BHARAT SCHOOL OF BANKING
Application Supported by Blocked Amount (ASBA)

Investment on Shares

The **traditional** process of **applying** in **Initial Public Offers (IPO), Follow-on Public Offers (FPO), Right Issues,** etc. (i.e., **investing** in **shares**) is to use **cheque** as a **mode of payment** and submitting **applications**.

It has some **problems** associated -

- **Investors** have to **pay** the **entire fee** upfront (at the time of **bidding** for **shares**)
- **Refunds** (in case **bidding** failed) through **cheques** usually take up to **45 days**.

Applications Supported by Blocked Amount (ASBA)

SEBI (capital market regulator) introduced **ASBA** in **September, 2008** in Indian **Capital market** to facilitate the **application process** for **shares** to benefit the **investors,** by removing the above **problems**.

ASBA is an **application** to buy **shares,** where **investors** authorize the **bank** (mediates the process) to **block** the **application money** in his **bank account.** Investors cannot **withdraw** the **blocked amount,** until the whole process is over.

- If the **investor** is selected for **share** (means he is allotted shares / bidding **successful**), then his **blocked amount** will be **automatically** **debited** from his **account**, and an **equivalent share** will be **credited** in his **Demat Account**.
- If the **investor** is not selected for **share** (means his bidding is **unsuccessful**), then the **blocked amount** will be **unblocked**, and he can **withdraw** that amount as per his wish.

Note that **ASBA** solved the above **two problems**.

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Interests in the Blocked Amount

Under **ASBA**, the **blocked amount** will continue to earn **interest** during the **application processing period**, if held in an **interest** bearing account (like **savings account**, etc.). **Bank** will mark a **lien** on the **deposit**, which will be **removed immediately** after the allotment process is completed.