"Times Are A-Changin" – Impact of Technology on Registrars

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Think of Registrars and think of an organisation dealing in reams of papers, ''day in – day out''. Registrar to Issue (RTI) as well as Registrar and Share Transfer Agent (STA) as important market intermediaries came in to being just because the amount of paper work which was required to be handled was humongous.

It was natural for Corporates to outsource activities which were paper-driven, tedious and time-consuming and where it was difficult to predict volumes. In the erstwhile paper- driven era, hundreds of thousands of transfers were carried out during book closure followed by subdued volumes for a long period of time. Think of primary market activities IPOs, Rights Issues - overprinting of share certificates, stamping them, sealing them, overprinting allotment advice, attachment of share certificate(s) with allotment advice, including overprinting of refund orders, enveloping and pasting, dispatching and managing all undelivered articles. Similarly, for secondary market transactions like transfer, transmission, name deletion, transposition of shares, change of address, registration of Power of Attorney, dividend and interest processing, over-printing of warrants including dispatching them, managing returned undelivered articles, dealing with investors' letters and the list of activities would go on and on…… As we look back, we wonder how was this done? But then Registrars were specialists and they efficiently managed all this for decades.

Trading in stocks changed from outcry to screen-based transactions and that necessitated every other process to change. Dematerialisation of securities and automation of clearing activities made it possible to settle secondary markets trades on T+2 basis, at par with most of the developed markets. This is particularly laudable keeping in mind the direct involvement of large number of retail investors. Paper driven deals and processes had obvious limitations and it was natural for technology to play increasing role in the conduct of capital market transactions and all intermediaries including registrars had to adopt and adapt to technological changes.

Following are some of the important process and timeline changes in registry activities which have been made possible because of use of technology

1. IPO timelines: From seventy-two days to six days and on the way to three days. In the physical era, application forms collected across the country had to reach Registrar's office. Data had to be captured and verified. Bank reconciliation statements had to be manually checked hence it was obviously taking more than two months to complete the allotment process. With the advent of online bidding process, the need to have physical forms and resultant data capture became redundant. Collection data from bank also was digitised so two-way reconciliation of bid and collection data could be completed without having to spend additional time as required in the earlier era. Post allotment, shares are credited in the designated demat account of successful applicants which also saved precious time which was spent in printing and dispatching share certificates to shareholders. Introduction of ASBA ensured that no physical refund orders are sent. Money blocked by bankers against the application gets released in less than a day and hence listing related formalities are completed within a day after finalization of basis of allotment. Securities' trading commences within six working days form the closure of issue as a result of extensive use of technology. Riding further on technology support and process enhancements, SEBI is working towards reducing the current timelines from six days to three days.!

2. Rights Issue process: Payment of all applications in a rights issue have to be through ASBA route only in place of cheque-based applications. This helped in reducing the time and efforts for reconciliation. Email delivery of entitlement form is permitted which makes it convenient for investors who have registered their email ID with DP to receive it electronically. Rights entitlement can be traded electronically through stock exchanges which is more efficient. Discontinuing allotment in physical mode in favour of electronic credit ensures elimination of additional paper based holdings. To tide over the difficulties which would have been faced by investors for Rights issue because of Covid-19, SEBI mandated that an option of making electronic payments through R-WAP be made available for all rights issues. Leading Registrars developed and implemented necessary interface in a very short period of time, enabling investors to pay the rights issue application amount through a safe electronic gateway. Corporates are able to plan their rights issues even during the current pandemic affected environment. All of these measures have been made possible since necessary technology to support them is in place now.

3. Investors' servicing: Registrars continue to use newer technology to reduce the time taken to serve investors as well as improve quality of service. Communicating

with investors through email has not only reduced burden of the postal department, it has helped in reducing the use of papers and associated delay apart from it being "green" and saving planet earth. Updates are also provided to investors through SMS. Many Registrars serve investors through their web portal as well. Investors can complete most of the transactions through self-servicing facilities on portals of Registrars. Serving mutual fund and corporate investors by leading Registrars through mobile apps is not uncommon. SEBI mandated corporates to provide remote voting facility to further investors' participation in the democratic functioning of corporates. Few of the Registrars quickly developed necessary platform and ensured that investors could vote remotely. Voting at the meeting venues is also automated using gadgets like tablets and mobile phones. Registrars providing electronic voting platforms are able to facilitate quicker data delivery to scrutinizers to enable them to declare the voting results. Recent Covid-19 pandemic made it necessary to avoid physical meetings. Recognising the challenge of holding physical meetings of investors and at the same time ensuring that the Annual General and other shareholders' meetings should be held within stipulated time frames, the Ministry of Corporate Affairs decided that all shareholders' meetings till the end of calendar year should be held virtually either through Video Conferencing or through OAVM. Apart from depositories, leading Registrars also developed platforms within a very short period of time to enable clients to hold their meetings virtually. Virtual meetings have broken down the geographical barriers and shareholders from across the globe are able to participate in meetings in a large numbers. Serving investors through Chatbots is gaining momentum and with passage of time, current shortcomings of Chatbot-servicing would also be resolved.

4. Back office: As security, continuous availability and privacy of data becoming more and more critical, large Registrars have taken necessary steps to ensure that appropriate Disaster Recovery and Business Continuity Plans are implemented to reduce associated risks. SEBI registered Qualified Registrars (QRTAs) are subject to more stringent compliance of their Information Technology environment and related compliance.

Every coin has two sides and technology is no exception. Technology has certainly helped and will continue to help to expand investor base, enhance service experience, in generation and use of MIS and monitoring of compliance. On the flip side, there are instances where investors have been cheated by unsolicited trade messages, phishing and vishing attacks on their bank depository and broking accounts, fake calls to extract personal details including passwords etc. Regulators including SEBI and RBI are continuously working towards educating investors to remain cautious against such attacks. Investors are also expected to exercise caution while using technology to ensure safety of their information and assets.

To conclude, there are really no two options in the world of technology. We do not have a choice to say 'Yes' or 'No' nor do we have a choice to decide the timing of implementation. We have to continue our efforts to use newer technology to our advantage. Future is full of excitement with more data analytics, big data, 5G, cloud based computing, edge computing, machine learning, artificial intelligence, virtual and augmented reality, IOT, block chain, quantum computing and who knows what.?

Registrars are ready to embrace the Technology Wave. Welcome to the FUTURE………