CONSULTATION PAPER BRIEF

SEBI Proposes Review of Price Discovery Mechanism for IPO & Re-listed Scrips

Pre-open Call Auction Session Framework | Secondary Market Regulations

May 25, 2026 I Securities and Exchange Board of India

What has SEBI proposed?

SEBI has released a consultation paper proposing changes to the price discovery mechanism applicable during the Pre-open Call Auction Session for IPOs and re-listed scrips. The proposals are aimed at improving efficient price discovery, reducing artificial price suppression, and strengthening transparency during listing and re-listing. Key proposals include:

- Revision in base price determination methodology for re-listed scrips
- Continuation of dummy price bands with enhanced auto-flexing mechanisms
- Uniform flexing framework across stock exchanges
- Validation requirement of at least 5 PAN-based unique investors for certain price band flexing
- Extension of flexing mechanism during random closure period
- Continuation of Call Auction Session until successful price discovery for re-listed scrips

Why Does It Matter?

SEBI observed that the existing dummy price band mechanism and outdated base price methodology in certain re-listed scrips were resulting in distorted price discovery. In some cases, nearly 90% of buy orders were reportedly rejected for being outside the permitted operating range, leading to persistent upper circuits post listing.

PUBLIC COMMENT DEADLINE

Comments on the consultation paper may be submitted to SEBI till June 11, 2026

VALIDATION THRESHOLD

At least 5 PAN-based unique buyers and sellers required for successful price discovery

Key Concerns Identified by SEBI

Existing Challenge	SEBI Observation
Artificially low base prices	Re-listed scrips often opened at face value/book value despite changed fundamentals
Price band restrictions	Large number of genuine orders rejected outside dummy price bands
Inefficient discovery	Continuous upper circuits in normal trading after listing
SME IPO volatility	Current fixed +90% range may hamper efficient discovery

Key Regulatory Proposals

- For re-listed scrips suspended within 6 months, latest traded price (up to 6 months old) may be considered as base price.
- Where recent traded prices are unavailable, valuation certificates from two independent Chartered Accountants / Valuation Agencies may be used.
- Dummy price bands to continue but with immediate and automatic flexing in multiples of 10%.
- Flexing to be allowed even during the random closure period (09:35 AM – 09:45 AM).
- Price discovery to be considered successful only if supported by at least 5 PAN-based unique buyers and sellers.
- If price discovery fails for re-listed scrips, Call Auction Session may continue on subsequent trading days.

BOTTOM LINE

The consultation paper reflects SEBI's continued focus on strengthening market integrity and improving price discovery mechanisms during IPO and re-listing events. The proposed changes are expected to reduce price distortions, improve market efficiency, and enhance investor confidence in newly listed and re-listed securities.

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