

SEBI Approves ASBA-like Facility for Trading in Secondary Market [UPSC Current Affairs]

The Securities and Exchange Board of India (SEBI) has approved a framework for ASBA facility for secondary market trading. In this article, we describe what is ASBA facility and what other measures SEBI has taken for trading in the secondary market. This topic is relevant for the [IAS exam](#) economy segment.

Application Supported by Blocked Amount (ASBA)

ASBA is an application that authorizes the blocking of application money in a bank account (without transferring funds out of their bank accounts) for subscribing to an initial public offering (IPO). This facility will be operational for both investors and stock brokers.

- The framework also introduces a direct settlement between the client and the clearing corporation (CC), without the involvement of intermediaries. This provides greater visibility to the CC regarding the settlement process at the client level, which reduces the risk of co-mingling clients' funds and securities.
- **Benefits of ASBA:**
 - The funds are only debited from the bank account once the shares are allotted to the investor.
 - Investors will continue to earn interest on the funds that are blocked in their savings account until the amount is debited for the trade.
 - Investors can also use the ASBA facility for trading in the secondary market through the [unified payments interface](#) (UPI).

Other reforms introduced:

- Alternate route to become sponsors of mutual funds:
 - Who are sponsors of Mutual Funds?
 - They are the companies or organizations that create and manage mutual funds. The sponsor is responsible for organizing the mutual fund and hiring investment managers to make investment decisions on behalf of the fund's investors.
 - The sponsor is also responsible for ensuring that the mutual fund complies with all relevant regulations and laws.
 - SEBI has introduced an alternative route for a diverse set of entities, including private equity funds, to become sponsors of mutual funds (MF).
 - These entities may not have been eligible to be sponsors previously, but the proposal provides a chance to become one and also includes safeguards to ensure their eligibility.
- Stock brokers:

- Another framework, amended by [SEBI](#) will involve amending stock broker regulations to provide for surveillance systems for trading activities, internal controls, and a whistleblower policy.
- It will include escalation and reporting mechanisms and obligations of the stockbroker and its employees and all the changes will be implemented from 1st October 2023.
- Listing Obligations and Disclosure Requirements (LODR) Regulations:
 - What are LODR regulations?
 - Listing Obligations and Disclosure Requirements (LODR) are regulations formulated by securities regulatory bodies such as the Securities and Exchange Board of India (SEBI) to ensure that companies listed on stock exchanges meet certain transparency and disclosure requirements.
 - The LODR regulations cover a range of requirements that listed companies must comply with, including financial reporting, [corporate governance](#), shareholder disclosure, and timely disclosure of material events and information.
 - These requirements are designed to provide investors and other stakeholders with a clear picture of a company's financial health, operations, and prospects.
 - SEBI has approved amendments to the LODR regulations to enhance transparency and ensure timely disclosure of material events or information by listed entities.
- The amendments introduce a quantitative threshold to determine the materiality of events and information.
- SEBI has approved a stricter timeline for the disclosure of material events or information.
 - Material events/information, originating from the meeting of the board of directors should be disclosed in 30 minutes and those originating from within the listed entities within 12 hours.
- **Benefits:**
 - It aims to ensure more transparent and timely disclosure of material events and information by listed entities, which will benefit investors and other stakeholders.
- Corporate Debt Market Development Fund (CDMDF):
 - SEBI has announced the establishment of a CDMDF in the form of an [Alternative Investment Fund](#).
 - The purpose of this fund is to serve as a last resort for purchasing investment-grade corporate debt securities during distressed times and to instil confidence in the corporate bond market participants.
 - **Benefits:**
 - The establishment of the CDMDF is a step towards improving the corporate bond market in India by providing a backstop facility for investment-grade corporate debt securities during times of stress.
 - It will enhance secondary market liquidity and instil confidence amongst the market participants.