UPI Based Block Mechanism

Source: TH

Recently, **Securities and Exchange Board of India (SEBI**) has proposed that Qualified Stock Brokers (QSBs) should offer a UPI **based Block Mechanism** for secondary market trading, similar to the Application Supported by Blocked Amount (ASBA) facility.

- Clients can trade using blocked funds in their bank accounts**instead of transferring the money upfront to the Trading Member (TM)**. It's optional for investors and not mandatory for TMs to provide as a service.
- **3-in-1 Trading Accounts:** SEBI proposes this as an alternative to the ASBA-like facility. The 3-in-1 accounts keep funds in the client's bank account, earning interest, and can be used for both cash and derivatives segments.
    - **Unlike the UPI block, which has restrictions, the 3-in-1 facility has no limits on the amount.**
    - SEBI introduced the **UPI block mechanism for IPOs in 2019**. A beta version for secondary market trading was launched in January, 2024, limited to the cash segment.
- ASBA is a **mechanism introduced by the SEBI to facilitate the application and allotment process for Initial Public Offerings (IPOs),** rights issues, and other securities offerings.
    - It is designed to make the application process more efficient and investor-friendly by allowing investors to apply for shares without transferring the entire application amount upfront.

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