

**SIMPLIFICATION AND UNIFORMITY IN THE PROCESS OF WEEDING  
OUT/ REJECTION OF APPLICATIONS IN PRIMARY MARKET  
TRANSACTIONS – THROUGH USE OF  
PERMANENT ACCOUNT NUMBER (PAN)**

**1.0 Introduction**

The Hon'ble Finance Minister, in his announcement in the Union Budget for the year 2007-08, has proposed, inter-alia, to make Permanent Account Number (PAN) as the sole identification number for all participants in the securities market, with an alpha-numeric prefix or suffix to distinguish a particular kind of account.

In the light of the aforementioned announcement and in order to strengthen the Know Your Client (KYC) norms and identify every participant in the securities market through their respective PAN, thereby ensuring sound audit trail of all transactions, SEBI has decided that PAN would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction.

**2.0 Objective**

The objective of this paper is to place the proposals to simplify and to bring about uniformity in the process of weeding out/ rejection of applications in primary market transactions using PAN, for public comments.

**3.0 PAN in Primary market transactions**

SEBI has, vide circular dated November 29, 2007, stipulated that applicants in public issue should disclose their PAN in the application form, irrespective of the amount for which application/bid is made, failing which the application would be rejected. We are however given to understand that different practices are being followed in this regard. If PAN is not mentioned in the application form but is available in depositories'

database, some issuers accept such an application. Conversely even if PAN is mentioned in the application form but it is not available in depositories' database, the applications are rejected by some issuers.

An applicant in a public issue is mandated to mention PAN in the application form. The application form for applying through non – ASBA mode<sup>1</sup> also calls for certain other details such as address, bank particulars, age (date of birth), status (IND, NRI, HUF), IFSC (bank) code and father / husband's name. The registrar separately captures certain fields such as the application number, syndicate member, broker and sub-broker code, bank reference number, name(s) of applicant(s) in full, DP ID, Client ID, bid quantity (for all bid options), bid price (for all bid options), payment details (bank, branch, cheque number), status, category of investor, PAN (Only Yes or No), IFSC code and age.

The Registrar carries on the process of identifying rejections, based on the grounds of rejection disclosed in the offer document. The basis of weeding out of multiple applications involves cross checking a number of fields by the Registrar, such as name of the applicant, age, PAN, address of the applicant, DP ID, Client ID, fathers/husband's name and finally the signatures.

#### **4.0 Simplification and uniformity in the process of weeding out / rejection of applications**

In order to simplify weeding out and bring about uniformity across procedures adopted in rejection of applications in primary market transactions, the following proposals are being considered by SEBI for implementation:

- (i) The Registrar shall validate PAN, DP ID and Client ID available in the application form with the said data available in the depositories'

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<sup>1</sup> Non –ASBA mode means applications other than through Applications supported by blocked amount (ASBA) mode. ASBA mode is a new mode of making an application through self certified syndicate banks, wherein the amount is debited from the account of applicant only upon allotment.

database. If these data do not match, such application shall be rejected and not be considered for allotment.

- (ii) Applications made in public, preferential issue and in Qualified Institutional Placements (QIP) without mentioning PAN or with invalid or incorrect PAN shall be rejected.

## **5.0 Public Comments**

The proposals contained in this paper are placed for public comments for a period of 15 days. Comments/ suggestions may be sent through email at the email address [DIL@sebi.gov.in](mailto:DIL@sebi.gov.in) or to the address mentioned below before **May 20, 2009**.

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