

SECP about to introduce e-IPO

ISLAMABAD, June 22: The SECP is about to introduce the concept of e-IPO in the upcoming Initial Public Offering (IPOs) of shares and Corporate Bonds (CBs) by companies. The concept will enable the investors to make application for subscription of shares and CBs through internet from their computers and mobile phones without going to their Banks and wait in long ques. Purpose of implementation of the e-IPO is to facilitate simultaneously both the companies that intend to raise fund from the capital market through IPOs and the general public applying for subscription of shares and CBs offered by the companies to the public.

The SECP has met with various stakeholders including representatives from the State Bank, Karachi Stock Exchange (KSE), Central Depository Company, some of the issuers, the banks, the stock brokerage companies and the share registrars and the ballotters to the Issue to seek their views and discuss the technical, legal and operational modalities in the new initiative.

On the one hand e-IPO will help reduce the time and efforts require for subscription of shares and CBs by the investors and on the other hand will help the issuer to efficiently raise the fund from the market. It is expected that e-IPO will also contribute in reduction of the issue cost and improvement in the turnover.

It has been observed that investors are facing problems while applying for subscription of shares and CBs of companies. Under the existing practice, investors are required to go to their banks, manually fill in the subscription form and attach thereto the check/pay order and photocopies of CNIC etc; wait in long queues to submit application and within certain hours. The whole process is quite cumbersome and time-consuming. Other problems associated with the existing IPO practice includes unnecessary blockage of funds and increased cost of issue.

The existing practice of making application for subscription of shares and CBs manually shall remain in practice and would run parallel to the e-IPO facility. The e-IPO facility would substitute the existing practice of filing share application till the new mechanism is completely familiar to the investors. e-IPO will be a hassle-free and cost-effective mechanism whereby all prospective investors will quickly and easily submit their share application and can save their time as they will not be required to go to the banks.