

SEBI When-Listed Mechanism: Regulated Trading of IPO Shares Before Listing

January 29, 2025 • vajiramandravi.com



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SEBI When-Listed Mechanism Latest News

- SEBI plans to launch a “when-listed” platform for trading of shares of companies that have finished their initial public offering (IPO) and are yet to be listed on stock exchanges.

When-Listed Platform

- This platform will facilitate trading of shares between IPO allotment and official listing, addressing concerns around unregulated markets.

Reducing Grey Market Activity

- The grey market involves unofficial, unregulated trading of IPO shares based on demand and supply before listing. It operates in cash with no actual delivery of shares.
- Many retail investors use grey market premiums to evaluate IPO investments.

Addressing Grey and Kerb Trading

- SEBI aims to eliminate **grey and kerb trading** during the T+3 period (time from IPO closure to listing) by introducing a regulated alternative.
 - Grey market trading and kerb trading both refer to buying and selling shares outside official stock exchanges.
 - This usually happens before a company's shares are officially listed after an IPO.
 - Investors trade these shares at a grey market premium based on demand.
 - The term "kerb trading" comes from the idea of trading on the street, highlighting its unofficial nature.
- It emphasized that this platform would formalize trading already happening unofficially, providing a transparent, regulated system.

Collaboration with Stock Exchanges

- SEBI is working with stock exchanges to implement this platform, aiming to provide investors a safe and formal way to trade shares during the pre-listing period.

Benefits of the "When-Listed" Facility for Investors

- **Regulated Trading:**
 - Investors who have received IPO allotment can sell their entitlement in a regulated market, instead of the unregulated grey market.
 - Sebi aims to eliminate the informal grey market trading and allow formal trading through an official platform.
- **Reducing Market Volatility:**
 - The grey market is seen as a source of volatility and distorted market sentiments.
 - The new platform will help control market instability by ensuring all trading is monitored by the regulator.
- **Protecting Retail Investors:**
 - Market participants suggest that Sebi should address grey market activity starting from the IPO announcement to safeguard retail investors' interests.

Current timeline for listing of shares

- Currently, after an IPO bidding closes, shares must be listed on stock exchanges within three working days (T+3). Shares are allotted on T+1 day.
- In the gap between allotment and listing, investors engage in grey market trading.
- Sebi aims to reduce this pre-listing grey market activity.

Grey Market Trading in IPOs

How it Works:

- Investors, due to low chances of IPO allotment, often enter the grey market.
- Trading begins once an IPO announcement is made, with brokers focusing solely on the grey market.
- A premium is added above the IPO price band (e.g., Rs 90-100 per share with a premium of Rs 10-30).
- Investors place bids with grey market operators to buy or sell shares.

Settlement:

- The opening price on the official listing day determines the settlement.
- If the stock opens higher than the grey market price, operators pay the difference.
- If the stock opens lower, investors incur a loss.

SEBI When-Listed Mechanism FAQs

Q1. What is the meaning of kerb trading?

Ans. Kerb trading refers to informal, off-market trading of shares outside official stock exchanges, typically after market hours.

Q2. What is grey market trading?

Ans. Grey market trading involves unofficial trading of IPO shares before they are listed on the stock exchange, often at a premium.

Q3. What are the SEBI guidelines for listed companies?

Ans. SEBI enforces rules for transparency, investor protection, and fair practices, ensuring listed companies follow legal and financial standards.

Q4. What is a listed company in SEBI?

Ans. A listed company is one whose shares are traded on stock exchanges, regulated by SEBI to ensure investor protection.

Q5. What is the role of SEBI in the IPO process?

Ans. SEBI regulates and approves IPOs, ensuring transparency, fairness, and compliance with laws to protect investor interests.

Source : [IE](#) | [NP](#) | [IE](#)

Source: <https://vajiramandravi.com/current-affairs/sebi-when-listed-mechanism-regulated-trading-of-ipo-shares-before-listing/>

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