchanges to a week within this calendar year” said C B Bhave, chairman, Sebi.

Experts believe that with reduced time for IPO processing, it would be put lot of strain on merchant bankers, registrars and brokers associated with IPO processing. But this will ensure level playing field for all.

The Sebi board also decided that the reservation for employees in public or rights issues would be available to employees of subsidiaries and material associates of the issuer whose financial statements are consolidated with the issuer’s financial statements.