

**GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Islamabad, the 2nd May, 2017

NOTIFICATION

S.R.O. 245 (I)/2017.— In exercise of powers conferred by sub-section (4) of section 169 read with sections 63, 64, 65, 68, 69 and 80 of the Securities Act, 2015, (Act No III of 2015), the Securities and Exchange Commission of Pakistan is pleased to make the following regulations, the same have been previously published in the official Gazette vide Notifications No.S.R.O.03(I)/2016 dated 1st January, 2016, S.R.O.35(I)/2016 dated 20th January, 2016 and S.R.O.356(I)/2016 dated 21st April, 2016, namely; -

1. Short title, commencement and application.— (1) These Regulations shall be called the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017.

(2) They shall come into force at once.

(3) They shall apply to all persons carrying out activities as consultants to the issue, bankers to an issue and underwriters.

2. Definitions.— (1) In these regulations, unless there is anything repugnant in the subject or context, -

(i) “application supported by blocked amount (ASBA)” means a bid or subscription application whose bid or subscription money is blocked in the bidder’s or applicant’s respective account maintained with the Banker to an issue or with any other scheduled bank;

(ii) “Act” means the Securities Act, 2015 (III of 2015);

(iii) “annexure” means any annexure to these Regulations;

(iv) “banker to an issue” means a scheduled bank licensed by the Commission and capable to perform all or any of the following functions:

(a) accept applications for bidding and subscription of securities

(b) accept the bid money and subscription money of the bids and subscription applications mentioned in clause (i) above electronically, through cheque or through any other mode as disclosed in the relevant prospectus;

(c) block the bid money and subscription money in the respective account of the bidder and the subscriber;

(d) unblocking or refund of bid or subscription money; and

- (e) any other related function as may be specified by the Commission from time to time;
- (v) "consultant to the issue" means a person licensed by the Commission for undertaking the business of advising any person or undertaking regarding:
 - (a) compliance with or in respect of laws or regulatory requirements relating to issue or offer of securities to the public; and
 - (b) arrangement, reconstruction, mergers, due diligence or take-over of a listed company, subsidiary of a listed company, company undertaking an activity licensed or registered by the Commission and any other regulated financial institution and any of its assets or liabilities;
- (vi) "form" means a form annexed to these Regulations;
- (vii) "issue" includes issue of securities through-
 - (a) public offering by an issuer;
 - (b) an offer for sale of security to the general public by an offeror; and
 - (c) an offer of securities to the existing shareholders by a company or a body corporate;
- (viii) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984);
- (ix) "schedule" means a schedule annexed to these Regulations; and
- (x) "scheduled bank" has the same meaning as defined in clause (m) of section 2 of the State Bank of Pakistan Act, 1956 (XXXII of 1956).

(2) Words and expressions used but not defined in these regulations shall have the same meaning as assigned to them in the Act, the Ordinance and the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

CHAPTER I

Prohibition, Eligibility and Procedure for Grant of License

3. Prohibition. ___ No person shall act as or perform the functions of banker to an Issue, consultant to the issue and underwriter unless such person is licensed by the Commission under these Regulations.

Provided that a person registered as an underwriter prior to coming into force of these Regulations, shall be deemed to be licensed as an underwriter under these Regulations and shall comply with all the requirements of these Regulations within a period of one year from the date of coming into force of these Regulations.

Provided further that any person providing services as banker to an Issue and consultant to the issue at the time of coming into force of these Regulations shall obtain license under these Regulations within a period of six months from the date of notification of these Regulations in the Official Gazette. A person which is compliant with the eligibility criteria mentioned in these Regulations and has not yet obtained a license under these Regulations may provide services as banker to an issue and consultant to the issue during this six-month period.

4. Eligibility criteria for license. ___A person may apply to the Commission for grant of license under these Regulations, if such person fulfills the conditions given in **Schedule-I**:

5. Application and procedure for granting of license.— (1) An application for a license shall be made to the Commission on **Form A** along with the documents specified in **Annexure I** and receipt evidencing payment of non-refundable fee as specified in the **Schedule II**

(2) The Commission, while considering the application for grant of license, may require the applicant to furnish such further information or clarification regarding its activities and businesses as it deems appropriate.

(3) Any subsequent change in the information provided to the Commission at the time of filing of application under sub-regulation (1) shall be intimated to the Commission within seven working days from the date of such change.

(4) The applicant shall, if so required, by the Commission, appear before the Commission for personal representation through an officer duly authorized for this purpose in writing by the board of directors of the applicant.

6. Grant of license.— (1) The Commission, while considering the application made under sub-section (1) of regulation 5, shall beside the requirements mentioned under sub-section (2) of section 69 of the Act inter-alia take into account the following matters, namely:-

- (a) that the applicant meets requirements of the Act, these regulations and any general or particular directions earlier given by the Commission;
- (b) that the applicant has the ability to efficiently handle its functions and honor its obligations in accordance with the Act and the rules and regulations made thereunder;
- (c) that the applicant has the necessary infrastructure including but not limited to adequate office space, infrastructure, experienced and skilled manpower to effectively and efficiently discharge its responsibilities.
- (d) earlier refusal, if any, by the Commission for grant of license under these regulations and Act;
- (e) conviction or involvement of the applicant, its sponsors, directors, or chief executive in an offence involving fraud or breach of trust;
- (f) any pending penal action against the applicant, its sponsors, directors or chief executive for an offence under the Act, the Ordinance or the Securities and Exchange Commission of Pakistan Act, 1997;

- (g) any over dues or defaults, irrespective of the amount, appearing in the reports of the Credit Information Bureau of the State Bank of Pakistan of the following,-
 - (I) the applicant, its sponsors, chief executive, directors and associates; and
 - (II) the companies, firms, sole proprietorship where the chief executive, directors and sponsors of the applicant are chief executive, directors (other than nominee director) or sponsors;
- (h) The applicant's past experience/ track record, if any;
- (i) the experience and expertise of the relevant employees; and
- (j) any other matter as is deemed necessary by the Commission.

(2) The Commission, if deems necessary, may seek additional information about the applicant from other agencies and regulatory bodies and may also conduct a pre-license assessment or a visit of the premises of the applicant to verify the genuineness of the submitted information.

(3) The Commission on being satisfied, after conducting such inquiries and after obtaining such further information as it deems appropriate, that-

- (a) the applicant is eligible for license;
- (b) the applicant is in compliance with the provisions of the Act, these regulations and any directive, guidelines, or code issued thereunder; and
- (c) it is in the interest of capital market;

may grant a license to the applicant on **Form B** subject to such conditions or restrictions as it considers necessary.

(4) The license shall remain valid for a period of one year from the date of its grant unless it is restricted, suspended or cancelled earlier by the Commission

7. Renewal of License.— (1) Subject to the provisions of the Act and these regulations, a banker to an issue or consultant to the issue or underwriter shall, one month prior to the date of expiry of its license, apply to the Commission on **Form C** along with all the documents as specified in **Annexure III** and receipt evidencing payment of non-refundable fee as specified in **Schedule- II** for renewal of its license.

(2) The Commission upon being satisfied that the applicant continues to meet the requirements for licensing and is eligible for renewal of license shall renew the license and issue a certificate of renewal of license to the applicant on **Form D**.

(3) Where the application for renewal of license is made within such time period as specified in sub-regulation (1) but has not been decided by the Commission, the license shall continue to be valid until the application for renewal is decided by the Commission.

(4) While granting renewal of license, the Commission may, in addition to the criterion laid down for grant of a license, also take into account the past performance of the applicant.

8. Procedure where license is not granted or renewed.— (1) The Commission, after giving a reasonable opportunity of being heard to the applicant, may refuse to grant or renew the licence if in opinion of the Commission such applicant does not fulfill the requirements prescribed in these regulations or where the Commission after taking into account the facts, is of the view that it is not in the public interest or in the interest of the capital market to grant or renew such licence.

(2) The refusal to grant a licence or to renew a licence shall be communicated to the applicant within sixty days of the receipt of application under regulation 6 or 7, as the case may be, stating therein the grounds on which the application has been rejected.

(3) The applicant whose application for grant of a licence or renewal thereof is refused by the Commission shall, from the date of receipt of the decision of the Commission under sub-regulation (2), cease to act, or to perform the functions, as banker to an issue or consultant to the issue or underwriter in any new issue.

(4) The banker to an issue or consultant to the issue or underwriter whose application for renewal of licence is refused by the Commission shall continue to act as banker to an issue or consultant to the issue or underwriter in all the ongoing issues in which they are acting as banker to an issue or consultant to the issue or underwriter till the completion of such issue.

(5) The banker to an issue or consultant to the issue or underwriter whose application for renewal of licence is refused shall intimate all their existing customers, if any, of this fact within a period of fourteen days from the date of receipt of such refusal.

9. Duties and Functions. -A banker to an issue, consultant to the issue and underwriter shall perform their duties and functions and discharge their obligations as specified in the Public Offering Regulations, 2017 and Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017..

10. Procedure for voluntary cancellation of license. - (1) A banker to an issue or consultant to the issue or underwriter may voluntarily apply to the Commission for cancellation of its licence at least three months prior to the date of expiry of its licence.

(2) The Commission may, upon being satisfied that the banker to an issue or consultant to the issue or underwriter has completed all the formalities for closure of business, accept the application made under sub-regulation (1) and cancel the licence of such banker to an issue or consultant to the issue or underwriter.

(3) Upon cancellation of license, name of the banker to an issue or consultant to the issue or underwriter shall be excluded from the register of the regulated persons maintained by the Commission under section 72 of the Act.

11. Maintenance of records by Underwriter and Consultant to the Issue.— (1) In addition to the requirements of section 79 of the Act, banker to an issue or consultant to the issue or underwriter shall also properly maintain all record relating to the Issue to which it is

acting as a banker to an issue or consultant to the issue or underwriter for a period of at least ten years from the date of completion of its assignment.

- (2) The Underwriter and Consultant to the Issue shall, -
 - (a) ensure that the record is kept at such a place and maintained in such a manner that the Commission or any person appointed by it has easy access to it; and
 - (b) establish and follow record retention policy which shall ensure that all relevant legal and regulatory requirements are complied with.

12. Exemption to financial institutions from licensing requirements in case of Underwriter:(1) In terms of section 64 of the Act, a development financial institution shall be exempt from the licensing requirements to act as an underwriter as given in regulation 5, 6 and 7, subject to the condition that it meets all eligibility criteria given in **Schedule-I**.

(2) Any development financial institution shall obtain approval of the Commission prior to commencing the business as underwriter. The said financial institution shall submit a board resolution authorizing it to undertake the business as an underwriter along with a non-refundable fee of Rs 500,000/-.

(3) Any development financial institution while acting as an underwriter shall remain compliant with all the requirements of these Regulations and Public Offering Regulations 2017.

(4) Within one month of the end of each calendar year, every development financial institution engaged in the business of underwriting shall submit an affidavit along with a fee of Rs 100,000/- that it is compliant with all the requirements of these Regulations.

(5) Any development financial institution shall become ineligible to act as underwriter if it is non-compliant with any of the requirements of these Regulations including non-submission of affidavit on annual basis.

13. Repeal and Savings.—(1) The Underwriters Rules, 2015 shall stand repealed.

(2) Save as otherwise specifically provided in these Regulations, nothing in these Regulations shall effect or be deemed to affect anything done, action taken, investigation or proceedings commenced, order made, unless withdrawn, conveyance, mortgage deed, document or agreement made, fee directed or paid or accrued, resolution passed, direction given, proceedings taken or instrument executed or issued, under or pursuant to repealed Underwriters Rules, 2015 and any such things, action, investigation, proceedings, order, appointment, conveyance, mortgage deed, document, agreement, fee, resolution, direction, proceedings or instrument shall if in force at the coming into force on these Regulations and not inconsistent with any of the provisions of these Rules continue to be in force and have effect as if it were respectively done, taken, commenced, made, directed, passed, given, executed or issued under these regulations.

SCHEDULE I

[See regulation 4]

Eligibility criteria for license

1. General Conditions

- (i) it is authorized by its articles and memorandum of association to act as a banker to an issue or consultant to the issue or underwriter;
- (ii) it meets all the regulatory requirements required under the law governing its principal business; and
- (iii) it has employed at least one person at senior level who has at least five years' experience in the area of corporate finance or issue and offer of securities to the public or underwriting or accountancy or law or merger, acquisitions and reconstruction or any other relevant financial market experience as may be considered appropriate by the Commission.

Explanation:- In case, the company chief executive or any executive director meets the above experience requirement, it would be assumed to have complied with this eligibility requirement.

2. Specific Conditions:

- (1) Banker to an issue:
 - (i) it is a scheduled bank;
 - (ii) it has presence in all the provinces of the country through its branches providing e-banking services;
 - (iii) it is rated by a credit rating company licensed by the Commission; and
 - (iv) It has the ability to;
 - (a) block the bid money and subscription money in the respective account of the bidder and the subscriber; and
 - (b) unblock or refund the bid money and subscription money.
- (2) Consultant to the issue:
 - (i) it is
 - (a) a licensed securities broker or wholly owned subsidiary of a securities broker; or
 - (b) a wholly owned subsidiary of a scheduled bank or a wholly owned subsidiary of a development financial institution; or
 - (c) any other company allowed by the Commission.

- (ii) in case of a securities broker, it has obtained management rating from a credit rating company licensed by the Commission; and
 - (iii) in case of wholly owned subsidiaries of a securities broker, scheduled bank or a development financial institution and any other company allowed by the Commission, it complies with the following conditions:
 - (a) it has minimum equity of Rs 2 million; and
 - (b) its sponsors and promoters, substantial shareholders, chief executive and directors fulfil the fit and proper criteria as specified in **Schedule III**.
- (3) Underwriter:
- (i) it is a scheduled bank or a licensed securities broker; and
 - (ii) its credit rating, assigned by a credit rating agency licensed by the Commission, is not less than A- (long Term) and A3 (short term).

SCHEDULE II
[See regulation 5 and 7]

| Sr. No. | Name of regulated securities activity | Fresh license fee | License renewal fee |
|---------|---------------------------------------|-------------------|---------------------|
| 1 | Banker to an issue | Rs. 500,000/- | Rs.250,000/- |
| 2 | Consultant to the issue | Rs. 200,000/- | Rs. 100,000/- |
| 3. | Underwriter | Rs. 500,000/- | Rs. 100,000/- |

All the fees indicated above shall be paid through a bank challan in favour of the Securities and Exchange Commission of Pakistan.

SCHEDULE III

[See regulation 4 and schedule I]

FIT & PROPER CRITERIA FOR SPONSORS AND PROMOTERS, CHIEF EXECUTIVE AND DIRECTORS OF THE CONSULTANT TO THE ISSUE

- (1) The fitness and propriety of any person shall be assessed by taking into account all the relevant factors including but not limited to the following:
- (a) Integrity and track record of such person;
 - (b) Financial soundness of such a person;
 - (c) Competence and capability of the person; and
 - (d) Conflict of interest of such person with the business of the consultant to the issue

Provided that 1(c) and (d) shall not be considered while assessing the fitness & propriety of sponsors and promoters and substantial shareholders of the consultant to the issue.

- (2) The Fit and Proper Criteria is perpetual in nature and the company shall ensure compliance with the provisions of Fit and Proper Criteria.

ASSESSMENT OF FITNESS AND PROPRIETY

(a) Integrity and Track Record

A person shall not be considered Fit and Proper if he:

- (i) has been convicted of an offence involving moral turpitude;
- (ii) has been involved in the mismanagement of investments, financial or business misconduct, fraud etcetera;
- (iii) has been the subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;
- (iv) has been actively involved in the management of a company or firm whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices;
- (v) is ineligible, under the Act, Ordinance or any other legislation or regulation, from acting as a director or serving in a managerial capacity of any other company;
- (vi) has entered into a plea bargain arrangement with the National Accountability Bureau;
- (vii) in case of promoters or substantial shareholder of the company, does not have the requisite disclosed and verifiable financial resources; and

- (viii) in case of promoters or sponsors or substantial shareholders of a company, does not have special knowledge of matters which the company may have to deal with as a Consultant to the issue.

(b) Financial soundness

In determining a person's financial soundness, the following shall be considered:

- (i) whether such person's financial statements or record including wealth statements or income tax returns or assessment orders are available;
- (ii) whether the person has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;
- (iii) whether any instance of overdue or past due payment to a financial institution, irrespective of amount, is appearing in the overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc.

Provided that the Commission shall provide an opportunity of making representation to the person in case of overdue or past due payment;

Provided further that the following exceptions may be granted by the Commission for the purpose of this sub-clause in case where:-

- (a) Amount overdue is under litigation and the same is also appearing as amount under litigation in the CIB report; and
- (b) No overdue payment appearing in the overdue column in the subsequent latest CIB report;
- (iv) whether the person has applied to be adjudicated as an insolvent and his application is pending;
- (v) whether the person is an un-discharged insolvent;
- (vi) whether the person has been declared a defaulter by securities exchange, commodity exchange, clearing house, central depository and /or defaulted in payment of taxes in individual capacity or as a proprietary concern or any partnership firm or as director in an private unlisted and listed company; and
- (vii) whether the person has been a director and or/ chief executive of any company or body corporate which has defaulted in payment of government duties/taxes.

(c) Competence and Capability

In determining a person's competence and capability the following shall be considered:

- (i) the directors should be individuals having management or business experience of at least five years at a senior level;

- (ii) the directors and senior management officer may have experience and knowledge in the field of Corporate Finance, Issue and offer of securities to the public or underwriting or accountancy or law or merger, acquisition and reconstruction or any other field ancillary to the capital market or financial market;
 - (iii) the chief executive should have a minimum experience of seven years in a senior management position, preferably in capital market or financial market sector;
 - (iv) the chief executive should have completed master's degree in business administration, accounting, finance, commerce, economics, statistics or mathematics from any university duly recognized by Higher Education Commission of Pakistan and demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position; and
 - (v) the persons must be fully conversant with the duties of chief executive and director as the case may be, as prescribed under the statutes, rules and Regulations, memorandum and articles of association and the code of corporate governance
- (d) Conflict of interest**

The directors and chief executive shall not be a director in any other company engaged in a similar business in Pakistan.

FORM A

[See regulation 5(1)]

**APPLICATION FOR REGISTRATION AS _____ * UNDER THE
PUBLIC OFFERING (REGULATED SECURITIES ACTIVITIES LICENSING)
REGULATIONS, 2017.**

To

The Securities and Exchange Commission of Pakistan

(Full Address of SECP)

Pursuant to the decision of the board of directors (BOD) of[name of applicant] taken in its meeting held on[date of meeting]....., we hereby apply for license as _____ * under regulation 5 of the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017. (the Regulations) read with section 68 of the Securities Act, 2015. The requisite information and documents mentioned at **Annexure I** of the Regulations are attached herewith.

Date: _____

Signature: _____

Place: _____

Name and designation of the chief executive, the company secretary or the chief financial officer duly authorized by the BoD through a resolution to sign and submit application for registration as _____ *.

** Name of the regulated securities activity*

Annexure-I

[See regulation 5(1) and Form-A]

**LIST OF DOCUMENTS TO BE SUBMITTED ALONGWITH APPLICATION
UNDER REGULATION 5(1) FOR LICENCE**

The following documents and information shall be provided to the Commission along with application under regulation 5(1) for license: -

1. General and business information:

- 1.1 Brief history of the applicant containing name of the applicant; date and place of its incorporation; date of commencement of business; length of experience, if any; names of its sponsors and promoters; group structure, if any.
- 1.2 Address of the registered office of the applicant (postal address, postal code and telephone and fax numbers).
- 1.3 Detail of ongoing legal proceedings, if any, initiated against the applicant by the Commission or any other regulatory authority.
- 1.4 Detail of penal actions, if any, taken against the applicant during the last three years by the Commission or any other regulatory authority.
- 1.5 In case any group or company of the applicant is already licensed under these Regulations, the following details shall be provided:
 - (a) Name of such group or company;
 - (b) Detail of warning notices, if any, issued to such group or company by the Commission during the last three years;
 - (c) Detail of ongoing legal proceedings, if any, initiated against such group or company by the Commission; and
 - (d) Penal action, if any, taken against such group or company by the Commission during the last three years.

2. Other information:

2.1 Detail of pending disputes:

| Nature of dispute | Name of the party | Name and Place of Court / Tribunal where dispute is pending | Amount involved | Date of last hearing | Decision taken in the last hearing |
|--------------------------|--------------------------|--|------------------------|-----------------------------|---|
| (-1-) | (-2-) | (-3-) | (-4-) | (-5-) | (-6-) |

- 2.2 List of financial or criminal offenses in which the applicant or any of its sponsors or directors has remained involved during the last three years.
- 2.3 Procedure for redressal of complaints lodged by the investors.

2.4 Any other information considered relevant to the business of the applicant as banker to an issue or consultant to the issue or underwriter.

3. List of documents to be provided along with application:

3.1 Last annual audited account and latest quarterly or half yearly accounts.

3.2 Profile of chief executive officer, chief financial officer, company secretary, compliance officer, directors and sponsors of the applicant [Name, qualification, experience and date of appointment. Directorship in other companies, if any, names of such other companies and date of appointment as director in such other companies.]

3.3 Date-wise breakup of the Issues in which the applicant acted as banker to an issue or consultant to the issue or underwriter during the last three years, if any.

3.4 An affidavit on the pattern as specified in **Annexure-II** signed by the chief executive or director or any other officer of the applicant authorized to do so.

3.5 Any other information or document as required by the Commission.

3.6 Latest credit rating, where applicable

Instructions:-

- (a) The applicant must submit application for seeking licence under sub-regulation (1) of regulation 5 on **Form A** duly filled in and signed, together with supporting documents to the Securities and Exchange Commission of Pakistan.
- (b) All columns of the application on **Form A** should be filled in. In case a column is not relevant or not applicable, the same should also be filled in as "Not Applicable" or "Not Relevant".
- (c) Information, which needs to be supplied in more details may be provided on separate sheets and attached to the application.

Annexure-II

[See para 3.4 of Annexure I]

(On stamp paper of appropriate value)

AFFIDAVIT

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/Passport No. _____ do hereby state on solemn affirmation as under:-

1. That I am the chief executive/director of(name of the applicant)..... and as such I am well conversant with the facts stated below.
2. That the statements made and the information and documents provided along with the application for licence as _____* under the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017. are correct to the best of my knowledge and belief and no facts have been concealed.
3. That the Securities and Exchange Commission of Pakistan will be notified of any change in the information provided to it along with the application for licence under regulation 5 of the said Regulations during the period the applications for licence is being considered.
4. That all the documents provided to the Securities and Exchange Commission of Pakistan are true copies of the originals.

That I do hereby verify that the statements made above are correct to the best of my knowledge and belief and nothing has been concealed therein.

DEPONENT

The Deponent is identified by me

Signature _____

ADVOCATE

(Name and Seal)

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate.

Signature _____

OATH COMMISSIONER FOR

TAKING AFFIDAVIT

(Name and Seal)

** Name of the regulated securities activity*

Form-B

[see Regulations 6(3)]

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

LICENCE AS _____*

Islamabad, the .. (date).....

Licence No.

1. The Securities and Exchange Commission of Pakistan, having considered the application for licence as _____* under regulation 5(1) of the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017. (the Regulations) by [Name of the applicant] and being satisfied that the said[Name of the applicant]..... is eligible for licence and that it would be in the interest of the securities market so to do, hereby grants licence, in exercise of the powers conferred by regulation 6(2) of the Regulations to[Name of the applicant].... as _____* to carry out the activities as specified in the Regulations subject to the condition that[Name of the applicant].... shall comply with all the provisions of the Regulations, Public Offering Regulations 2017 and other conditions that may be imposed hereafter.

2. Unless cancelled or suspended this licence is valid for a period of one year from the date of this licence or the existence of[Name of the applicant]....., whichever is earlier provided that it remains eligible under the Regulations for licence as _____*.

For and on behalf of the
Securities and Exchange Commission of Pakistan
(Authorized Signatory)

* Name of regulated securities activity

FORM-C

[see regulation 7(1)]

APPLICATION FOR RENEWAL OF LICENCE AS _____ *

To,

The Securities and Exchange Commission of Pakistan

Pursuant to the decision of the Board of Directors of *[Name of the Applicant]*..... taken in its meeting held on*[Date of Meeting]*....., we hereby apply for renewal of licence as an _____ * under sub-regulation (1) of regulation 7 of the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017. The information and documents mentioned in **Annexure-III** are attached herewith.

Date: _____

Signature: _____

Place: _____

Name and designation of the chief executive, the company secretary or the chief financial officer duly authorized by the BoD through a resolution to sign and submit application for registration as _____ *.

* *Name of regulated securities activity*

Annexure-III

[See regulation 7(1)]

**INFORMATION TO BE PROVIDED ALONGWITH APPLICATION FOR
RENEWAL OF LICENSE**

The following information shall be provided, along with application for renewal of license:

1. Details of the non-compliance, if any, during the last one year, with any provision of these Regulations.
2. Details of the non-compliance, if any, with any of the terms and conditions of the license.
3. Details of non-compliance, if any, with any provisions of agreement executed during the last one year.
4. Details of legal proceedings, if any, initiated against it and penal actions taken against it and penalty imposed by the Commission or any other regulatory authority during the last one year.
5. Copy of the last year's annual audited accounts and latest half-year and quarterly accounts.
6. Copy of credit rating, where applicable
7. In case of underwriter, company-wise and security-wise break-up of issues underwritten during the last one year including total size of the issue, amount underwritten and offer price of the security, company-wise and security-wise breakup of amount taken-up as its underwriting obligations
8. In case of banker to an issue and consultant to the issue, details of the issues where the applicant provided its services as banker to an issue or consultant to the issue.
9. Declaration that the applicant is in compliance with all the applicable provisions of the Act and these Regulations.
10. Details of the complaints received and their status

Form-D

[see Regulations 7(2)]

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
RENEWAL OF LICENCE AS _____*

Islamabad, the (date).....

Licence No.

1. The Securities and Exchange Commission of Pakistan, having considered the application for renewal of its licence as _____* under Regulations 7(1) of the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017 (the Regulations) by [Name of the applicant] and being satisfied that the said[Name of the applicant]..... is eligible for renewal of licence and that it would be in the interest of the securities market so to do, hereby grants renewal of the licence in exercise of the powers conferred by regulation 7(2) of the Regulations to[Name of the applicant].... as an _____* to carry out the activities as specified in the Regulations subject to the condition that[Name of the applicant].... shall comply with all the provisions of the Regulations, the Public Offering Regulations 2017 and conditions that may be imposed hereafter.

2. Unless cancelled or suspended this renewal of the licence is valid for a period of one year from the date of this renewal or the existence of[Name of the applicant]....., whichever is earlier, provided that it remains eligible under the Regulations for licence as _____*

For and on behalf of the
Securities and Exchange Commission of Pakistan

Authorized Signatory

[F.No. Sy/SECP/08/13]



(Bilal Rasul)
Secretary to the Commission

**GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Islamabad, the 2nd May, 2017

NOTIFICATION

S. R. O. 296 (I)/2017.— In exercise of powers conferred by sections 19, 87, 88, 89, 90, 91, 94 and 95 read with section 169 of the Securities Act, 2015 (III of 2015), the Securities and Exchange Commission of Pakistan hereby makes the following regulations, the same have been previously published in the official Gazette vide Notification No.S.R.O.1139(I)/2015 dated 16th November 2015 as required by sub-section (4) of section 169 of the Act, namely:-

CHAPTER I

PRELIMINARY

1. Short title, commencement and applicability.— (1) These Regulations shall be called the Public Offering Regulations, 2017.

- (2) They shall come into force at once.
- (3) They shall apply to:
 - (i) a public limited company or body corporate proposing to issue securities to the general public;
 - (ii) an Offeror who intends to offer securities to the general public; and
 - (iii) sponsors of the public limited company or body corporate, the Consultants to the Issue, the Underwriter, the Book Runner, the Designated Institution, the Banker to an Issue, Investment Agent and Issuing and Paying Agent.

(4) These Regulations shall not apply to an Issue by Special Purpose Vehicle or body corporate specifically setup by the Federal Government or any provincial Government for the purpose of issue of any debt security, under any other law or offer of securities as mentioned under sub-section (4) of section 87 of the Act.

2. Definitions.— (1) In these Regulations, unless there is anything repugnant in the subject or context, –

- (i) “Abridged Prospectus” means condensed form of the Prospectus containing such information and disclosures as mentioned in Second Schedule to these Regulations;
- (ii) “Act” means the Securities Act, 2015 (III of 2015);
- (iii) “Application Supported by Blocked Amount” means an application for subscription to shares or bidding, where money is blocked in the applicant’s or bidder’s respective bank account;
- (iv) “Banker to an Issue” means a scheduled bank licensed by the Commission as a Banker to an Issue.;

- (v) “Bid” means an intention to buy a specified number of securities at a specified price;
- (vi) “Bid Amount or Bid Money” means the amount equal to the product of the number of shares bid for and the Bid Price;
- (vii) “Bid Collection Center” includes designated offices of the Book Runner, specified branches of any scheduled bank and offices of any other institution specified by the Book Runner where bids are received and processed;
- (viii) “Bidder” means an investor who makes a bid for subscription of shares in the Book Building process;
- (ix) “Bidding Period” means the period during which bids for subscription of shares are received;
- (x) “Bid Price” means the price at which Bid is made for a specified number of shares;
- (xi) “Book Building” means a process undertaken to elicit demand for shares offered for sale through which bids are collected from the Bidders and a book is built which depicts demand for the securities at different price levels;
- (xii) “Book Building Portion” means the part of the total Issue which has been allocated for subscription through Book Building;
- (xiii) “Book Building System” means an online electronic system operated by the Designated Institution for conducting Book Building;
- (xiv) “Book Runner” means a securities broker or a scheduled bank who holds a valid license from the Commission to act as an Underwriter;
- (xv) “Centralized E-PO System (CES)” means a centralized system through which applications for subscription of securities through Public Offering can be made electronically through internet, Automated Teller Machines (ATM) and mobile phones;
- (xvi) “Commercial Paper” means an unsecured debt security with a maturity of not less than 30 days and not more than one year;
- (xvii) “Consultants to the Issue” means any person licensed by the Commission to act as a Consultant to the Issue;
- (xviii) “Consolidated Bid” mean a bid which is fully or partially beneficially owned by persons other than the one named therein.
- (xix) “Debt Securities Trustee” means a person licensed by the Commission under the Act and appointed as a Debt Securities Trustee by an Issuer of debt security;
- (xx) “Designated Institution” includes the securities exchange, central depository and clearing company to provide Book Building System;
- (xxi) “Dutch Auction Method” means the method through which Strike Price is determined by arranging all the Bids in descending order based on the Bids

Prices along with the number of shares and the cumulative number of shares bid for. The Strike Price is determined by lowering the Bid Price to the extent that the total number of securities offered under the Book Building Portion are subscribed;

- (xxii) “Financial Institution” means a financial institution as defined in the Ordinance;
- (xxiii) “Floor Price” in case of book building means the minimum price per share set by the Issuer in consultation with Consultant to an Issue ;
- (xxiv) “Green Shoe Option” means a pre-determined number of securities to be issued by the Issuer in case of over-subscription of the issue;
- (xxv) “Initial Public Offering or IPO” means first time offer of securities to the general public;
- (xxvi) “Institutional Investors” means any of the following entities:
 - (a) A financial institution;
 - (b) A company as defined in the Companies Ordinance, 1984 (XLVII of 1984);
 - (c) An insurance company established under the Insurance Ordinance, 2000;
 - (d) A securities broker;
 - (e) A fund established as Collective Investment Scheme under the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
 - (f) A fund established as Voluntary Pension Scheme under the Voluntary Pension System Rules, 2005;
 - (g) A private fund established under Private Fund Regulations, 2015;
 - (h) Any employee’s fund established for beneficial of employees;
 - (i) Any other fund established under any special enactment; and
 - (j) Any other entity as specified by the Commission.
- (xxvii) “Investment Agent” means an Islamic Financial Institution licensed by the Commission as a Debt Securities Trustee and appointed by the Issuer through execution of investment agency agreement. The Investment Agent shall be responsible to facilitate issue and sale of Sukuk and other Shariah compliant securities under these Regulations and to safeguard interest of the holders of Sukuk and other Shariah compliant securities;
- (xxviii) “Issue” means public offer of securities to the general public or a class thereof by an Issuer;
- (xxix) “Issuer” in relation to securities, means any person who has issued or proposes to issue a security and includes an Offeror;

- (xxx) “Issuing and Paying Agent” means a Financial Institution appointed by an Issuer of Commercial Paper under these Regulations as an Issuing and Paying Agent;
- (xxxi) “Limit Price” means the maximum price a prospective Bidder is willing to pay for a share under the Book Building method;
- (xxxii) “Limit Bid” means a bid by the Bidder at a Limit Price under the Book Building method;
- (xxxiii) “Minimum Bid Size” means the Bid Amount equal to one million rupees under the Book Building method;
- (xxxiv) “Offeror” means any person or entity holding, directly or indirectly, such number of securities as prescribed in these Regulations and offers such securities for sale to the public or invites any other person to make subscription for such an offer and includes an Issuer;
- (xxxv) “Offer Size” means the total number of securities offered for sale comprising allocation to the Book Building Portion and allocation to the retail portion, if any, excluding pre-IPO placement;
- (xxxvi) “Offer for Sale” means an offer of securities for sale to the general public by an Offeror;
- (xxxvii) “Ordinance” means the Companies Ordinance, 1984 (XLVII of 1984);
- (xxxviii) “Prospectus” includes any document, notice, circular, material, advertisement, offer for sale document, publication or other invitation offering to the public (or any section of the public) or inviting offers from the public for the subscription or purchase of any securities of a company, body corporate or entity, other than deposits invited by a bank and certificate of investments and certificate of deposits issued by non-banking finance companies;
- (xxxix) “Public Offer” means offer of securities by an Issuer including an offer to the general public or a section of the public but does not include Private Offer or Private Placement;
- (xl) “Regulations” means the Public Offering Regulations, 2017;
- (xli) “Related Employees” mean such employees of the Issuer, the Offeror, the Book Runner, the Underwriters, and the Consultants to the Issue, who are involved in the Issue or the Offer for Sale;
- (xlii) “Retail Investor” means an investor who bids for a security or make an application for subscription of a security out of the offer size allocated to the general public;
- (xliii) “securities” means shares and debt securities
- (xliv) “Schedule” means a schedule to these Regulations;
- (xlv) “Secondary Public Offering” means offer of securities to the general public subsequent to IPO;

- (xlvi) “Shariah Advisor” means a firm or a company who/that meets the fit and proper standards specified by the Commission or the State Bank of Pakistan for Shariah advisory services.
- (xlvii) “Shariah Compliant Security” means a security structured on the basis of any of the Shariah concepts including Ijarah, Musharika, Morabiha, Modaraba, Salam and any other concept allowed by the Shariah Advisor;
- (xlviii) “Shariah certificate” for the purpose of these Regulations includes a Shariah pronouncement or fatwa by the Shariah Advisor;
- (xlix) “Shelf Registration” means the sanctioned amount of securities to be issued in tranches over a period of time as specified in the Prospectus.
- (l) “Supplement to the shelf prospectus” means an updated condensed form of the full prospectus for inviting public subscription through subsequent tranche(s);
- (li) “Step Bid” means a series of Limit Bids at increasing prices provided that Bid Amount of any step is not less than one million rupees under the Book Building method;
- (lii) “Strike Price” means the price per share determined on the basis of Book Building process;
- (liii) “Special Purpose Vehicle” means a special purpose vehicle as defined in the Companies (Asset Backed Securitization) Rules, 1999;
- (liv) “Sponsor” means:
 - (a) a person who has contributed initial capital in the issuing company or has the right to appoint majority of the directors on the board of the issuing company directly or indirectly;
 - (b) A person who replaces the person referred to in clause (a) above; and
 - (c) A person or group of persons who has control of the issuing company whether directly or indirectly.
- (lv) “Sukuk” means an instrument of equal value representing undivided share, in ownership of the identified tangible assets, usufruct and services or in the ownership of the assets of particular projects or special investment activity.
- (lvi) “Tranche” means offer of a certain portion out of the total amount of securities approved by the Commission; and
- (lvii) “Valuation Section” means a section in the prospectus containing the justifications given by the Consultant to the Issue in support of the offer price or Floor Price set by the Issuer.

(2) Words and expressions used but not defined in these Regulations shall have the same meaning as are assigned to them in the Act, the Ordinance, or the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

CHAPTER II

GENERAL CONDITIONS

3. General Conditions for Public Offer of Securities.— (1) An Issuer shall make a public offer of securities, subject to the following general conditions, namely. -

- (2) No Issuer shall make a public offer if
 - (i) the Issuer, its sponsors, promoters, substantial shareholders, directors and associates have over dues or defaults, irrespective of the amount, appearing in the report obtained from the credit information bureau; and
 - (ii) the Issuer or its directors, sponsors or substantial shareholders have been holding the office of the directors, or have been sponsors or substantial shareholders in any company,
 - (a) which had been declared defaulter by the securities exchange or futures exchange; or
 - (b) whose TRE certificate has been cancelled or forfeited by the securities exchange; or
 - (c) which has been de-listed by the securities exchange due to non-compliance of its regulations.

Provided that Commission may grant relaxation upon reasons to be recorded, and rectification of cause leading to such delisting

(3) The Issuer shall appoint Consultant to the Issue, Book Runner, Underwriter, Balloter and Share Registrar and Banker to an Issue, where required, through separate agreements in writing. The Consultant to the Issue, Book Runner, Underwriter, Balloter and Share Registrar and Banker to an Issue shall be independent of each other and the Issuer. The Consultant to the Issue which is also licensed by the Commission as underwriter may underwrite the issue up to 50% of the retail portion of the offer size;

Explanation: For the purpose of this clause, Independent means that the above regulated persons do not have any conflict of interest and relationship or connection whether pecuniary or otherwise including but not limited to shareholding, directorship and employment etc. with the issuer, its associated companies and other regulated persons involved in Public offering process.

(4) The Consultant to the Issue, Book Runner and Underwriter and their associates shall not publish any research report by whatever name called in respect of the Issuer or Issue from the date of their appointment as Consultant to the Issue, Book Runner and Underwriter to the date of allotment of securities to the general public;

(5) Subsequent to the underwriting agreement with the issuer, the underwriter to the issue may enter into separate agreements with other underwriters, with the consent of the issuer.

(6) The Consultant to the Issue may enter into separate agreements with any expert for performance of its duties;

Provided that the said agreement(s) shall not absolve the Consultant to the Issue from

its obligations as specified in these Regulations and the agreement entered with the Issuer.

(7) Issuer shall ensure that Centralized E-PO System (CES) is available for the general public

(8) The Issuer through its Consultant to the Issue, shall submit an application along with draft prospectus for listing of its securities to the securities exchange under section 19 of the Act read with the relevant regulations of the securities exchange. The copy of the said application along with draft prospectus shall also be sent to the Commission for its record;

(9) The Issuer while submitting draft prospectus to the securities exchange shall comply with the following requirements with respect to the contents of the draft prospectus and advertisement;

- (i) Prepare the draft prospectus in the format as prescribed in First Schedule and should be translated into Urdu in addition to English version.
- (ii) Prepare the draft abridge prospectus, if any, in the form as prescribed in Second Schedule.
- (iii) Prepare the draft advertisement, if any, in the form as prescribed in Third Schedule.
- (iv) Prepare the draft supplement to the prospectus, in case of shelf registration, in the form as prescribed in Fourth Schedule.

(10) The language of the draft prospectus should be simple, plain, clear, precise and easily understandable.

(11) The draft prospectus as submitted by the Issuer shall be placed by the securities exchange on its website for a period of seven working days and the same shall be notified by the securities exchange to its members, for seeking public comments. The draft prospectus shall also be placed on the website of the Issuer and Consultant to the Issue;

(12) The securities exchange shall ensure that all comments received on the draft prospectus have been incorporated and suitably addressed by the Consultant to the Issue and the Issuer to the satisfaction of the securities exchange.

(13) While processing any application submitted by the Issuer through the Consultant to the Issue under section 19 of the Act for its approval, the securities exchange, in addition to any other requirements, shall examine the proposed issue from various aspects including eligibility requirements and suitability of the Issuer or security for listing considering the interest of general public and its benefits to the capital market. In order to assess the suitability aspect, the securities exchange may ask for any additional information from the Issuer and the Consultant to the Issue including financial projections, future strategies of the Issuer, experts' reports, etc.

Explanation: The term suitability with regard to listing of securities includes assessing various risks involved such as sector risk, operational risk, legal risk, etc, track record of sponsors, quality and capability of the management, past financial performance of the Issuer, future strategies of the Issuer, dividend payout history, financial projections, financial viability, dividend policy, etc.

(14) The securities exchange shall communicate its approval or reasons for rejection

of the application to the Consultant to the Issue with a copy to the Issuer and Commission. In case of approval of application, the securities exchange shall also forward to the Commission the comments received on the draft prospectus along with rationale for comments incorporated in the prospectus and comments rejected.

(15) After obtaining the approval of the securities exchange, the Issuer through the Consultant to the Issue shall submit an application to the Commission for its approval under section 87 and 88 of the Act. The application shall be accompanied by the processing fee as prescribed in Fifth Schedule:

(16) In case application for listing is refused by the securities exchange, the Issuer through the Consultant to the Issue may file a petition before the Commission within thirty days of such refusal.

(17) A company may issue securities outside Pakistan subject prior approval of the Commission under section 95 of the Act and payment of non-refundable fee of one million rupees and submission of such documents as prescribed in Sixth Schedule .

(18) Securities of any company established outside Pakistan can be offered for sale to the public under sections 87 and 88 of the Act read with Sections 461 and 462 of the Ordinance.

Provided such foreign company is compliant with the provision of Part XIV of the Ordinance, these Regulations and meets requirements of regulations of the securities exchange for listing of companies and securities.

CHAPTER III

Public Offer of Shares

4. Methods for public offer of shares: An Issuer including an Offeror may make public offer of shares as per any of the method given below:

(1) **Fixed Price Method:** Under the fixed price method, the offer price is set by the Issuer in consultation with the Consultant to the Issue.

(2) **Book Building Method:** Book building is a mechanism of price discovery of shares through bidders who make bids not below the Floor Price. Bids received are listed in descending order of price evidencing demand at different price levels at or above the Floor Price. A Strike Price is arrived at through Dutch Auction Method.

5. Conditions for public offer of Shares.- An Issuer shall comply with the following conditions, namely,-

(1) The sponsors of the Issuer shall retain their entire shareholding in the company for a period of not less than twelve months from the last date for public subscription or in case of green field projects from the date of commencement of commercial operations or production by the company, whichever is later;

(2) The sponsors of the Issuer shall retain not less than twenty five percent of the paid up capital of the company for not less than three financial years from the last date for the public subscription or, in case of green field projects, from the date of commencement of commercial operations or production by the company, whichever is later;

(3) The shares of the sponsors mentioned at (1) and (2) above shall be kept

unencumbered in a blocked account with central depository;

(4) Subject to compliance with sub-regulation (1) and (2) above, and with the approval of the securities exchange, the sponsors of the Issuer may sell their shareholding through block-sale to any other person who shall be deemed sponsor for the purposes of these Regulations. Any such person and its directors, sponsors and substantial shareholders shall comply with conditions as stipulated in sub regulation (1) of regulation 3 above;

(5) The issuer may allot shares on account of preferential allocation to its employees at the same price at which shares are offered to the general public;

(6) In case of public offer of shares for a green field project, balancing, modernization and replacement or expansion,-

- (i) The public offer of shares shall be in accordance with the financial plan approved by the board of directors of the Issuer. The financial plan shall be disclosed in the prospectus along with rationale for variations, if any;
- (ii) the Issuer shall before making the offer of shares to the public, provide the Commission a certificate from Consultants to the Issue confirming that,-
 - (a) viability of the financial plan as disclosed in the prospectus has been carried out considering overall fund raising avenues, proceed utilization, time involved etc.
 - (b) various components of financial plan have been verified by the auditors;
 - (c) shares allocated to sponsors, foreign and local investors, if any, have been fully paid for;
 - (d) land for the project, where required, has been acquired and is in the name of Issuer; and
 - (e) irrevocable letter(s) of credit, where required, has been opened.
- (iii) the Consultant to the issue shall verify implementation status of the project, as disclosed in the prospectus, by obtaining a report from an independent valuer; and
- (iv) The Issuer shall submit, progress report on implementation of the project on quarterly basis till commencement of the commercial production or operations of the project, to the Commission for information and the securities exchange for public dissemination.

CHAPTER IV

Offer of shares through fixed price method

6. Conditions for public offer of shares through fixed price method.- In addition to the conditions as mentioned at regulation 5 above, an Issuer shall comply with the following conditions, namely,-

- (1) The Issuer shall decide the offer price in consultation with the Consultant to the Issue. The explanations given by the Consultant to the Issue in support of the offer price set by the Issuer shall be provided under a separate section titled as

“Valuation Section” of the prospectus.

- (2) The public offer under the fixed price method shall be fully underwritten.
- (3) An issuer shall issue shares to the general public at the price not higher than the price at which the shares were issued to investor during the period of six months prior to the date of public subscription.
- (4) After approval of the prospectus by the Commission, the Consultant to the Issue shall seek from the securities exchange the dates for the publication of prospectus and the subscription period.
- (5) Non-compliance with any of the condition imposed by the securities exchange and the Commission while granting approval for issuance, circulation and publication of the prospectus shall be considered as violation of the prospectus and the Act.
- (6) Consultant to the Issue shall immediately place a copy of the approved Prospectus on its website and the websites of the Issuer and the securities exchange after inserting dates of the subscription period.
- (7) The prospectus shall be issued, circulated and published not less than seven days and not more than thirty days before the commencement of the subscription period for the retail portion of the Issue.
- (8) The prospectus or abridged prospectus, as approved by the Commission shall be published in at least one English and one Urdu Newspaper.
- (9) The general public shall submit application for the subscription of shares to the Banker to an Issue either in physical form or electronically. The application shall be duly accompanied by a crossed cheque or demand draft or pay order in the name of the Issuer or evidence of direct debit of subscription money from the applicant's bank account or blocking of the subscription money in the applicant's bank account.
- (10) Within 7 days of the close of public subscription period or such shorter period of time as may be specified by the Commission from time to time, the shares shall be allotted and issued against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/ refunded.
- (11) The Issuer, the Consultant to the Issue and the Underwriter shall maintain record of the issue for a period of at least ten years from the closing of the public subscription.

CHAPTER V

Public Offer of shares through book building method

7. Conditions for offer of shares through Book Building: In addition to the conditions as mentioned at regulation 5 above, the Issuer shall comply with the following conditions, namely:

- (1) The offer Size is not less than twenty five million shares and two hundred fifty million rupees or such higher number of shares and amount as may be specified

by the Commission from time to time;

- (2) The company whose shares are issued through Book Building shall not be provisionally listed.
- (3) Maximum seventy-five percent of the offer size is allocated to book building portion and the remaining minimum twenty-five percent to the retail investors. The retail portion of the public offer shall be fully underwritten.

Provided that in case retail portion of the offer size is oversubscribed, the portion allocated to book building investors at strike price shall be allotted to the retail investors in the manner given below:

| # | Times retail portion oversubscribed | Percentage of the offer size to be allotted to retail investors out of book building portion on proportionate basis |
|---|-------------------------------------|---|
| 1 | 10 to 20 times | 10% |
| 2 | 21 to 30 times | 15% |
| 3 | 31 times or more | 30% |

Provided further that the Commission may allow undertaking of book building process and subscription by retail investors simultaneously, subject to the condition that the Consultant to the Issue, the Book Builder and the Issuer shall satisfy the Commission that the necessary arrangements in terms of IT infrastructure, underwriting for the retail portion, distribution network, etc are in place for simultaneously undertaking book building and retail subscription;

- (4) The bidders may be allowed to place bids for hundred percent of the offer size and the strike price shall be the price at which the hundred percent of the offer size is subscribed. However, the successful bidders would be allotted and issued only seventy-five percent of the offer size and the remaining twenty five percent would be offered to the retail investors. The bidders shall give an undertaking along with the application that they would subscribe to the unsubscribed shares, if any, by the retail investors and their remaining bid money would remain deposited/ blocked till allotment of unsubscribed shares by the retail investors, if any, to them on pro-rata basis. In case the retail portion is fully subscribed, the bid money shall be immediately refunded or unblocked. In this case, the retail portion may not be underwritten.
- (5) The Book Building Portion may comprise of hundred percent of offer size without any offer to retail investor provided that shares offered through 100% book building shall only be traded among institutional investors and high net worth individuals on a special board other than the main ready board of the securities exchange. The Commission may impose any other conditions on case to case basis.
- (6) Book building portion shall be underwritten by one or more book runners.

- (7) The Issuer and the Consultant to the Issue shall provide names and Unique Identification Numbers of all their associates, if any, to the Book Runner; at least three working days before the commencement of the Bidding Period. The book runner shall enter the names and UIN number of associates of the Issuer, the associates of the Consultant to the Issue and its associates, if any in the book building system in order to ensure compliance with these regulations.
- (8) The associates of the Issuer as disclosed in the prospectus shall not in aggregate make bids for shares in excess of five per cent of the Book Building Portion;
- (9) The associates of the Consultant to the Issue and the Book Runner shall not in aggregate make bids for shares in excess of two per cent of the Book Building Portion;
- (10) The consultant to the issue shall ensure that the issuer has entered into a tripartite agreement in writing with the Designated Institution and the Book Runner. The said agreement shall specify inter-alia, the rights, privileges, duties, responsibilities and obligations of each party to the agreement and shall provide a clause on dispute resolution mechanism among the parties to the agreement.
- (11) The Issuer, the Consultant to the Issue, the Book Runner, the Underwriter and the Designated Institution shall maintain record of the issue for a period of at least ten years from the closing of the public subscription.

8. Procedure for public offer of shares through Book Building.- The following procedure shall be adopted for book building process:

- (1) The Issuer shall decide the Floor Price in consultation with the Consultant to the Issue. The Floor Price and its determination shall be disclosed under a separate section titled as "Valuation Section" in the prospectus containing the justifications given by the Consultant to the Issue in support of the Floor Price set by the Issuer.
- (2) After approval of the prospectus by the Commission, the Consultant to the Issue shall seek from the securities exchange the dates for the publication of prospectus and the Bidding Period.
- (3) Non-compliance with any of the condition imposed by the securities exchange and the Commission while granting approval for issue, circulation and publication of the prospectus shall be considered as violation of the prospectus and the Act.
- (4) The prospectus and abridged prospectus as approved by the Commission shall be published in at least one English and one Urdu Newspaper.
- (5) The prospectus shall be issued, circulated and published not less than seven days and not more than thirty days before the commencement of the subscription period for the retail portion of the Issue.
- (6) Consultant to the Issue shall immediately place copy of the approved Prospectus on its website and the websites of the Book Runner, the Designated Institution, the Issuer and the securities exchange after inserting dates of the Bidding Period.
- (7) The bidding shall be conducted electronically through the System in a fair,

efficient and transparent manner.

- (8) Floor Price shall not be revised upward once the Prospectus has been approved.
- (9) The registration of bidders by the Book Runner shall commence at least three working days before the start of the bidding period and shall remain open till 03:00 pm on the last date of the bidding period.
- (10) The Book Runner shall at least establish bid collection centers in Islamabad, all the provincial capitals, Azad Kashmir and Gilgit/ Baltistan. The Book Runner may also designate any of the Bankers to an Issue as its collection agent.
- (11) The Book Runner shall provide a mechanism for registration of the bidders at the bid collection centers and collection agents.
- (12) The Book Runner shall make all necessary arrangements for receiving bids and the instruments evidencing payment of the bid money
- (13) The Book Runner shall put in place a mechanism to enter details including the maximum Bid amount of the Bidders into the System
- (14) Once details of the bidders are entered into the System, the Designated Institution shall assign and communicate password and user ID to the bidders enabling them to directly place the bid and revise the bid upward only, if required.
- (15) The bidding shall remain open for at least two consecutive working days.
- (16) The Book Building process shall be considered as cancelled if the Issuer does not receive bids for the number of shares allocated under the Book Building Portion and the same shall be immediately intimated by the Book Runner and Consultant to the Issue to the Commission, the securities exchange, the Designated Institution and the bankers to an issue. All the Bankers to an Issue shall be advised by the book runner for refund/ unblocking of the Bid Money of the bidders. The margin money shall be unblocked/ refunded to the bidders, where required, immediately but not later than three working days of the closing of the Bidding Period;
- (17) The Book Building process shall be considered as cancelled if the total number of bids received is less than forty; and
- (18) The Book-Runner shall ensure that subscription money received against the bids accepted shall not be released to the Issuer by the Banker to the Book Building Portion until:
 - (i) credit or dispatch of all shares allocated under the retail portion of the issue; and
 - (ii) issuance of NOC by the securities exchange in case the company is already listed or formal trading of the company in case of new listing.

9. Procedure for bidding.— The following procedure shall be followed for bidding:

- (1) Bids can be placed at a 'Limit Price' or a 'Step Bid' either electronically or with

the bid collection centers and collection agent.

Provided that the minimum size of a limit bid and that of any step, in case of a Step Bid, shall not be less than one million rupees;

- (2) The book runner shall vet the bid applications and accept only such bid applications that are duly filled in and supported by a crossed cheque or demand draft or pay order or confirmation from the Banker to an Issue that Bid Money has been electronically debited from the bidder account or is blocked in the bidder account;
- (3) In case of institutional investors, the book runner may accept bid applications with minimum 25% margin money.

Provided that the book runner may waive this margin requirement for institutional investors subject to confirmation from their respective banks or custodian banks (in case of foreign institutional investors) that an amount equivalent to the bid money is available in the respective bank or custodian account and would be paid directly to the book runner on its request and confirmation of allocation of shares;

- (4) On receipt of bid application, the Book Runner shall enter the Bid into the System and issue to the bidder an electronic receipt bearing name of the book runner, name of the bidding center, date and time;
- (5) The bidding shall commence from 09:00 a.m. and close at 05:00 p.m. on all days of the Bidding Period. The bids shall be collected and entered into the system by the Book-Runner till 05:00 p.m. on the last day of the bidding period;
- (6) The bidders can revise the bids upward till 05:00 p.m. on the last day of the Bidding Period;
- (7) The Book Runner may reject any bid application for reasons to be recorded in writing provided the reason of rejection is disclosed to such bidder. Decision of the Book Runner shall not be challengeable by the bidder.
- (8) The Designated Institution shall through the System display live throughout the bidding period an order book in descending order showing demand for shares at various prices and the accumulated number of shares bid for along with percentage of the total shares offered. The order book should also show the revised bids. The order book shall be accessible through websites of the Designated Institution, Book Runner, the Consultant to the Issue, securities exchange, clearing house and the central depository;
- (9) At the close of the bidding period, Strike Price shall be determined on the basis of Dutch Auction Method by the Designated Institution;
- (10) The bidders who have made bids at prices above the Strike Price shall be allotted shares at the Strike Price;
- (11) In case the bids received are sufficient to allot the total number of shares offered for sale under the Book Building Portion, the allotment shall be made on the basis of highest bid priority that is the bid made at the highest price shall be considered first for allotment of shares.

- (12) In case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares will be allotted against the bids made at the Strike Price strictly on time priority basis.
- (13) The bidders who have made bids below the Strike Price shall not qualify for allotment of securities and the book runner shall intimate their respective banks for unblocking their Bid Money within one working day of the close of the bidding period;
- (14) Within one day of the closing of the bidding period, successful bidders shall be intimated the Strike Price and the number of shares provisionally allotted to each of them;
- (15) The bid money of bidders who have undertaken to subscribe the unsubscribed retail portion shall remain deposited or blocked till allotment of unsubscribed retail portion, if any, to them on pro-rata basis; and
- (16) The successful bidders shall be issued securities only after the end of the public subscription, in the form of book-entry to be credited in their respective accounts. All the bidders shall, therefore, provide number of their accounts in the bid application; and
- (17) The Designated Institution shall continue to display on its website, the data pertaining to the Book Building and determination of the Strike Price for a period of at least three working days after closure of the bidding period.

10. Restrictions: (1) The bidding period shall not be extended except in extraordinary circumstances like closure of banks, failure of System, etc. In such case, Book Runner shall apply to the Commission for extension in the Bidding Period after obtaining NOC from securities exchange. In case extension is granted, the same shall be disseminated through publication in all those newspapers where the prospectus was published and the website of the issuer, consultant to the issue, book runner, the designated institution and the securities exchange.

- (2) The bidder shall not make –
 - (i) bid below the Floor Price;
 - (ii) a bid for more than 10% of the shares allocated under the Book Building Portion;
 - (iii) subject to the provision of clause (i) above, a bid with price variation of more than 10% of the prevailing indicative strike price or such other percentage as may be specified by the Commission;
 - (iv) a consolidated bid;
 - (v) More than one bid either severally or jointly; or
 - (vi) downward revision or withdraw the bid.

(3) No person shall take part in the book building process, directly or indirectly severally or jointly in any manner or engage in any act or practice which create a false and misleading appearance of active bidding for raising or depressing strike price in the book building process.

11. Procedure for allocation of shares to retail investors.— The following procedure shall be followed for allocation of shares to retail investors:

- (1) Within three working days of the closing of the Bidding Period, the Consultant to the Issue shall publish all supplement to the prospectus in those newspapers in which the prospectus was earlier published and also disseminate the same to the securities exchange, banker to an issue and underwriter.

Explanation: - For the purposes of this clause the expression supplement to the prospectus means information relating to the Strike Price, the Offer Price, names of the underwriters of the retail portion of the Issue if any, underwriting commission bifurcating as take up commission or any other, commitment by the successful bidders for subscribing the undersubscribed retail portion in case of hundred percent book building, category wise breakup of the successful bidders along with number of shares allocated to them, dates of public subscription and such other information as specified by the Commission.

- (2) The issuer may offer the shares to the retail investors at a certain discount to the strike price.
- (3) The general public shall submit application for the subscription of shares to the Banker to an Issue either in physical form or electronically. The application shall be duly accompanied by a crossed cheque or demand draft or pay order in the name of the Issuer or evidence of direct debit of subscription money from the applicant's bank account or blocking of the subscription money in the applicant's bank account.
- (4) Within 10 days of the close of public subscription period or such shorter period of time as may be specified by the Commission from time to time, the shares shall be allotted and issued against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/refunded.
- (5) In case retail portion of the issue, if any, remains unsubscribed, the unsubscribed shares shall either be taken up by the underwriters or allotted to successful bidders at the strike price determined in the book building process on pro-rata basis.

CHAPTER VI

Offer for sale of shares by an Offeror

12. Offer for sale of shares by the Offeror.— (1) A person or group of persons, holding more than ten per cent shares of a listed company or listed body corporate, may offer such shares for sale to the public subject to the conditions that the offer size of capital to the public shall not be less than one hundred million rupees.

Explanation. - For the purpose of this clause, the term, “offer size ” means the product of the offer price and the number of shares being offered;

(2) In case of offer for sale of shares of an unlisted company or unlisted body corporate, the size of the offer of capital to be offered to the public shall be in accordance with these Regulations and regulations of the securities exchange;

CHAPTER VII

PUBLIC OFFER OF DEBT SECURITIES

13. General Conditions for public offer of Debt Securities. - An issuer may make a public offer of debt security under section 87 and 88 of the Act, if it fulfills the following conditions, namely:-

- (1) It is authorized by its Memorandum and Articles of Association to issue debt securities;
- (2) In case of debt securities, other than Commercial Paper and Sukuk, it has appointed debt securities trustee licensed by the Commission;
- (3) It has obtained rating of the debt security from a credit rating company licensed by the Commission and the rating shall not be more than six months old. The minimum rating shall be A2 (short term) in case of short term debt securities (instruments with tenor of up to one year) and BBB+ (long term)/ A2 (short term) in case of long term debt securities (instruments with tenor exceeding one year) ;

Provided that in case of short term debt securities (instruments with tenor of up to one year), the condition of instrument rating may be waived, if the issuer has obtained entity rating and such rating is not less than "A-" (long term)/ "A2" (short term) and not more than six months old.

- (4) The public offer for debt securities shall be fully underwritten, except in case of issuance of Sukuk, where underwriting may not be required in the following conditions:
 - i. The issue is made for the repayment of debt;
 - ii. Utilization of the proceeds of the issue is solely for meeting the working capital requirement; and
 - iii. The issuer has alternative funding arrangements in place for meeting short fall, if any, in the event of undersubscription of the issue.
- (5) The long term debt securities shall not be restructured or rescheduled unless approval of two third of the debt securities holders in value for the time being outstanding is obtained;
- (6) It shall report profit payment and redemption status of the securities on semiannual basis to the Commission, securities exchange, debt securities trustee, investment agent, and issuing and paying agent, till complete redemption of the issue.
- (7) In case of Shariah compliant debt securities including Sukuk, the following conditions shall also be complied with:
 - (i) The issuer has appointed Investment Agent through an investment

agency agreement which contains at least roles and responsibilities of both parties to the agreement, dispute resolution mechanism and such other clauses as specified by the Commission from time to time;

- (ii) The investment agent shall endeavor that assets are transferred to Sukuk holders through an SPV.
- (iii) In case the Sukuk is issued without establishment of SPV then Shariah Advisor should give reasons referring to Shariah principles for allowing issuance of Sukuk without establishment of an SPV and what additional measures have been taken for the protection of assets of Sukuk issue and protection of rights of Sukuk holders
- (iv) The Investment Agent shall not be associate of the issuer;
- (v) The issuer may arrange appropriate security, where required, in the form and manner acceptable to the Investment Agent;
- (vi) The Issuer has appointed a Shariah Advisor, through agreement in writing. The agreement beside other things must clearly define roles and responsibilities of the Shariah Advisor;
- (vii) The Shariah Advisor shall remain appointed throughout the tenor of the Issue and replacement or change of the Shariah Advisor shall be reported along with reason to the Commission, the securities exchange, the Investment Agent and all the Shariah compliant debt securities holders within fifteen days of the replacement.
- (viii) The Issuer has obtained a Shariah Certificate from the Shariah Advisor which must contain at least such information and certification and in the form and manner as notified by the Commission from time to time including the following:
 - a. why the structure is free from riba, and how it is different from a comparable conventional structure based on lending money at interest;
 - b. whether and to what extent the return to Sukuk holders is attributable to the underlying assets;
 - c. whether and to what extent the ownership of underlying assets, belongs to the Sukuk holders;
 - d. whether and to what extent agreements and undertakings, separately and collectively, are consistent with the concerned Shariah principles; and
 - e. exceptions, reservations, and qualifications regarding Shariah compliance, if any, and details thereof.

Provided that the consultant to the issue shall ensure that the Issuer has provided all related documents, contracts, access to all books, accounts, transaction documents and information required by the Shariah Advisor for issuance of the said certificate.

- (ix) The Issuer shall at all times during the tenor of the issue ensure that its principal business is not against the Shariah principles.
- (x) The Issuer shall not embed any options except in the case of convertible or exchangeable Shariah compliant securities;
- (xi) The Issuer shall ensure that proceeds of the Issue are utilized in the form and manner as disclosed in the Prospectus.
- (xii) Where Shariah compliant debt securities are convertible or exchangeable into ordinary shares of the issuer, the option of conversion or exchange, as the case may be, shall be at the discretion of the investors and the underlying ordinary shares shall be listed at the time of the offer of such debt securities. The compliance of features and Shariah requirements of Sukuk shall be audited on annual basis.
- (xiii) The Shariah audit report shall be made part of the annual financial report of the issuer.
- (xiv) The Shariah audit fee shall be disclosed in the audited financial statements of the issuer.
- (xv) Any other condition as may be specified by the Commission from time to time.

14. Conditions for Public Offering of short term debt securities.— An issuer may make public offer of short term debt securities in the form of Commercial Paper only subject to compliance with the following conditions, namely. -

- (1) The equity of the Issuer is not less than Rs. 50 million as per its latest audited financial statements.
- (2) The commercial paper shall be issued for maturities between thirty days and one year and the date of maturity shall be calculated from the first day of subscription. Where the maturity date happens to be a holiday, the payment shall be made on the immediate following working day.
- (3) The Commercial Paper shall be issued in denomination of Rs. 10,000 or multiples thereof.
- (4) The aggregate amount of a Commercial Paper shall be within such limits as may be approved by its Board of Directors, provided the total liabilities of the issuer after the issue of such Commercial Paper do not exceed four times of the issuer's equity.
- (5) The commercial paper shall be issued at discount to face value.
- (6) The commercial paper shall not be rolled over or restructured or rescheduled.
- (7) The Issuer shall appoint an Issuing and Paying Agent through an agreement in writing. The agreement shall contain all the basic terms and conditions, and role and responsibilities of both the parties to the agreement.
- (8) The Issuing and Paying Agent appointed shall not be associate of the issuer.

- (9) On maturity, the holder shall present the commercial paper for payment to the Issuing and Paying Agent who, having received funds from the Issuer, shall effect repayment through crossed cheque, pay order, demand draft or direct credit in the holders respective account.
- (10) Commercial Paper may be redeemed before maturity under a call option and an investor may ask the Issuer for early redemption under a put option subject to the condition that such options are provided in the offering document.

15. Conditions for issue of convertible debt securities.— An issuer may make a public offer of a convertible debt security under the first proviso to sub-section (1) of section 86 of the Ordinance subject to the following conditions, namely:

- (1) the Issuer is authorized by its Memorandum and Articles of Association to issue convertible securities;
- (2) the Issuer has obtained approval of the Commission under the first proviso to sub-section (1) of section 86 of the Ordinance;
- (3) The conversion ratio or mechanism is disclosed in the prospectus; and
- (4) The mechanism for resolution of dispute if arises at the time of conversion is provided in the prospectus.

CHAPTER VIII

MISCELLANEOUS

16. Post Issue Reporting and Disclosures. The issuer upon completion of public offering of securities shall,

- (i) report detailed break-up of the utilization of the proceeds of the issue in its post issue quarterly/half-yearly and annual accounts for three years; and
- (ii) submit a quarterly report providing the status of the commitments mentioned in the prospectus and conditions imposed at the time of granting approval of the prospectus, for at least three years to the securities exchange and the Commission.

CHAPTER IX

Functions and responsibilities

17. General responsibilities of the Consultant to the Issue, Book Runner, Underwriter, Banker to an Issue and Issuing and Paying Agent: The Consultant to the Issue, Book Runner, Underwriter, Banker to an Issue and Issuing and Paying Agent shall –

- (1) make all efforts to protect the interests of investors.
- (2) maintain high standards of integrity, dignity and fairness in the conduct of its business.
- (3) fulfill its obligations in a prompt, ethical, and professional manner.
- (4) at all times exercise due diligence, ensure proper care and exercise independent

professional judgment.

- (5) endeavor to ensure that inquiries and complaints from investors are dealt with in a timely and appropriate manner;
- (6) avoid conflict of interest and make appropriate disclosure to the customers of their possible source or potential areas of conflict of duties and interest which would impair their ability to render fair, objective and unbiased services;
- (7) ensure that they have made the reporting lines and compensation arrangements for their employees in a way to eliminate or effectively manage actual and potential conflicts of interest;
- (8) ensure that their directors and employees shall not directly or indirectly indulge in any insider trading or other market abuses;
- (9) have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its customers, investors and other regulated persons from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions;
- (10) be responsible for the acts or omissions of its employees in respect of the conduct of its business;
- (11) frame policies and procedures to ensure compliance with the requirements of these Regulations by its employees;
- (12) ensure that communications with the securities exchange and the Commission are kept confidential, except as required to be disclosed to the customers;
- (13) render only such services as agreed in writing with their customer and are not prohibited under these Regulations and any other applicable law;
- (14) Maintain a functional website containing all public information about the issue and mechanism for handling of complaints;
- (15) inculcate a culture of compliance of the regulatory requirements through ongoing education and training of their employees.
- (16) ensure that internal control policy is widely disseminated for compliance by all employees and is reviewed for appropriateness and sufficiency by the competent authority at least once every year;
- (17) promptly investigate, in the event of a breach of policies, procedures, controls or misconduct, and take appropriate steps to rectify the weaknesses, if any, to prevent recurrence of such breach;
- (18) Employ sufficient human resource which is adequately trained to efficiently perform its functions;
- (19) Submit any document, report or information as and when required by the Commission;
- (20) ensure that annual review, for appropriateness and sufficiency, of the internal control system is carried out by the internal audit department, which reports

directly to the board of directors or its audit committee.

- (21) ensure that any change in license status, any penal action against it or any material change in its financial and operating position which may have adverse effect on the interest of the Issuer, or investors is promptly notified to the Issuer, the offeror, the Commission and the securities exchange;
- (22) ensure that all information provided to the securities exchange and Commission is true, accurate and no material fact is omitted or suppressed; and
- (23) in case of consultant to the issue give, directly or indirectly, any investment advice about any security in the media unless a disclosure of its interest in the said security is made, while giving such advice.

18. Functions of the Consultant to the Issue.— The Consultant to the Issue shall perform the following functions, namely:-

- (1) preparation of prospectus, and related documents and ensuring that the same are prepared in accordance with the requirements of the applicable laws including section 89 of the Act, these Regulations, regulations of the securities exchange and other applicable regulatory framework;
- (2) before submitting the application to the securities exchange under section 19 of the Act, the Consultant to the Issue shall examine the proposed issue from various aspects including eligibility requirements and suitability of the Issuer or security for listing considering the interest of general public and its benefits to the capital market.

Explanation: The term suitability with regard to listing includes assessing various risks involved such as sector risk, operational risk, legal risk, etc., track record of sponsors, quality and capability of the management, past financial performance of the Issuer, future strategies of the Issuer, dividend payout history, financial projections, financial viability, dividend policy, etc.

- (3) give justifications in support of the offer/ Floor Price set by the Issuer under a separate section titled as “Valuation section ” in the prospectus.
- (4) assist in the execution of agreements of the issuer with underwriters, bankers to an issue, book runner, Designated Institution, debt security trustee, issuing and paying agent ,balloter and transfer agent and investment agent;
- (5) on behalf of the Issuer, seeking the approval of the securities exchange under section 19 of the Act and Commission under section 87 and 88 of the Act;
- (6) preparation and publication of prospectus and advertisements with regard to public issue;
- (7) ensure that the public offering including book building is carried out in accordance with the prospectus and requirement of these Regulations and the Act;
- (8) preparation and submission of final report on the issue to the Commission;
- (9) comply with all the applicable directives and orders issued by the Commission; and

- (10) any other related function as may be specified by the Commission from time to time.

19. Responsibilities of the Consultants to the Issue.— (1) The Consultants to the Issue shall.-

- (i) ensure that, after having made due and careful enquiry, they have reasonable grounds to believe that-
- (a) the application submitted to the securities exchange under section 19 of the Act and the prospectus submitted to the Commission under section 87 and 88 of the Act meets the relevant requirements of the Act, these Regulations, regulations of the securities exchange and other applicable regulatory framework; and
 - (b) the documents, reports, statements and information submitted along with the aforesaid application and prospectus are not false or misleading and do not contain any material omission;
- (ii) ensure that adequate disclosures are made to the investors in a timely manner so as to enable them to make a balanced and informed decision.
- (iii) endeavor to ensure that the investors are provided with true and adequate information without making any misleading or exaggerated claims or any misrepresentation and are made aware of the associated risks before taking any investment decision.
- (iv) obtain from their employees an undertaking stating therein that they will not misuse their position of having access to non-public information, if any, relating to the issue for their personal benefit or for the benefit of any other person who does not have or is not authorized to have access to such information;
- (v) actively participate in preparation of the prospectus and ensure that all material facts, including all potential risks, as required under the law are disclosed therein and that the Issuer is compliant with all the laws applicable to the issue of securities;
- (vi) remain associated with the issue till its completion i.e. dispatch and credit of securities, submission of final report to the securities exchange and Commission, resolution of the issue related complaints, if any, and implementation of final decision of the Commission on application rejected, if any.
- (vii) ensure that they understand the nature of business of their customer.
- (viii) ensure that their customer is fully briefed on its obligations and potential liabilities pertaining to its application and supporting documents including the prospectus, in relation to the requirements stipulated by the Commission.
- (ix) ensure that their customer has been made aware of the need for it to extend its full cooperation in the provision and verification of information for the purposes of the assignment;
- (x) withdraw from the assignment in case their customer fails or refuses to address

its concerns about the issue or any related information provided to it.

- (2) The Consultants to the Issue shall not-
 - (i) make any false statement, whether oral or written, either about their qualifications or capability to render services or their achievements with regard to services rendered to their potential customers;
 - (ii) make unsubstantiated claims or statements, in order to acquire business from the customer, about qualifications of their professional staff or their capability to render certain services or their achievements concerning the consultancy services rendered by them;
 - (iii) submit any document or report to the Commission that contains any untrue or false statement, or any material fact omitted therefrom;
 - (iv) agree to manage or be associated with any issue as consultant unless its responsibilities relating to the issue are clearly determined through an agreement in writing; and
 - (v) be a party to or instrumental for -
 - (a) creation of false market;
 - (b) price rigging or manipulation or;
 - (c) Conveying of non-public price sensitive information in respect of securities proposed to be listed in securities exchange to any person.

20. Responsibilities of the book runner.— The Book Runner shall be responsible to:

- (1) ensure that necessary infrastructure and electronic system is available to accept bids and to conduct the whole Book Building process in a fair, efficient and transparent manner;
- (2) ensure blocking of bid and margin money of the Bidders in their respective accounts;
- (3) the Book Runner must be financially capable for honoring its commitments arising out of defaults by their investors, if any;
- (4) use the software provided by the Designated Institution for the Book Building on such terms and conditions as may be agreed through an agreement in writing
- (5) ensure that the software used for Book Building is based on Dutch Auction Method for display of the order book and determination of the strike price;
- (6) ensure that the bidders can access to the System and can revise their bids electronically using the user ID and the password;
- (7) underwrite the Book Building Portion;
- (8) ensure that it has obtained list and Unique Identification Numbers of the associates of the Issuer and the consultant to the issue;

- (9) ensure that names and Unique Identification Numbers of all the persons mentioned above are entered and capped in a manner as prescribed in these Regulations before commencement of the Bidding Period;
- (10) ensure that it blocked all Unique Identification Numbers and names of all related employees for participation in the bidding; and

21. Responsibilities of Banker to an Issue: – The Banker to an Issue shall.-

- (1) ensure that information related to the subscription of the issue is provided to the Issuer, within the time period and in the form and manner as disclosed in the prospectus or as required under the agreement executed with the them;
- (2) in case of Application Supported by Blocked Amount, on receipt of the application, immediately block the bid money or subscription money in respective account of the bidder or the subscriber;
- (3) Upon receipt of information from the book runner and balloter and share registrar, immediately unblock the bid money or subscription money of the unsuccessful bidders or subscribers;
- (4) Immediately inform the Commission regarding any penal action, legal proceedings initiated against it by the State Bank of Pakistan;
- (5) not accept applications for subscription of securities and subscription money thereof after closing of the subscription period.

22. Responsibilities of underwriter.– (1) An underwriter shall, -

- (i) obtain from its relevant employees, an undertaking stating therein that they will not misuse their position of having access to the non-public information, if any, relating to the Issue being underwritten for their personal benefit or for the benefits of any other person who does not have or is not authorized to have access to such information;
 - (ii) ascertain before entering into an underwriting agreement that the regulatory requirement, if any, relating to the exposure limits on investment in securities are not breached in case it is called upon to fulfill its commitment of subscribing the unsubscribed portion of an Issue pursuant to the underwriting agreement;
 - (iii) in the event of being called upon to subscribe to the securities underwritten pursuant to an agreement, subscribe such securities within such time as specified in the agreement but it shall not exceed fifteen days starting from the date of Issue of such intimation, notice, invitation by the Issuer;
 - (iv) sell the securities subscribed pursuant to the underwriting agreement in the secondary market or to persons other than the directors, sponsors and associates of the Issuer;
 - (v) Publish its entity credit rating in its periodic financial reports, and each advertisement and brochure, if any, in relation to promotion of its business;
- (2) The underwriter **shall not**, -
- (i) enter into any buy-back or repurchase arrangement with the Issuer or any other

person with respect to the securities underwritten by it;

- (ii) derive any undue benefits directly or indirectly, from any underwriting transaction other than the commission payable to it under the underwriting agreement;
- (iii) make any oral or written statement, which would misrepresent its underwriting commitment;
- (iv) give, directly or indirectly, any investment advice about any security in the media unless a disclosure of its interest in the said security is made, while giving such advice;
- (v) willfully make false statement or conceal any material fact in any document, report or paper furnished to the Commission;
- (vi) participate itself or through its associates for the subscription of shares out of retail portion of an issue which is underwritten by it;
- (vii) be party to or instrumental for creation of false market;
- (viii) be party to or instrumental for price rigging or manipulation;
- (ix) be party to or instrumental for passing of unpublished price sensitive information in respect of securities which are listed or proposed to be listed on the securities exchange to any person or intermediary;
- (x) undertake underwritings commitments exceeding four times of its equity (excluding unrealized gains and revaluation surplus) as per its latest audited financial statements at any time. Provided that any subsequent agreement by the underwriter to the issue with other underwriters may be excluded while arriving at exposure limit of an underwriter in respect of its commitment.

23. Responsibilities of Issuing and Paying Agent.— The issuing and Paying Agent shall,-

- (1) enter into an agreement in writing with the Issuer to act as Issuing and Paying Agent for the issue;
- (2) ensure that the conditions laid down for the issuance of debt securities are strictly adhered to;
- (3) ensure that the Issuer has the minimum credit rating as specified in these Regulations;
- (4) ensure that the Issuer has met all the requirements as prescribed in these Regulations before the issuance of debt securities;
- (5) obtain copies of all the investor agreements i.e. the agreements executed with the initial subscribers and the said agreements contain salient features and other terms and conditions of the issue including the following,-
 - (i) covenants of the issue of debt securities;

- (ii) non availability of any recourse to the initial subscribers on the Issuer and Issuing and Paying Agent and to the subsequent purchasers on the sellers in the secondary market;
 - (iii) non availability of any guarantee by any bank or other financial institution;
 - (iv) default history of the Issuer including rescheduling/restructuring of loan for the last 5 years; and
- (6) verify all the documents submitted by the Issuer i.e. copy of Board's resolution etc. and have in custody certified copies of the original document and issue a certificate that documents are in order;
 - (7) Place specimen of the investors' agreement between the Issuer and the subscribers containing minimum terms and conditions on its website.
 - (8) on the issue date, deliver debt securities to investors against proof of payment and at maturity, after receiving funds from the Issuer, effect repayment on receipt of the debt security from the investors;
 - (9) make it clear to the initial subscribers in the investor agreement and the general public in the prospectus that their investment is subject to credit and other risks inherent in such instruments and payment would be made to them after the Issuer has made the funds available to Issuing and Paying Agent;
 - (10) inform the initial subscribers that in case of any default by the Issuer, it will not be in a position to seek recovery from the Issuer or initiate any action against the Issuer either on its own or on behalf of the investors;
 - (11) in case of any default by the Issuer, be responsible for the immediate notification of such default to the holders of the debt security and the Commission

Explanation.— For the purpose of these Regulations the term “default” shall include partial payment of redemption amount instead of full amount.

- (12) in case of partial payment by the Issuer, distribute the received funds, among all the holders of the debt securities, on pro-rata basis and while doing so it shall take all necessary measures to safeguard its position against any adverse consequences including incorporation of this provision in the agreement executed between the Issuer and the Issuing and Paying Agent;
- (13) submit a report on the issue to the Commission within fifteen days from the last date for closing of the subscription of the debt security and the report shall contain all the material facts and figures relating to the issue including those as required under these Regulations to be reported to the Commission; and
- (14) obtain from the concerned depository company list of debt security holders on monthly basis.

24. Responsibilities of Designated Institution in case of book building.— (1) The Designated Institution in case of book building system shall perform following functions namely;

- (i) record name, Unique Identification Number (UIN), National Tax Number (NTN), postal and email addresses, land line and cell numbers, bank account Number and branch address and Investor Account Number or Sub-Account Number of the bidder with participant account number;
- (ii) provide a mechanism for registration of the bidders before commencement of the bidding period till 03:00 p.m. on the last day of the Bidding Period and require the investors to provide at least such information as mentioned in para (i) above;
- (iii) generate bidders' Internet Protocol (IPs) address and keep record of all IP addresses from where the bids are placed;
- (iv) record the number of shares bid for, the Bid Price, type of the bid i.e. Limit Bid or Step Bid, date and time of the entry of the bid;
- (v) display the bids revised, and date and time of upward revision;
- (vi) not accept the bids placed at a Bid Price that is below the Floor Price;
- (vii) display live the total number of shares offered for sale, the Floor Price, total number of bids received, total number of shares bid for and indicative Strike Price;
- (viii) build an order book showing demand for the shares at various price levels in a descending order along with the accumulated number of shares bid for and percentage of total shares offered under the Book Building Portion;
- (ix) discover the strike price at the close of the Bidding Period;
- (x) generate alerts for the Bidders via Short Message Service through cell phones and emails upon entry of the bid, at the time of upward revision of the bid, and upon discovery of the strike price; and
- (xi) ensure that system must provide the bidders the option to upward revise their bids online or through the Book Runner during the period permitted under these Regulations;

(2) The Designated Institution shall ensure that:

- (i) identity of the bidder is not displayed; and
- (ii) no bid is entered into the System after closing of the Bidding Period;

25. Repeal and Savings (1) The following shall stand repealed;

- (i) Book Building Regulations, 2015
- (ii) Guidelines for issuance of Prospectus, 2002
- (iii) Guidelines for Issuance of Term Finance Certificates To The General Public, 2002

(2) Save as otherwise specifically provided, nothing in these Regulations shall affect or be deemed to affect anything done, action taken, registration granted, investigation or

proceedings commenced, order issued, relaxation granted unless withdrawn, appointment, conveyance, mortgage deed, document or agreement made, fee paid or accrued, resolution passed, direction given, proceedings taken or instrument executed or issued, under the repealed regulations and guidelines and any such thing, action, investigation, proceedings, order, appointment, conveyance, mortgage deed, document, agreement, fee, resolution, direction, proceedings or instrument shall if in force at the coming into force of these Regulations and not inconsistent with any of the provisions of these Regulations, continue to be in force, and have effect as if it were respectively done, taken, commenced, made, directed, passed, given, executed or issued under these Regulations.

SCHEDULES
FIRST SCHEDULE
FORMAT OF THE PROSPECTUS AND REPORTS TO BE SET OUT THERE IN
Section 1
Format of the prospectus

1. Cover Page:

- (i) The following statement should appear on the upper most top in bold capital letters: -

“ADVICE FOR INVESTORS

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS, ESPECIALLY THE RISK FACTORS GIVEN AT PARA --- BEFORE MAKING ANY INVESTMENT DECISION.

SUBMISSION OF FALSE & FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS’ MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015.”

- (ii) The following statement should appear in case of offer of shares through book building after the statement mentioned at (i) above:-

“ADVICE FOR INSTITUTIONAL INVESTORS AND HIGH NET WORTH INDIVIDUAL INVESTORS

A SINGLE INVESTOR CANNOT SUBMIT MORE THAN ONE BIDDING APPLICATION EXCEPT IN THE CASE OF UPWARD REVISION OF BID. IF AN INVESTOR SUBMITS MORE THAN ONE BIDDING APPLICATION THEN ALL SUCH APPLICATIONS SHALL BE SUBJECT TO REJECTION.

SUBMISSION OF CONSOLIDATED BIDIS PROHIBITED UNDER THESE REGULATIONS. A BID APPLICATION WHICH IS BENEFICIALLY OWNED (FULLY OR PARTIALLY) BY PERSONS OTHER THAN THE ONE NAMED THEREIN SHALL BE DEEMED TO BE A CONSOLIDATED BID.

PLEASE NOTE THAT A SUPPLEMENT TO THE PROSPECTUS SHALL BE PUBLISHED WITHIN THREE WORKING DAYS OF THE CLOSING OF THE BIDDING PERIOD WHICH SHALL CONTAIN INFORMATION RELATING TO THE STRIKE PRICE, THE OFFER PRICE, NAMES OF THE UNDERWRITERS OF THE RETAIL PORTION OF THE ISSUE IF ANY, UNDERWRITING COMMISSION, BIFURCATING AS TAKE UP COMMISSION OR ANY OTHER, COMMITMENT BY THE SUCCESSFUL BIDDERS FOR SUBSCRIBING THE UNDERSUBSCRIBED RETAIL PORTION IN CASE OF HUNDRED PERCENT BOOK BUILDING, CATEGORY WISE BREAKUP OF THE SUCCESSFUL BIDDERS ALONG WITH NUMBER OF SHARES ALLOCATED TO THEM, DATES OF PUBLIC SUBSCRIPTION AND SUCH OTHER INFORMATION AS SPECIFIED BY THE COMMISSION”

- (iii) Full name of the Issuer along with logo/monogram, if any.
- (iv) In case of offer for sale, full Name of the Offeror and the following statement:

“THIS IS NOT A PROSPECTUS BY [... NAME OF THE ISSUER ...] (THE “COMPANY”) BUT AN OFFER FOR SALE BY THE [... NAME OF THE OFFEROR ...] (THE “OFFEROR”) FOR OFFER FOR SALE OF SHARES HELD IN THE COMPANY.”

- (v) Total issue size i.e. the number of securities to be offered with breakup of pre-IPO preferential allocation, if any; allocation to book building portion, in case of book building; allocation to retail investors; and allocation under the green shoe option, if any. In case of shelf registration, the total approved issue size, the size of the current tranche and the time period of shelf registration.
- (vi) The offer price, the Floor Price, in case of book building.
- (vii) In case of book building, dates for registration of the bidders; dates of bidding i.e the bidding period along with timing.
- (viii) Date(s) of public subscription along with timing in bold letters.
- (ix) Name of the consultants to the issue, the book runner, in case of book building, the bankers to an issue; web link along with timing through which e-application for subscription of securities can be submitted; and names of the underwriters.
- (x) Disclosure regarding availability of Centralized E-PO System and any other additional electronic system offered for Public Subscription.
- (xi) Contact details of at least two relevant persons of the Issuer, and consultants to the issue, well conversant with the issue who could be contacted by the investors, if needed.
- (xii) Website addresses from where the prospectus, application and bidding forms can be downloaded.
- (xii) Date of publication of the prospectus.
- (xiii) Additional information in case of issuance of debt securities:
 - (a) Entity and instrument rating,
 - (b) name of the rating agency;
 - (c) tenor;
 - (d) name of Shariah advisor/Shariah board (in case of issuance of Islamic debt security or such other securities which are claimed to be Shariah compliant); and
 - (e) rate of profit.

2. Inside Cover Page:

- (i) The following undertaking by the Issuer:

“WETHE CHIEF EXECUTIVE OFFICER AND..... CHIEF FINANCIAL OFFICERCERTIFY THAT;

(1) THE PROSPECTUS CONTAINS ALL INFORMATION WITH

REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;

- (2) THE INFORMATION CONTAINED IN THE PROSPECTUS IS TRUE AND CORRECT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF;**
- (3) THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;**
- (4) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE PROSPECTUS AS A WHOLE OR ANY PART THEREOF MISLEADING; AND**
- (5) ALL REQUIREMENTS OF THE SECURITIES ACT, 2015; THE DISCLOSURES IN PUBLIC OFFERING REGULATIONS, 2017 FOR PREPARATION OF PROSPECTUS, RELATING TO APPROVAL AND DISCLOSURES HAVE BEEN FULFILLED.”**
- (6) NO CHARGES, FEE, EXPENSES, PAYMENTS ETC. HAVE BEEN COMMITTED TO BE PAID TO ANY PERSON IN RELATION TO THIS PUBLIC OFFERING EXCEPT FOR THOSE AS DISCLOSED IN PART 3 OF THE PROSPECTUS.**

For and on behalf of (... Name of the Issuer...and in case of an offer for sale ... name of the offeror...)

.....Sd-.....

Name of the Chief Executive Officer

.....Sd-.....

Name of the Chief Financial Officer”

- (ii) In case of book building, a supplement to the prospectus as per the following format.

“Supplement to the Prospectus

This Supplement is being published pursuant to Public Offering Regulations 2017 and in continuation of the prospectus of ...(name of the Issuer)... earlier published on MM DD, YYYY.

Name of the Issuer...

- Floor Price
- Strike Price
- Issue Price

Underwriters to the retail portion of the issue if any

| S. No. | Names of underwriter | Number of shares underwritten | Amount(Rs. in million) |
|---------------|-----------------------------|--------------------------------------|-------------------------------|
| (i) | | | |
| (ii) | | | |

| | | | |
|-------|--|--|--|
| Total | | | |
|-------|--|--|--|

Underwriting commission (in %age):
Category-wise breakup of successful bidders

| S. No. | Category | No. of bidders | Number of shares provisionally allocated |
|--------|------------------------------------|----------------|--|
| | Institutional Investors: | | |
| | Commercial banks: | | |
| | Development financial institutions | | |
| | Mutual funds: | | |
| | Insurance companies | | |
| | Investment banks: | | |
| | Employees' provident/pension funds | | |
| | Leasing companies: | | |
| | Modarabas: | | |
| | Securities brokers | | |
| | Foreign institutional investors | | |
| | Any other | | |
| | Institutional Investors | | |
| | Individual investors: | | |
| | Foreign investors: | | |
| | Local | | |
| | Individual Investors | | |

3. **Glossary of Technical Terms:** All the technical terms and abbreviations used in prospectus must be defined in the glossary.
4. **Index:** Index shall appear immediately after the glossary.
5. **Part I: Approvals, Consents and Listing on the Securities Exchange:**
 - (i) **Approval of the Commission:** Detail of approvals obtained from the Commission with respect to the issue. The detail must contain nature of approval, date of approval and relevant law.
 - (ii) The following disclaimer must be given:

“DISCLAIMER:

It must be distinctly understood that in giving this approval, SECP does not take any responsibility for the financial soundness of the Company and any of its schemes stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the Company in this Prospectus.

SECP has not evaluated quality of the issue and its approval for issue, circulation and publication of the Prospectus should not be construed as

any commitment of the same. The public/investors should conduct their own independent due diligence and analysis regarding the quality of the issue before subscribing.”

(iii) **Approval of the Securities Exchange:** Detail of approvals obtained from the Securities Exchange with respect to the issue. The detail must contain nature of approval, date of approval and relevant law.

(iv) The following disclaimer must be given:

“DISCLAIMER:

(a) **The Securities Exchange has not evaluated the quality of the issue and its clearance should not be construed as any commitment of the same. The public/investors should conduct their own independent investigation and analysis regarding the quality of the issue before subscribing.**

(b) **The publication of this document does not represent solicitation by the Securities Exchange.**

(c) **The contents of this document does not constitute an invitation to invest in shares or subscribe for any securities or other financial instrument by the Securities Exchange, nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever of the Exchange.**

(d) **It is clarified that information in this Prospectus should not be construed as advice on any particular matter by the Securities Exchange and must not be treated as a substitute for specific advice.**

(e) **The Securities Exchange disclaims any liability whatsoever for any loss however arising from or in reliance upon this document to any one, arising from any reason, including, but not limited to, inaccuracies, incompleteness and/or mistakes, for decisions and/or actions taken, based on this document.**

(f) **The Securities Exchange neither takes responsibility for the correctness of contents of this document nor the ability of the Company to fulfill its obligations there under.**

(g) **Advice from a suitably qualified professional should always be sought by investors in relation to any particular investment.”**

(v) Statement on filing of the Prospectus and other documents like experts' reports and contracts mentioned in the Prospectus, with the registrar of companies.

(vi) Statement about making of application to the stock exchange for listing of the Issuer, in case of unlisted entity.

6. Part II-A: Valuation Section

Justifications given by the Consultant to the Issue in support of the Offer/ Floor Price set by the Issuer, by taking into account various aspects including eligibility

requirements and suitability of the Issuer or security for listing considering the interest of general public and its benefits to the capital market.

Explanation: The term suitability with regard to listing includes assessing various risks involved such as sector risk, operational risk, legal risk, etc, track record of sponsors, quality and capability of the management, past financial performance of the Issuer, future strategies of the Issuer, dividend payout history, financial projections, financial viability, dividend policy, etc.

7. Part II-B: Book Building Procedure

- (i) (In case of issue through book building, information needed to be disclosed of the issue i.e. allocation of capital under the book building portion and retail portion and the Floor Price.
- (ii) Types of bids and procedure for making a bid.
- (iii) Mechanism for determination of the strike price.
- (iv) Time frame for intimation to the successful bidders. Mechanism for payment of the balance amount by the successful bidders
- (v) Name of the book runner, its roles and responsibilities, Address, telephone number, cell number and fax number of the bid collection centers.
- (vi) Name of the designated institution and its roles and responsibilities.
- (vii) Role and responsibilities of the Issuer.
- (viii) Opening and closing of the bidding period.
- (ix) Eligibility to participate in bidding.
- (x) Information about availability of the prospectus, the registration form, and the bidding form.
- (xi) Procedure for registration.
- (xii) Procedure for bidding.
- (xiii) Title and number of the bank account for book building portion of the issue. Mechanism for payment of the margin money into the book building account.
- (xiv) Procedure for payment of the margin money by the foreign investors.
- (xv) Procedure for rejection of bids.
- (xvi) Time frame for upward revision of bids by the bidder.
- (xvii) Procedure for withdrawal of issue.
- (xviii) Mechanism for determination of strike price.

- (xix) Basis of allotment of share.
 - (a) In case the bids received are sufficient to allot the total number of shares offered for sale under the Book Building Portion, the allotment shall be made on the basis of highest bid priority that is the bid made at the highest price shall be considered first for allotment of shares.
 - (b) In case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares will be allotted against the bids made at the Strike Price strictly on time priority basis
- (xx) Mechanism and mode for refunding/unblocking of the margin money.
- (xxi) Procedure and time frame for publication of the supplement to the prospectus.
- (xxii) Procedure for allotment of shares in case of 100% book building and allotment of unsubscribed retail portion to the bidders.

8. Part II-C: Share Capital and Related Matters

- (i) Share Capital in tabular form (both existing and post IPO) along-with necessary notes relating to the issued and allocated shares, if any.
- (ii) Present issue size of the issue with detailed break-up of allocation to Pre-IPO investors including their names, employees, non-resident Pakistanis etc., if any and general public.
- (iii) Opening and closing of subscription list.
- (iv) Procedure for public subscription through Centralized E-PO System and other additional electronic system
- (v) Investor eligibility.
- (vi) Facilities available to local, Non-Resident Pakistanis and Foreign Investors.
- (vii) Minimum amount of application and basis for allotment of shares.
- (viii) Refund/Unblocking of subscription money to unsuccessful applicants.
- (ix) Minimum amount of application and basis of allotment.
- (x) Issue, dispatch and credit of shares.
- (xi) Transfer of shares.
- (xii) Break up of shares issued during preceding years.
- (xiii) Purpose of the issue and utilization of the proceeds thereof.
- (xiv) Interest of share holders
- (xv) Dividend policy: The Issuer shall clearly mention its existing dividend policy, past 5 years dividend track record and future dividend policy. The Issuer shall

clearly state the factors on which future dividend payments would depend. These factors may include earnings, capital requirements, contractual obligations including restrictive covenants under financing agreements the Issuer may enter into to finance the fund requirements for its business activities, applicable legal restrictions and overall financial position and projections of the Issuer.

- (xvi) Eligibility for dividend
- (xvii) Deduction of Zakat.
- (xviii) Taxations, like applicability of capital gain tax, withholding tax on dividends, tax on bonus shares, federal excise duty and capital value tax & withholding tax on sale/purchase of shares.
- (xix) Tax on income of the Issuer, sales tax.
- (xx) Deferred taxation.
- (xxi) Tax credit for enlistment, tax credit for investment in IPOs.

8. Part II-D : In case of issue of debt securities (Islamic and conventional): In case of issue of debt securities, the following shall be disclosed, inter-alia,-

- (i) Structure of the issue, i.e. issue size with breakup of pre-IPO placement, if any, preferential allocation, if any, and allocation to the general public.
- (ii) Salient features of the issue including its tenor, rate of return, denomination of the certificate, market lot, secured/unsecured, credit rating details, purpose of the issue and utilization the proceeds thereof; brief security arrangement with reference to main part on security, in case of secured, restrictions and covenants, if any; opening and closing of the subscription list; investors eligibility; facilities available to investors local, foreign and NRPs, minimum application amount and basis of allotment; minimum amount that must be raised; refund/unblocking of subscription money of the unsuccessful applications; issue, credit and dispatch of securities; procedure for transfer of securities.
- (iii) Details of outstanding debt securities issued during preceding years along with date of issue, issue size, amount redeemed, amount outstanding; amount of profit paid; tenor; and credit rating.
- (iv) Redemption schedule; redemption reserve, if any.
- (v) Interest of the existing holders of the security being issued; nature of the security whether registered or bearer;
- (vi) Options like conversion option, put options, call option etc.
- (vii) Market Making and liquidity
- (viii) Deduction of Zakat
- (ix) Taxations, like applicability of tax on income from investment in the security; withholding tax, capital gain tax, stamp duty, capital value tax etc.

- (x) Deferred Taxation
- (xi) In case of issue of Shariah compliant securities, structure of the instrument, Shariah principle based of which the instrument is structured; name and profile of the Shariah advisor; Shariah Certificate by the Shariah advisor.

9. Part III: Underwriting arrangement, Commissions, Brokerage and other Expenses:

- (i) Underwriting; name of the underwriters and amount underwritten by each of them.
- (ii) Opinion of the directors regarding resources of the underwriters
- (iii) Rate of the underwriting and take up commission.
- (iv) Statement about non-execution of any buy-back, or repurchase agreement between the underwriters or their associates and the Issuer or its associates.
- (v) Fees and expenses for Centralized E-PO system.
- (vi) Rate of commission to the banker to an issue.
- (vii) Rate of the brokerage commission.
- (viii) Fees and expenses for Shariah advisory and Shariah audit in case of Shariah compliant debt security.
- (vi) Breakup of the expenses of the issue including fee/amount payable to (a) consultant to the issue; the book runners; the ballotters and registrar to the issue; the underwriters; listing fee; CDC fee SECP fee; printing and publication cost fee etc.

10. Part IV: Overview, History and Prospects:

- (i) Background and history of the company including its name, registration number, date of incorporation, date of commencement of business, description of the business including core and others, if any.
- (ii) Pattern of shareholding of the company.
- (iii) Explain the revenue and cost driver of the company in detail
- (iv) Organizational structure of the company; group information, if any;
- (v) Associates of the company along-with business transactions;
- (vi) Industry overview;
- (vii) Nature and location of the company's projects, if any; current implementation and operational status of the projects; nature and type the plant and machinery; total capacity and capacity utilization; financial plan with detailed breakup, in case the proceeds of the issue are to be used for financing a project.
- (viii) Implementation schedule of the project like land acquisition, execution of civil

works, installation of plant and machinery, date of trial production, date of commercial production.

- (ix) Infrastructure facilities like roads, buildings, housing colonies; utilities like water, electricity; raw materials.
- (x) End users, demand for the products, names of the competitors.
- (xi) Future prospects, demand outlook.
- (xii) Vendors to the issuer
- (xiii) Industry overview and sector analysis.
- (xiv) Risk Factors: All possible risk factor relating to the business of the company, the project, technology, competition, suppliers, consumers, industry, liquidity, regulatory, changes in Govt. policies, law and order situation, capital market, pending litigations, defaults etc.
- (xv) A statement that to the best of our knowledge and belief all risk factors have been disclosed shall be given immediately after the risk factors.

11. Part V: (a) Financial Information:

- (i) Auditor's report as certificate on issued, subscribed and paid-up capital.
- (ii) Auditor's certificate on break-up value per share, free float before and after Issue.
- (iii) In case of subsidiaries auditors certificates based on consolidated accounts of the issuing company.
- (iv) Latest management/un-audited accounts of the company, if any.
- (v) Summary of financial highlights of the Issuer along with key financial ratios for the last 5 years.
- (vi) Comparative financial analysis with peer group companies.

12. Part VI: Credit Rating (in case of debt securities):

- (i) Credit rating report in summarized/press release form.
- (ii) Complete credit rating report showing instrument or entity rating, whichever is applicable;
- (iii) Credit rating of the Issuer for the last five years, if undertaken, along with name of the respective rating agency;

13. Part VII: Trustee and Security (in case of debt securities):

- (i) Details of security and assets backing the instrument including nature of assets, book value of the assets as per the latest audited accounts; nature of charge established in favour of the Trustee, number and nature of charges on the said assets; names of the creditors having charge on these assets; and aggregate

- amount and type of such borrowing;
- (ii) Name of the Trustee, amount or rate of fee payable to the trustee;
- (iii) Event of defaults as mentioned in the Trust Deed;
- (iv) Circumstance under which security becomes enforceable;
- (v) Mechanism for enforcement of security including authority by way of special resolution by the security holders; quorum of the meeting; authority for approval of resolution etc.

14. Part VIII: Management of the Company

- (i) Composition of the board of directors of the company along with their names, executive or non-executive director, independent director or otherwise, addresses, CNIC number, brief profile, qualification and directorship in other companies.
- (ii) Dividend payout by group's listed companies in which the directors are holding directorship.
- (iii) Profile of the senior management including chief executive officer, chief financial officer, chief operating officer and company secretary.
- (iv) Appointment and election of directors and chief executive
- (v) Interest of the directors and promoters along with number and value of shares held by each of them, if any.
- (vi) Interest of the director and promoter in property/assets and profit of the company.
- (vii) Benefits (monetary or otherwise) provided to promoters and officers during last three years
- (viii) Voting rights of promoters
- (ix) Restriction, if any, on promoters of the company
- (x) Composition of the audit committee and its role and responsibilities.
- (xi) Powers of the directors including any borrowing power
- (xvii) Indemnity available to the board of directors and other employees of the company.
- (xviii) Performance for the last three years, of other associated listed companies under the same management along with following information:
 - (a) Name of the company;
 - (b) Date of incorporation;
 - (c) Registration number;

- (d) Date of public offer and date of listing;
 - (e) Amount of issue;
 - (f) Date of public offer; date of listing and name of the securities exchange where the company is listed;
 - (g) Date of public offer and date of listing of any security other than ordinary shares;
 - (h) Date of completion of project, where purpose of the issue was financing of a project;
 - (i) Paid-up-capital; equity; total assets; total liabilities; profit before and after tax; rate of cash dividends paid; break-up value per share; earning per share, return on equity and return on assets.
- (xix) Subsidiary companies and investment therein, if any.
 - (xx) Associated companies and investment therein, if any.

15. Part IX: Miscellaneous Information

- (i) Address of the registered office of the company (complete address, telephone & fax numbers and e-mail address)
- (ii) Names of bankers to an company
- (iii) Name and address of the company's auditors
- (iv) Name and address of the legal advisors to the company
- (v) Name and address of legal advisor to the issue
- (vi) Name and address of the balloters and share registrar
- (vii) Name and address of Consultant to the Issue
- (viii) Detail of material contracts referred to in the prospectus like underwriting agreements, due diligence reports by the underwriters and consultant to the issue, private placement agreements, project related agreements etc.
- (ix) Title and date of document/contract, parties to the contract, amount involved, if any, etc.
- (x) Inspection of Documents & Contracts by security exchange
- (xi) Place and timing where documents relating to the Issuer and the issue can be inspected. The documents to be made available there must include copies of all those agreements, contracts, reports etc. referred to in the prospectus. The timing of inspection must be the usual business hours on working days at the registered office of the company from the date of publication of the prospectus until the closing of subscription list.
- (xii) Pending legal proceedings, other than ordinary routine litigation incidental to

the business, to which the company or any of its subsidiaries is a party

(xii) Detail of valuation, if any, of assets and capitalization of reserves.

16. Part X: Application & Allotment Instructions

- (i) Instructions for submitting application.
- (ii) Minimum amount of application and basis of allotment
- (iii) List of bankers to an issue and their respective codes.
- (iv) Code of occupation of investors/applicants:
- (v) Nationality Code:

17. Part XI: Signatories to the Prospectus:

- (i) List of the signatories to the prospectus and their signatures in original duly dated and witnessed
- (ii) The prospectus should be signed by the person and in the manner as provided in these Regulations.

18. Part XII : Memorandum of Association

Memorandum of Association of the Issuer

19. Application Form

The application form both front and back containing instructions and other information

20. Bidding Form

The bidding form both front and back containing bidding procedure, strike price determination mechanism and basis of allotment.

Section 2

REPORTS TO BE SET OUT IN THE PROSPECTUS

1. A report made by auditors (who shall be named in the prospectus) for each of the five financial year immediately preceding the issue of the prospectus with respect to the following:
 - (a) Profits and losses and assets and liabilities, in accordance with the clause (2) or (3), as the case may require; and
 - (b) the details of dividend (date, rate, class of shares) paid by company during last five financial years immediately preceding the issue of prospectus of the company. if no accounts have been made up in respect of any part of the period of five years ending on a date three months before the issue of the prospectus, containing a statement of that fact.
2. If the company has no subsidiaries, the report shall so far as regards profits and losses, assets and liabilities for each of the five financial years immediately preceding the issue of the prospectus;
3. If the company has subsidiaries, the report shall so far as regards profits and losses, assets and liabilities of the company as a whole with combined profits and losses of its subsidiaries, and individually with profit and losses of each subsidiary concern;
4. If any shares have been or are to be issued or the proceeds, or any part of the proceeds, of the issue of the securities are or is to be applied directly or indirectly for the purchase of any business and by reason of that purchase entitled to an interest, as respects either the capital or profits and losses or both, in such business exceeding fifty per cent thereof, a report made by auditors (who shall be named in the prospectus) upon profit and losses and assets and liabilities of the business;
5. If the proceeds, or any part of the proceeds, of the issue of the shares or debt securities are or is to be applied directly or indirectly in any manner resulting in the acquisition by the company of shares in any other body corporate and by reason of that acquisition or anything to be done in consequence thereof or in connection therewith, that body corporate will become a subsidiary of the company, a report made by auditors (who shall be named in the prospectus) upon the profits or losses, the assets and liabilities of the other body corporate for each of the five financial year immediately preceding the issue of the prospectus;
6. The said report shall indicate how the business acquired is in the best interest of shareholders of the issuer. Where the business being acquired has subsidiaries, how such subsidiaries are in the best interest of shareholders;
7. In case of debt security, summary of the credit rating report by the credit rating agency, report by the company's auditors on security backing the issue and report by the debt security trustee that the security arranged and the mechanism for its enforcement, if needed, is appropriate for safeguarding interest of the security holders;
8. Statement on accuracy of the contents of the prospectus; and

9. The Chief Executive and Chief Financial Officer of the company shall certify that the prospectus constitutes a full, true and plain disclosure of all material facts relating to the securities offered by the prospectus.

SECOND SCHEDULE
MATTERS TO BE SPECIFIED IN THE ABRIDGED PROSPECTUS AND
REPORTS TO BE SET OUT THEREIN

1. The matters to be specified in the abridged prospectus and the reports to be given therein must be the same as provided in the full prospectus but, subject to provisions of this Schedule, in condensed or briefed form. The abridged prospectus must not contain any such information, material or report that is not contained in or part of the full prospectus.
2. The word, abridged must appear as a prefix to the word prospectus throughout the document.
3. Website addresses from where the complete prospectus along with experts reports, securities subscription application form and/or bidding form can be downloaded.
4. Addresses from where copies of the prospectus along with experts report can be obtained in physical form along with time and dates for collection.
5. Advices for investors, relating to reading of risk factors; prohibition of making false and fictitious application; consolidated and multiple bids etc.
6. The following information relating to the Issuer and the issue:
 - i. name of the Issuer; issued capital; date of incorporation, nature of the principle business, components of operations and five years financial summary;
 - ii. type of security; size of the issue including pre-IPO placement, if any, and offer price; dates for public subscription and minimum amount of application;
 - iii. in case of book building, minimum bid value; date and time for registration of the prospective bidders; bidding period; date and time for revision of bids; rejection of bids;
 - iv. Valuation Section as appearing in the prospectus
 - v. Disclosure regarding availability of Centralized E-PO System and any other additional electronic system offered for Public Subscription
 - vi. in case of debt security additional information like tenor; rate of return/profit; redemption schedule; call, put, conversion options, if any; redemption reserve, if any; name and contact detail of the debt securities trustee and the credit rating company;
 - vii. in case of issue of Sukuk, additional information like name of the Shariah Advisor, brief on the transaction structure, Shariah Certificate by the Shariah Advisors, etc; and
 - viii. Principal purposes of the issue.
7. Detail of approvals obtained including date of approval, name of the approving authority, relevant law and clause under which approval has been granted; disclaimer, if any, by the approving authority;
8. Names of the underwriter(s) and amount underwritten by each of them, if relevant;

9. Address and other contact detail of the Consultant to the issue, the book runner and bid collection centres, all the bankers to an issue, the ballotters and transfer agents, the auditors of the Issuer, legal advisor to the issue, the debt securities trustee, the credit rating agency, Shariah advisors, market maker, if relevant; and.
10. The abridged prospectus must be signed and witnessed in such form and manner as the full prospectus.

THIRD SCHEDULE
CONTENTS OF THE ADVERTISEMENT FOR PUBLIC OFFER OF SECURITIES

1. The matters to be specified in an advertisement to be published, telecasted or broadcasted, subsequent to publication of prospectus in full or in abridged form must contain only such material or information that is contained in or part of the prospectus.
2. Advices for investors, relating to reading of risk factors; prohibition of making false and fictitious application; consolidated and multiple bids; seeking professional advice before making investment decision etc. must be given.
3. The following information relating to the Issuer and the issue shall be disclosed in the advertisement:
 - (i) Name of Issuer, number of securities to be offered; offer price; bankers to an issue; consultant to the issue, and contact detail of the person who can be contacted by the investors for information about the issue;
 - (ii) Website addresses from where the complete prospectus along with experts reports, securities subscription application form and/or bidding form can be downloaded;
 - (iii) Addresses from where copies of the prospectus along with experts report can be obtained in physical form alongwith time and dates for collection;
 - (iv) In case of book building, the following additional information shall be disclosed:
 - (a) Bidding period; floor price; and
 - (b) name of the book runner; address and contact detail of the bid collection centers.
 - (v) In case of debt security, the following additional information shall be disclosed:
 - (a) Entity and instrument rating, rate of return; tenor; and
 - (b) Names of the rating agency, the debt security trustee and the Shariah advisors.
4. Any other information or material that the Commission deems necessary to be disclosed.
5. It is the responsibility of Issuers to ensure that the advertisements comply with all other relevant laws and Regulations.
6. The advertisements should be published at least in all those newspapers in which the prospectus or the abridged version of prospectus has been published.

FOURTH SCHEDULE
MATTERS TO BE SPECIFIED IN THE SUPPLEMENT TO THE PROSPECTUS
AND REPORTS TO BE SET OUT THEREIN

- (1) Supplement to the prospectus shall be published in all those newspapers in which the shelf prospectus has been published.
- (2) The period between publication of supplement to the prospectus and the previous supplement to the prospectus or shelf prospectus should not be less than six months.
- (3) The last supplement to the prospectus shall be published within a time period of not more than three years from the date of publication of the shelf prospectus.
- (4) The supplement to the prospectus for each issue shall contain updated status of the information contained in the shelf prospectus. The supplement to the prospectus shall contain the following:
 - (i) Reference of the shelf prospectus including date of publication of the shelf prospectus and date of publication of the supplements published earlier, if any;
 - (ii) Advices for investors, relating to reading of risk factors; prohibition of making false and fictitious application; consolidated and multiple bids etc.;
 - (iii) name of the Issuer;; number of securities to be issued under this tranche; the offer price; date of subscription; subscription period; name of advisors and consultant to the issue, name of the bankers to an issue; names of underwriters;
 - (iv) date of publication of the supplement to the prospectus;
 - (v) contact details of the relevant person for seeking further information by investors;
 - (vi) website addresses from where the shelf prospectus, the supplement to the prospectus earlier published, if any, the supplement to the prospectus, application and bidding forms can be downloaded;
 - (vii) name of the offeror, if any; type of security; size of the issue including pre-IPO placement, if any, and offer price; dates for public subscription; minimum amount of application and basis of allotment; refund of subscription money; transfer, issue, dispatch and credit of securities;
 - (viii) in case of debt security additional information like tenor; rate of return; redemption schedule; call, put, conversion options, if any; detail of assets backing the instrument; redemption reserve, if any; amount raised through earlier tranches;
 - (ix) in case of issue of Sukuk, additional information like transaction structure, names and role of related parties like originator, service providers etc;
 - (x) in case of book building, the bidding procedure including investors' eligibility for bidding; minimum bid value; date and time for registration of the prospective bidders; bidding period; date and time for revision and withdrawal of bids; rejection of bids; strike price determination; basis of allotment, refund/unblocking of margin money;

- (xi) Pricing of the security being offered;
- (xii) Minimum amount which must be raised;
- (xiii) Dividend history of the company;
- (xiv) in case of debt security additional information like tenor; rate of return; redemption schedule; call, put, conversion options, if any; credit rating; name of the rating agency; detail of assets backing the instrument; redemption reserve, if any;
- (xv) Addresses from where copies of the prospectus can be obtained in physical form along with time and dates for collection;
- (xvi) detail of approvals obtained including date of approval, name of the approving authority, relevant law and clause under which approval has been granted; disclaimer, if any, by the approving authority and name of the securities exchange where the security will be listed;
- (xvii) All risk factors which in the opinion of the company may be assumed by investor whether specific to the issuer; and
- (xvii) financial snapshots based on last five years audited accounts.

REPORTS TO BE SET OUT IN THE SUPPLEMENT TO THE PROSPECTUS

In the supplement to the prospectus, the following reports and statements shall be set out:

- (1) Auditors updated reports on income statement, balance sheet, paid up capital and breakup value per share in the form and manner as disclosed in full prospectus.
- (2) In case of debt security:
 - (i) summary of the updated, if any, credit rating report by the credit rating agency;
 - (ii) report by the company's auditors on security backing the issue; and
 - (iii) report by the debt security trustee that the security arranged and the mechanism for its enforcement, if needed, is appropriate for safeguarding interest of the security holders.
- (3) In case of Sukuk and asset based securitization transaction, brief on the transaction structure.
- (4) In case of Sukuk or other Shariah compliant instrument, Shariah pronouncement (Fatwa) by the Shariah advisors to the issue.
- (5) A statement by the board of directors or by the chief executive officer or the chief financial officer duly authorized by the board that the supplement contains a fair summary of the key information set out in the prospectus.

**FIFTH SCHEDULE
PROCESSING FEE**

- (i) In case of public offering of equity securities of an unlisted company: Rs.500,000/- plus 0.025% of the post listed paid-up capital
- (ii) In case of public offering of equity securities of a listed company: Rs.500,000/-
- (iii) In case of issuance of debt security: Rs.100,000/-

SIXTH SCHEDULE


CHECKLIST OF DOCUMENTS IN CASE OF ISSUE/LISTING OF SECURITIES (GDRs/GDSs/Bonds) OUTSIDE PAKISTAN UNDER SECTION 62-A OF THE COMPANIES ORDINANCE, 1984

| S.# | Name of Document |
|-----|--|
| 1 | Application by the applicant under section 95 of the Act . |
| 2 | Copy of the draft Offering Circular for issue of securities outside Pakistan by the Company |
| 3 | Copy of Memorandum and Articles of Association containing Certificates of Incorporation and Commencement of Business, duly certified from the concerned Company Registration office (CRO) |
| 4 | Copy of approval as required under proviso to sub-section (1) of Section 86 of the Companies Ordinance, 1984 for issuance of shares by way of other than right offer, (<i>where applicable</i>). |
| 5 | Copy of special resolution, on Form 26 duly certified from Company Registration Office(CRO) concerned, passed in the AGM/EOGM of the members of the Company regarding issuance of securities outside Pakistan; |
| 6 | Copy of the notice of general meeting in which approval of the members obtained. |
| 7 | Confirmation that copy of the above mentioned special resolution has been submitted to the securities exchanges |
| 8 | Detailed justification for the issuance of the securities (GDRs GDSs/Bond) outside Pakistan |
| 9 | Complete break-up of the utilization of the proceeds of the GDRs GDSs/Bond issue. |
| 10 | Complete detail of the projects, if any, alongwith its feasibility, which will be financed through the proceeds of the GDRs/GDSs/Bond issue; |
| 11 | Copy of the resolution passed in the Board of Director's meeting of the Company authorizing issuance of GDRs/GDSs/Bond outside Pakistan; |
| 12 | Five years financial projections of the Company duly reviewed by its auditors or any other audit firm; |
| 13 | Copy of approval of SBP and that of any other approval/NOC obtained from any regulatory authority/agency/department with respect to the proposed issue of GDRs/GDSs/Bond; |
| 14 | Detail of international regulatory requirements relating to the proposed issue of GDRs/GDSs/Bond and compliance status with these requirements by the Company; |
| 15 | Copy of audited annual accounts of the Company for the last five years alongwith latest quarterly and half yearly accounts; |
| 16 | Copy of CIB reports of the Company, its directors, associated and subsidiary companies; |
| 17 | Copy of Credit Rating Report (for both entity and the instrument) in case of debt securities. |
| 18 | Complete group structure along with shareholding position of the group in each group company; |

| | |
|----|---|
| 19 | Complete latest pattern of shareholding of the Company in hard and soft form (both before and after issue of GDRs/GDSs/Bonds); |
| 20 | Affidavit on Non-judicial stamp paper from Chief Executive on accuracy of the disclosure made in the Offering Circular, Term Sheet and all documents submitted in connection with the proposed issue of GDRs/GDSs/Bond to the Commission, duly certified by the Oath Commissioner; |
| 21 | Copy of the term sheet containing of shares and Amount); (ii) number of shares that represents each GDRs/GDSs or number of shares to be issued in case of conversion of Bonds ; (iii) name of Depository; (iv) name of custodian; (v) name of lead manager, book runner, underwriter, co-lead manager, local financial advisor etc.; (vi) timeline for issuance of GDRs/GDSs/Bond; (vii) Legal provisions under which GDRs/GDSs/Bond will be issued and governed; (viii) name of the Stock Exchange on which GDRs/GDSs/Bond will be listed (ix) rights and entitlement of GDRs/GDSs/Bond holder; (x) mechanism of conversion of GDRs/GDSs/Bond into ordinary shares; (xi) Breakup of the expenses related to the proposed issue of GDRs/GDSs/Bond; (xii) the amount and percentage of Commission payable to the underwriters etc.(xiii) complete redemption schedule in case of issue of debt securities. |
| 22 | Consent to act as Global-coordinator, Lead manager, financial advisor and/or Book runner; |
| 23 | Name of countries where the proposed GDRs/GDSs/Bond will be offered |
| 24 | Receipted challan of the application filing and processing fee |
| 25 | Power of Attorney, on Non-Judicial Stamp Paper, in favor of local consultants to the issue, certified by the Notary Public. |

Note: Copies of all the documents should be truly certified by the Company Secretary.

[F.No. Sy/SECP/08/13]


(Bilal Rasul)
 Secretary to the Commission

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad the 28 April 2017

NOTIFICATION

S.R.O. 297 (I)/2017.— In exercise of the powers conferred by clause (d) of sub-section (2) of section 175 of the Securities Act, 2015 (III of 2015) read with clause (xl) of section 2 thereof and sections 86 and 120 of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan, with the approval of the Federal Government, is pleased to make the following rules, the same have been previously published in the official Gazette vide Notification No.S.R.O.274(I)/2016 dated 31st March, 2016, as required by sub-section (3) of section 175 of the said Act, namely:-

1. Short title, commencement and applicability. — (1) These rules may be called the Private Placement of Securities Rules, 2017.

(2) They shall come into force at once.

(3) They shall apply to the companies proposing to offer their securities by way of private placement and shall not apply to securities issued by the Federal or Provincial Governments and private placement of securities by a special purpose vehicle or body corporate specifically setup by the Federal Government or any Provincial Government for the purposes of private issue of securities, under any other law for the time being in force.

2. Definitions. — (1) In these rules unless there is anything repugnant in the subject or context, -“Act” means the Securities Act, 2015 (III of 21015);

(a) “debt security” includes any instrument creating or acknowledging indebtedness which is issued or proposed to be issued by a company including, in particular, debentures, debentures stock, loan stock, bonds, notes, commercial paper, term finance certificates, Sukuk or any other conventional or Islamic debt security of a company, whether constituting a charge on the assets of the company or not;

(b) “Ordinance” means the Companies Ordinance, 1984 (XLVII of 1984); and

(c) “Security” shall have the same meaning as provided in clause (34) of sub-section (1) of section 2 of the Ordinance

(2) Words and expressions used but not defined in these rules shall have the same meanings as are assigned to them in the Ordinance, the Act and the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

3. Eligibility. — Any company, except a single member company, is eligible to offer and issue its securities through private placement under these rules.

4. Conditions for issue of further share capital through private placement. — Subject to section 86 of the Ordinance, a company may issue further share capital through private placement subject to the following conditions, namely: -

- (a) the company shall obtain the required approvals under section 86 of the Ordinance for issue of further share capital;
- (b) the offer or invitation to subscribe to shares shall not be made to more than fifty persons.

Provided that the above restriction shall not apply to shares offered to Qualified Institutional Buyers and employees of the company under an Employees Stock Option Scheme in accordance with sub-section (1) of section 86 of the Ordinance.

Explanation: If a company makes an offer to more than the prescribed number of persons, the same shall be deemed to be a public offer of securities and shall accordingly be governed by the provisions of Part VIII of the Act;

- (c) the company shall comply with all the other requirements prescribed in the Ordinance and the rules, regulations or guidelines made thereunder for issuance of further share capital;
- (d) the company shall not release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an offer;
- (e) the company shall not make more than two private placements in any financial year;
- (f) the shares are offered through information memorandum which contain minimum information as specified in **Schedule I**;
- (g) the company shall ensure that proceeds of the issue are utilized in the form and manner as disclosed in the information memorandum; and
- (h) all monies payable towards subscription of share capital shall be paid through cheque or demand draft or other banking channels but not by cash.

5. Conditions for issue of debt securities through private placement: - A company may issue debt securities through private placement, subject to the following conditions namely: -

- (a) the placement is in accordance with the provisions of section 120 of the Ordinance;
- (b) the placement is made to such persons as mentioned in section 120 of the Ordinance or notified there under as persons to whom instrument of redeemable capital can be issued;

- (c) in case the debt security is convertible into ordinary shares or any other issued equity security, the company has met all the requirements of section 86 of the Ordinance;
- (d) the debt securities are tradable and transferable only among the persons as specified in section 120 of the Ordinance;
- (e) the company has arranged appropriate security, where required, in the form and manner acceptable to the debt security holders;
- (f) the trust deed contain such information as may be specified by the Commission;
- (g) where the security is convertible or exchangeable into ordinary shares, the option of conversion or exchange, as the case may be, shall be as per the terms and conditions laid down in the information memorandum;
- (h) in case the debt security is Sukuk, the applicable requirements specified in the relevant regulatory framework for issue and structuring of Sukuk are complied with; and
- (i) in case the debt security is asset backed security, requirements of the Companies (Asset Backed Securitization) Rules, 1999 are complied with.

6. Reporting.— (1) In case of debt security, the company shall, within thirty days of the closing of subscription period, report the issue to the Commission on the format as specified in **Schedule-II** to these rules along with a filing fee as specified in sixth schedule to the Ordinance.

(2) In case of debt security, the issuer shall report to the Commission, redemption status in the form and manner specified by the Commission

(3) In case of shares, the company shall report the allotment in the form and manner as required under section 73 of the Ordinance along with a filing fee as specified in sixth schedule to the Ordinance.

Schedule I
[see rule 4(f)]
Information Memorandum

1. Name of company
2. Address of the company
3. Name of group and associated companies.
4. Names of sponsors and major shareholders with shareholding
5. Names of chairman, directors, chief executive and top management of the company.
6. Details about the company
 - (i) Introduction
 - (ii) Object of the company as per memorandum of association
 - (iii) Type of share capital issued and voting rights attached to it.
 - (iv) Company operating segments
 - (v) Company market share
 - (vi) Risks faced by the company.
 - (vii) Company past five year financials
 - (viii) Details of the financial facilities obtained by the company and major covenants imposed by the creditors
 - (ix) Name of the creditors along with contact details.
7. Profit distribution policy
8. Pending litigations and contingent liabilities.
9. Purpose of raising the funding, utilization of proceeds and future prospects
10. Projected 5 year financials

Schedule-II
[see rule 6(1)]

Information to be provided by the Issuer of Debt Securities

| S. No. | Information to be provided by the Issuer of Debt Securities |
|--------|--|
| (i) | Name of the Issuer |
| (ii) | Date of the Issue |
| (iii) | Size of the issue |
| (iv) | Type of the instrument |
| (v) | Latest credit rating of the issuer and that of the instrument, if any |
| (vi) | Salient features of the instruments like its tenure, rate of return, secured/unsecured, convertible/non-convertible, redeemable/perpetual etc. |
| (vii) | Nature and amount of the security backing the instrument and nature of charges established in favour of the debt security trustee to the issue; if any |
| (viii) | Redemption schedule |
| (ix) | Option like put option, call option, conversion option, if any |
| (x) | List of investors together with the amount subscribed by each of them |
| (xi) | Address of the registered office of the issuer |
| (xii) | Postal address, email address, telephone number and fax number of the compliance officer of the issuer |
| (xiii) | Address of the registered offices of the consultant/adviser/lead manager and debt security trustee to the Issue, if any. |

F.No. SMD/CIW/Misc./11/2015


(Bilal Rasul)
Secretary to the Commission

REPORT

Submitted to: [Name]

Submitted by: [Name]

Date: [Date]

Subject: [Subject]

Abstract: [Abstract]

Introduction: [Introduction]

Methodology: [Methodology]

Results: [Results]

Discussion: [Discussion]

Conclusion: [Conclusion]

References: [References]

Appendix: [Appendix]

Summary: [Summary]

Notes: [Notes]

Comments: [Comments]

Signatures: [Signatures]

Final Review: [Final Review]

Approval: [Approval]

Stamp: [Stamp]

Final Remarks: [Final Remarks]

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, the 28th April, 2017

NOTIFICATION

S.R.O. 299 (I)/2017. - In exercise of the powers conferred under sub-section (3) of section 175 of the Securities Act, 2015 (III of 2015), read with clause (c) of sub-section (2) of section 175 thereof and clause (b) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Federal Government is pleased to make the following rules, the same having been previously published *vide* notification No. S.R.O. 469(I)/2016 dated 1st June, 2016 as required by sub-section (3) of section 175 of the said Act, namely:-

1. Short title and commencement.- (1) These Rules may be called the Customers Compensation Fund (Establishment and Operation) Rules, 2017.

(2) They shall come into force at once.

2. Definitions.- (1) In these Rules, unless there is anything repugnant in the subject or context, –

- (a) "Act" means the Securities Act, 2015 (III of 2015);
- (b) "claim" means the claim of a customer against a defaulter in respect of any dealing, handling or custody of securities in accordance with the provisions of the Act and rules or regulations made thereunder;
- (c) "defaulter" means a Trading Right Entitlement Certificate (TRE certificate) holder of a securities exchange which has been declared as a defaulter under regulations of the securities exchange;
- (d) "Fund" means the Customers Compensation Fund established under these rules;
- (e) "regulations" means regulations made by the Commission under clause (h) of sub-section (2) of section 169 of the Act; and
- (f) "trust" means the trust constituted by the trust deed under the Trust Act, 1882 (II of 1882).

(2) Words and expressions used but not defined in these Rules shall, unless the context otherwise requires, have the same meaning as assigned to them in the Act, the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), Central Depositories Act, 1997 (XIX of 1997), Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (XV of 2012), or the Trust Act, 1882 (II of 1882).

3. Purpose of the Fund.- The Fund shall be established and operated in the manner provided in these rules to compensate, either fully or partially, customers of a defaulter in the manner as provided in the regulations.

4. Establishment of Fund.- (1) The securities exchanges shall establish a centralized Fund in the form of a trust which shall be administered by trustees appointed in the manner as provided in these rules:

Provided that where only one securities exchange is licensed under the Act at the time of commencement of these rules, the investor protection fund maintained by such securities exchange, immediately prior to commencement of these rules shall be deemed to be a centralized Fund subject to compliance with these rules and the regulations:

Provided further that where more than one securities exchange is licensed under the Act, the Commission may direct the securities exchanges to establish and operate a centralized Fund under these rules and regulations.

(2) The securities exchanges shall provide a secretariat for the Fund.

(3) The securities exchanges shall ensure that all the assets comprising the Fund are segregated from the assets of the securities exchanges and that the Fund is insulated from any liabilities of the securities exchanges.

5. Size of the Fund.- The minimum size of the Fund shall be determined by the securities exchanges from time to time based on a methodology approved by the Commission which may include stress testing, actuarial valuation or any other internationally recognized method.

6. Contributions to the Fund.- The Fund may comprise contributions from the following in the manner as provided in the regulations:

- (i) initial contributions comprising of amounts transferred from trust funds for protection of customers, TRE certificate holders or clearing houses, by whatsoever name called, of the securities exchange which is licensed or whose licence was surrendered or cancelled as a result of integration of the securities exchanges; and
- (ii) ongoing contributions comprising *inter alia* levy on the value of securities traded, proportion of total revenue of the securities exchange, fines and penalties collected by securities exchange and such other contributions as specified by the Commission.

7. Utilization of the Fund. - (1) The Fund shall only be utilized to compensate customers against their claims against defaulters in the manner provided in the regulations.

(2) The Fund may be utilized to meet any directly attributable expenses incurred for administration of the Fund:

Provided that any existing securities exchange may continue to charge any existing fee for the management of the Fund till June 30, 2017.

8. Operation of the Fund. - (1) The Fund shall be administered by the trustees who are fit and proper persons in terms of the criteria applicable on the directors and senior management officers of the securities exchanges, as may be applicable, under section 151 of the Act and appointed for a specific period by the securities exchanges, with prior approval of the Commission.

(2) Subject to sub-rule (1), the total number of the trustees shall be determined from time to time by the securities exchanges and each securities exchange shall appoint an equal number of trustees on the Fund which also includes chief executive officers of the securities exchanges:

Provided that the Commission may specify the number of trustees out of total number referred to in sub-rule (2), who shall be independent directors of the securities exchanges.

(3) Where an investor protection fund is deemed to be a centralized Fund under sub-rule (1) of rule 4, the securities exchange shall ensure that the trustees are appointed in compliance with the requirements of these rules within a period of three months from the date of commencement of these rules or such extended time period as may be allowed by the Commission.

(4) A trustee may resign at any time on giving notice in writing to the securities exchanges, which shall immediately fill up the vacancy with the approval of the Commission.

(5) The appointment of a trustee may be cancelled in case he becomes non-compliant with the fit and proper criteria and the securities exchanges shall immediately fill up such vacancy with the approval of the Commission.

(6) No remuneration shall be payable to the trustees except for expenses incurred by the trustees in the administration of the Fund.

(7) The trustees shall also ensure that;

(a) the Fund is duly registered with the Federal Board of Revenue or with any other agency of the Federal or Provincial Government, as the case may be, to have tax or other benefits as available to any non-profit trust under the applicable laws within a period of six months from the date of commencement of these rules or such extended time period as may be allowed by the Commission;

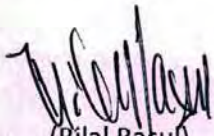
(b) the trust deed of the Fund is in accordance with the requirements of these rules and the regulations and in case an investor protection fund is deemed to be a centralized Fund under sub-rule (1) of rule 4, the trustees shall ensure that the existing trust deed of such Fund is brought in conformity with the requirements of these rules and the regulations within a period of three months from the date of commencement of these rules or such extended time period as may be allowed by the Commission;

- (c) no change in the trust deed is carried out without the prior approval of the Commission;
- (d) the contributions are made into the Fund in accordance with provisions of these rules and the regulations;
- (e) an investment policy is made for the Fund with the approval of the boards of directors of the securities exchanges;
- (f) the claims of customers are admitted after due verification process and payments are made against the admitted claims in accordance with these rules and the regulations;
- (g) the money, property or income of the Fund or any part thereof are utilized solely for promoting its objective as stated in these rules and the regulations;
- (h) no portion of the money, property or income of the Fund is paid or transferred directly or indirectly by any means to a person other than specifically allowed under these rules and the regulations;
- (i) the properties of the Fund are properly maintained;
- (j) proper books of accounts and records of the Fund are maintained;
- (k) financial statements of the Fund are audited by a firm of chartered accountants having satisfactory QCR rating; and
- (l) in the event of dissolution of the Fund or winding up of the securities exchanges, the assets of the Fund are transferred to another Fund established for the purpose of protection of customers as per the directions of the Commission after meeting or providing for outstanding liabilities.

9. Reporting requirements. - (1) The trustees shall forward financial statements along with audit report regarding the Fund to the Commission within four month of the close of its financial year.

(2) Where the Commission is satisfied that it is in the public interest to do so, it may appoint in writing an auditor for special audit to examine, audit and report, either generally or in relation to any matter, on the books, accounts and records of the Fund.

[No.Sy/SECP/8/13]


(Bilal Rasul)
Secretary to the Commission

GOVERNMENT OF PAKISTAN
Securities and Exchange Commission of Pakistan

Islamabad, the 28th April, 2017.

NOTIFICATION

S. R. O. 301 (I)/2017. - In exercise of the powers conferred by clause (h) of sub-section (2) of section 169 of the Securities Act, 2015 (III of 2015), read with clause (b) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), thereof, the Securities and Exchange Commission of Pakistan is pleased to make the following regulations, the same having been previously published vide S.R.O. 506(I)/2016 dated 1st June, 2016 as required by sub-section (4) of section 169 of the said Act, namely:-

1. Short title and commencement.- (1) These regulations shall be called the Centralized Customer Protection Compensation Fund Regulations, 2017.

(2) They shall come into force from the date of publication of the Customers Compensation Fund (Establishment and Operation) Rules, 2017 in the official Gazette.

2. Definitions.- (1) In these regulations, unless there is anything repugnant in the subject or context, –

(a) "Act" means the Securities Act, 2015 (III of 2015);

(b) "demutualization regulations" means the Stock Exchanges (Corporatisation, Demutualization and Integration) Regulations, 2012 prescribed under the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012; and

(c) "rules" means the Customers Compensation Fund (Establishment and Operation) Rules, 2017.

(2) Words and expressions used but not defined in these regulations shall, unless the context otherwise requires have the same meaning as assigned to them in the Act, the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), Central Depositories Act, 1997 (XIX of 1997), Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (XV of 2012), Trust Act, 1882 (II of 1882) or the rules.

3. Provision of centralized customer protection compensation fund.- The securities exchanges shall provide a centralized customer protection compensation fund established and operated in the manner specified in the rules.

4. Size of the fund.- (1) The securities exchanges shall, once every three years and/or as and when directed by the Commission, appoint an independent expert approved by the Commission to determine minimum size of the fund with the approval of the Commission:

Provided that the cost of independent expert shall be borne by the securities exchanges.

(2) The independent expert shall use a methodology approved by the Commission which may include stress testing, actuarial valuation or any other internationally recognized method to enable determination of minimum size of the fund.

(3) In case size of the fund is smaller than the minimum size determined in sub-regulation (2) or at any time falls below the minimum size, the securities exchanges shall, with the approval of the Commission, specify the amount and manner of replenishment of the fund, to meet minimum size of the fund, from TRE certificate holders, securities exchanges and such other persons as determined by the securities exchanges.

(4) The securities exchanges shall endeavor to obtain default insurance cover of an appropriate amount to contribute towards the obligations of the fund and the premium for the default insurance cover shall be paid out of the fund.

5. Contributions to the fund.- The fund shall comprise of the following contributions:

- (i) initial contributions consisting of amounts determined under demutualization regulations to be transferred from trust funds for protection of customers, members or clearing houses, by whatsoever name called, of all the securities exchanges, which were registered or licensed as securities exchanges and whose licenses were surrendered or cancelled as a result of integration of the securities exchanges;
- (ii) initial contributions consisting of amounts determined under demutualization regulations to be transferred from trust funds for protection of customers, members or clearing houses, by whatsoever name called, of all the securities exchanges, which are licensed as securities exchanges on the date of commencement of these regulations; and
- (iii) ongoing contributions comprising of:
 - (a) levy on the value of securities traded at the securities exchanges collected from TRE certificate holders as specified in the regulations of the securities exchanges;

- (b) allocation of 1% percent of total revenue of the securities exchanges;
- (c) fines, penalties, etc. as may be collected by the securities exchanges under its regulations from any market participant in respect of non-compliance of regulations of the securities exchanges;
- (d) any income generated from investments of the fund's assets;
- (e) any monies paid by an insurer under a contract of insurance entered into for the benefit of the fund;
- (f) any contribution that has been received from any other person; and
- (g) any other source or amount as may be specified by the Commission from time to time.

6. Settlement of customer claims.- (1) A customer may submit a claim to a securities exchange arising out of dealings with the defaulter as per the provisions of the Act, rules and any regulations made or direction or circulars issued thereunder.

(2) The securities exchange shall, in accordance with its regulations, invite customer claims and after verification of such claims inform the customers of the decision to admit or otherwise the claims against the defaulter.

(3) If the total amount of admitted claims is less than the amount realized by the securities exchange from deposits and others assets of the defaulter, the entire amount of admitted claims shall be paid and remaining amount, if any, shall be transferred to the fund.

(4) In case total amount of admitted claims is more than the amount realized by the securities exchange from deposits and others assets of the defaulter, all the admitted claims shall be paid on pro-rata basis and the claims remaining unsatisfied after pro-rata sharing shall be paid from the fund by utilizing up to such aggregate amount and in such manner as specified in the regulations of the securities exchange.

(5) Notwithstanding anything contained hereinabove, in case proceeds from the assets of defaulter are not immediately available, for any reason whatsoever, the Commission may in the interest of the customers, allow settlement of admitted claims first from the fund to the extent of the maximum amount permitted in the regulations of the securities exchange and any subsequent amount realized from the assets of defaulter shall also be utilized to settle unsatisfied claims of customers, if any and any unutilized amount therefrom shall be deposited in the fund.

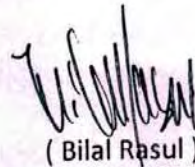
7. Obligations of a securities exchange.- (1) The securities exchange shall make provisions in its regulations inter alia for making contributions into the fund, admission,

verification and settlement of claims and utilization of the fund as provided in the rules and these regulations.

(2) The securities exchange shall maintain a database of all customers whose claims have been paid from the fund in the format as specified in its regulations.

(2) A summary showing opening balance, contributions made to the fund, utilization of fund and closing balance shall be disclosed by the securities exchange at its official website and in its annual report.

[Sy/SECP/8/13]



(Bilal Rasool)

Secretary to the Commission

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, the 2nd May, 2017

NOTIFICATION

S.R.O. 302 (I)/2017.- In exercise of the powers conferred by sub-section (2) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan is pleased to make the following regulations, the same having been previously published vide SRO 1144(I)/2016 dated December 6, 2016, namely:-

CHAPTER I

Preliminary

1. Short title and commencement. – (1) These regulations may be called Collateral Management Companies (Establishment & Operations) Regulations, 2017.

(2) They shall come into force at once.

2. Definitions. - In these Regulations, unless the context otherwise requires,

- (a) **“Act” means Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);**
- (b) **“certificate of accreditation” means the certificate of accreditation issued to a Warehouse by a Collateral Management Company under these regulations;**
- (c) **“Collateral Management Company” or “CMC” means a Non-Bank Finance Company licensed by the Commission to provide collateral management services**
- (d) **“Collateral Management Services” means the activity of managing Produce as collateral, including but not limited to the following-**
 - (i) warehousing, i.e. provision of quality, storage and preservation services for a range of agricultural produce;
 - (ii) providing enabling arrangements for collateral commodity financing;
 - (iii) issuance of credible Warehouse receipts and other necessary arrangements for agricultural commodity financing; and
 - (iv) stock audit, evaluation and verification services.
- (e) **“Commission” means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).**
- (e) **“Central Depository System” or “CDS” shall have the same meaning as assigned to it under the Central Depositories Act, 1997.**

- (f) **“depositor” means** a person who delivers Produce to the Warehouse Operator for storage or transfer of ownership;
- (g) **“electronic warehouse receipt” or “EWR” means an acknowledgment in electronic form issued** in favour of the holder of the receipt by Collateral Management Company against deposit of specified Produce with the Warehouse as proof of title to the Produce held at the Warehouse;
- (h) **“financial institution”** shall have the same meaning as assigned to it in clause (31) of sub-section (1) of section 2 of the Ordinance;
- (j) **“NBFC Rules” means the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.**
- (k) **“Ordinance”** means Companies Ordinance, 1984;
- (l) **“Pakistan Mercantile Exchange” or “PMEX” means Pakistan Mercantile Exchange duly licensed by the Commission;**
- (m) **“Produce”**
- (i) means produce of farmers, arising from agriculture (including animal husbandry, forest products, re-vegetation, bee raising and farming plantation products), or from any other activity or service which promotes the farming business; or
 - (ii) any product resulting from any of the above activities, including byproducts of such products; and
 - (iii) any activity which is intended to increase the production of anything referred to in above sub-clauses or improve the quality thereof;
- (n) **“physical warehouse receipt”** means a temporary receipt issued by a Collateral Management Company for a maximum period of seven days to a Depositor upon depositing Produce with the Warehouse, for the purpose of acknowledging the deposit until the issuance of the Electronic Warehouse Receipt to the Depositor;
- (o) **“Warehouse” means any premises accredited by the** Collateral Management Company to be used for the custody of Produce deposited by a person;
- (p) **“Warehouse receipts”** includes electronic receipts and physical warehouse receipt;
- (q) **“Warehousing Guidelines” means the guidelines issued by the Collateral Management Company,** with approval of the Commission, for compliance by all accredited Warehouses in relation to storage, warehousing management and supply chain/inventory maintenance and distribution standards of International Standards Organization (ISO);
- (r) **“Warehouse operator” means any person** responsible for managing Warehouses;
- (s) **“Weight or Quantity” in relation to a specific** Produce means such weight or quantity which is duly adjusted for the specified rate of weight reduction due to moisture shrink during the period of storage in a Warehouse.

(2) Words and expressions used but not defined in these regulations shall, unless there is anything repugnant in the subject or context, have the same meaning as assigned to them in the Ordinance, the Act, or the Futures Market Act, 2016.

CHAPTER II

Establishment and Licensing of Collateral Management Company

3. Conditions applicable to a CMC– (1) No person shall provide collateral management services unless-

(a) It has submitted an application along with a non-refundable fee of one hundred thousand rupees for obtaining permission of the Commission in terms of Rule 4 of the NBFC Rules, 2003 and the Commission has granted the requisite permission;

(b) it is incorporated as a public or private company in accordance with the procedure and criteria laid down in rule 3 and 4 of the NBFC Rules; and

(c) it has obtained a license from the Commission in terms of Rule 5 of the NBFC Rules, 2003.

(3) A CMC shall not undertake any other form of business as NBFC except for collateral management services.

4. Conditions for grant of license. - (1) A NBFC shall make application to the Commission for grant of license for carrying out collateral management services. The said application shall be submitted to the Commission in Form-II of the NBFC Rules along with the following documents-

(a) certificate of incorporation and Memorandum and Articles of Association;

(b) list of names of sponsors, shareholders, directors and authorized signatory of the applicant, as the case maybe;

(c) list of key officers and technical experts engaged and details of their qualifications and experience related to warehousing;

(d) list of relevant technology systems in place;

(e) **five years' business development plan duly detailing how the company shall expand its network of accredited Warehouses to cover major agricultural producing areas in Pakistan;**

(f) statement of financial credibility in the form of latest audited financial statements, if available; and

(g) declaration that the applicant shall comply with the terms and conditions of the license; and

(h) a non-refundable licensing fee of three-hundred-thousand rupees.

(2) The Commission, while considering the application for grant of license, may require the applicant to furnish such further information or clarification regarding its activities and businesses as it deems appropriate.

(3) Any subsequent change in the information provided to the Commission at the time of filing of application under sub-regulation (1) shall be intimated to the Commission within five working days from the date of such change.

(4) The applicant shall, if so required, appear before the Commission for a representation through an officer duly authorized for this purpose in writing by the board of directors of the applicant.

(5) The Commission shall, after making necessary inquiries and after obtaining such further information, as it may consider necessary, and if it is satisfied that each of its promoters, directors, chief executive and chairman of the Board of Directors fulfills the terms and conditions mentioned in the fit and proper criteria as provided in Schedule I, grant licence as per Form-III for Collateral management services subject to compliance with the conditions mentioned in sub-rule (6) of rule 6 of the NBFC Rules and the following conditions:-

- (a) the company has a minimum equity of ten million rupees or such higher amount as may be specified by the Commission from time to time;
- (b) the company has necessary infrastructure including adequate office space, equipment, systems and technology;
- (c) the company has key management personnel and technical experts with relevant qualifications and experience in warehousing; and
- (d) the company has affiliation with a recognized Collateral Management Company or regulated financial/capital market institution as acceptable to the Commission.

(6) The Commission may, upon the request of the NBFC or the company along with viable justification, may relax conditions mentioned in clause (a) to (d) of sub-regulation 5

CHAPTER III

DUTIES AND RESPONSIBILITIES OF COLLATERAL MANAGEMENT COMPANY

5. Duties of a Collateral Management Company. - (1) Every CMC shall –
- (a) ensure that its Board of directors and the chief executive are appointed with prior approval of the Commission;
 - (b) ensure that key officers fulfill the fit and proper criteria as provided in these regulations;
 - (c) maintain the eligibility criteria provided in the NBFC regulations and notify to the Commission immediately if it ceases to fulfill any of the conditions provided in these regulations;
 - (d) maintain high standard of integrity and fairness in discharging its functions and its dealing with other persons with whom they have agreed in writing to render services as CMC;
 - (e) fulfill its obligations in a fair, efficient, transparent and ethical manner;
 - (f) act with due skill, care and diligence in performing all its functions and discharging all its obligations and responsibilities;
 - (g) upon obtaining a license, display such license, in a conspicuous place, in the principal place of its business;

- (h) have its own inspection arrangements or a list of third party examiners responsible for the inspection of the Warehouses for the purpose of accreditation or annual inspection;
- (i) have a list of approved third party assayers, who shall verify and grade the commodity stored at their accredited Warehouses;
- (j) accredit a Warehouse, subject to the following conditions and requirements-
 - (i) the Warehouse operator has submitted proof of ownership or registered-lease deed or rent agreement, along with disclaimer from owner of the Warehouse/property providing waiver of ownership regarding Produce stored in such Warehouse, in case of leased or rented Warehouse;
 - (ii) the Warehouse is suitable with respect to the kind of Produce being stored;
 - (iii) the Warehouse is equipped with all the necessary equipment and apparatus including but not limited to drying, weighing, handling, firefighting, circulation of stock, alternative power source, and insect/pest management;
 - (iv) the Warehouse has adequate arrangements in place for carrying out sampling, grading and testing of Produce stored therein;
 - (v) the Warehouse operator has financial capability, and adequate trained staff with expertise and knowledge for the storage of Produce in the Warehouse;
 - (vi) the Warehouse has an efficient system for loading/unloading of Produce including proper mechanism for segregation of different kinds/quality of produce;
 - (vii) the Warehouse has adequate security arrangements and is located in a place which is accessible and is not excessively prone to natural disasters;
 - (viii) the Warehouse is comprehensively insured for incidents including but not limited to natural disaster, fire, and theft;
 - (ix) the Warehouse is free from litigation or other claims and has provided no objection certificate from local government;
 - (x) the Warehouse Operator is a reputable member of the community, has no criminal convictions, has not defaulted on his financial obligations, has not been convicted of fraud by the court of law, is competent and has control over the operations of the Warehouse;
 - (xi) the Warehouse Operator has submitted an affidavit that he is responsible for ensuring maintenance of quantity, weight and quality of Produce that is stored for the Depositor;
 - (xii) the Warehouse is electronically connected with CMC, which in turn has a linkup with PMEX; and

- (xiii) upon accrediting a Warehouse, the CMC shall forthwith inform the Commission and shall share the copy of accreditation, along with location, capacity, kind of Produce the Warehouse is suitable for storing, and other relevant information;
- (k) maintain records and documents in respect of accredited Warehouses;
- (l) issue credible Warehouse receipts against Produce stored in the Warehouse;
- (m) make an initial assessment report at the time of accrediting a Warehouse as well as annual assessment report in relation to each Warehouse accredited, and maintain a copy thereof for a minimum period of 5 years;
- (n) maintain a register of accredited Warehouses and publish the list on its website;
- (o) submit a monthly report to the Commission about details of Warehouses accredited and inspections carried out; and
- (p) allow and assist the Commission to inspect its office(s), accounts, books, records and documents, and its accredited Warehouses at any time.

6. Maintenance of Record by CMC. – (1) Every CMC, in addition to the requirements stipulated in Rule 7 of the NBFC Rules, 2003, shall properly maintain the following records, namely: -

- (a) list of all the applications received for accreditation;
- (b) list of all the rejected applications and reasons of rejection thereof;
- (c) list of all accredited warehouses along with criteria, procedure and basis of issuance of accreditation;
- (d) all the record relating to the **depositors' and investors'** complaints, if any;
- (e) such other record as may be required by the Commission.

(2) Every CMC shall ensure that the record referred to in sub-regulation (1) is maintained and preserved in good order for a period of at least ten years.

(3) Every CMC shall-

- (a) ensure that the record is kept at such a place and maintained in such a manner that it is easily accessible; and
- (b) establish a record-retention-policy which shall ensure that all relevant legal and regulatory requirements are complied with.

CHAPTER IV

ACCREDITATION OF WAREHOUSES

7. Accreditation of Warehouse. - (1) A CMC may grant certificate of accreditation to a Warehouse, subject to the fulfillment of following conditions or requirements, namely:-

- (a) Warehouse shall have warehouse operator who will manage and operate the Warehouse to the satisfaction of the CMC; and
- (b) Warehouse shall have proper books of accounts and other record and documents.
- (2) CMC shall prepare internationally compliant warehousing guidelines and standard operating procedures for the accreditation, management and inspection of Warehouses and have the same approved by the Commission;
- (3) CMC shall appoint one or more examiners to undertake an inspection of the Warehouse to ensure that all the conditions for accreditation have been fulfilled:-

Provided that the CMC shall appoint third party examiners for inspection of its own Warehouse(s).

- (4) CMC, shall ensure that the examiners-
 - (i) are competent to undertake evaluation for accreditation of Warehouses;
 - (ii) shall not conduct the annual inspection of the same Warehouse, **within a two years'** period after accreditation, which has been inspected by them for the purpose of accreditation, however, they may carry out any follow up inspection of the same Warehouse to ascertain the implementation status of previous directions and recommendations;
 - (iii) have conducted the inspection in a fair and transparent manner; and
- (5) On the complete satisfaction of all the conditions for accreditation, the CMC shall grant a certificate of accreditation to the Warehouse.
- (6) The CMC shall appoint one or more persons as examiners to undertake an inspection of the condition of an accredited Warehouse and the inspection shall include, but not limited to, review of books of accounts, other records and documents of the Warehouse once every twelve months after the grant of accreditation certificate:

Provided that such inspections shall be carried out by examiners who have not earlier inspected the Warehouse for accreditation purposes.

8. Cancellation of Certificate of Accreditation. - (1) In the event a CMC upon undertaking a periodic inspection determines that the Warehouse Operator or Warehouse is not complying with the requirements of certificate of accreditation, it shall cancel the accreditation and record the same in its periodic inspection report and

shall immediately inform of its decision to cancel and the grounds thereof to the Commission, PMEX and relevant financial institution(s).

(2) In the event of cancellation of certificate of accreditation of a Warehouse, the Produce stored therein, against which a Warehouse Receipt has been issued, shall be transferred to another accredited Warehouse by a CMC within a period of seven working days.

(3) The Collateral Management Company shall submit a copy of its inspection report as well as its decision to cancel the certificate of accreditation in respect of a Warehouse to the Commission not later than five working days from the date of such decision.

(4) Upon cancellation of accreditation of a Warehouse, the CMC shall inform the financial institution(s) that have provided financing against produce stored in such warehouse and shall publish the same on its website immediately.

9. Cancellation of Accreditation by the Commission. - (l) The Commission may cancel the certificate of accreditation granted to a Warehouse by CMC under these Regulations if, -

- (a) the Warehouse Operator files an application for insolvency;
- (b) the Warehouse Operator has lost control of the Warehouse or has ceased to conduct the business of warehousing;
- (c) the Warehouse Operator commits any fraudulent act;
- (d) the Warehouse Operator has in any other manner become incompetent to conduct the business of warehousing;
- (e) the Warehouse Operator has not permitted regular audit and random inspection by the Collateral Management Company; and
- (f) the Warehouse Operator fails to comply with any of the conditions of accreditation or any provision of these Regulations.

(2) Before passing an order of cancellation of accreditation, the Commission shall give an opportunity of hearing to the Warehouse operator.

CHAPTER V

DUTIES OF A WAREHOUSE OPERATOR

10. Reasonable care of the Produce deposited/sold/transferred. - Every Warehouse Operator shall exercise prudence in taking care of the Produce deposited/sold/transferred including necessary insurance/takaful arrangements.

11. Precautions against damage or harm to Produce. - (1) Every Warehouse Operator shall keep his Warehouse clean and free from dampness and take all necessary precautions against pests, etc.

(2) No Warehouse Operator shall accept Produce for deposit which is likely to cause damage to other Produce which is or may be deposited in such Warehouse.

12. Preservation of identity of Produce.- Every Warehouse Operator shall keep the Produce of one depositor/seller/transferor separate from the Produce of other depositors/sellers/transferors and from other Produce of the same depositor/seller/transferor for which a separate receipt has been issued, in such a manner so as to permit, at all times, the identification and delivery of the Produce deposited/sold/transferred against the related Warehouse Receipt, duly accounting for the specified weight reduction percentage due to moisture shrink.

Provided that where standardized and graded Produce are stored in a Warehouse, the same variety of Produce belonging to different depositors/seller/transferor may be pooled together and each depositor/seller/transferor shall be entitled only to his portion of the Produce according to weight or quantity, as the case may be, as shown in the Warehouse Receipt.

13. Produce deteriorating in Warehouse and its disposal.- (1) Whenever Produce deposited/sold/transferred in a Warehouse deteriorates from causes beyond the control of the Warehouse operator, the Warehouse Operator shall forthwith give notice of such deterioration to the CMC, which in turn may require the depositor/seller/transferor or the Financial Institution in case such Financial Institution is providing financing against such Produce, to take delivery of the Produce immediately, after surrendering the receipt duly discharged and paying all charges due to the CMC.

(2) If the depositor or the Financial Institution does not comply with a notice given under sub-section (1) within one week, the CMC may cause the Produce to be removed from the Warehouse and sold by public auction at the cost and risk of the depositor/seller/transferor. The proceed realized from such auction shall be transferred to the depositor/seller/transferor after honoring claims of Financial Institution, Warehouse and CMC, as the case maybe.

14. Delivery of Produce. - Every Warehouse operator, in the absence of reasonable excuse, shall, without unnecessary delay, deliver the Produce deposited in his Warehouse without deterioration to the depositor/seller/transferor on demand made by the CMC and surrender of the receipt duly discharged and payment of all charges due to the CMC.

15. Excess in Produce stored. - If there is any excess in the Produce stored/sold/transferred in a Warehouse by absorption of moisture or other causes beyond the control of the Warehouse Operator, the Warehouse Operator shall not be entitled thereto.

16. Insurance of Produce in a Warehouse. - (1) A Warehouse Operator shall be responsible to maintain the quality, quantity and weight of the Produce of the depositor and shall obtain necessary insurance for the Produce stored in his Warehouse.

(2) In case of financing provided by a Financial Institution against an Electronic Warehouse Receipt, the liabilities of such Financial Institution shall be discharged first before the claim of the depositor or the Warehouse in circumstances part or whole Produce is destroyed.

17. Lien of Warehouse Operator on Produce: - (1) Subject to the rights of the Lender, every Warehouse Operator has a lien on goods deposited with him for storage by the depositor/seller/transferor.

(2) The lien of the Warehouse Operator is for the amount of the storage and maintenance charges including –

- (a) all lawful charges for storage and preservation of the Produce;
- (b) all reasonable charges for:
 - (i) any notice required to be given under the provisions of these regulations;
 - (ii) notice and advertisement of sale;
 - (iii) sale of goods where default is made in satisfying the lien of the Warehouse Operator; and
 - (iv) compliance of statutory provisions.

18. Warehouse Operator not to deal in or lending/financing against Produce in Warehouse. - Notwithstanding anything contained in any other law, no Warehouse Operator shall either on his own account or that of others, deal in, or lend money or finance against the Produce received by him for deposit/custody on behalf of owners/transferor of Produce in his Warehouse.

19. Transfer of Produce. - Transfer of Produce from Warehouse to any other location will always require NOC from CMC and a Financial Institution, if relevant and in case the license of such CMC has been cancelled by the Commission, the direction of the Commission shall prevail.

20. Accounts and books to be maintained by Warehouse Operator. - A Warehouse Operator shall maintain accounts, books and records and shall have IT systems in place that will ensure effective functioning of commodity trading.

21. Obligations towards the Collateral Management Company. - A Warehouse Operator shall, in connection with the inspection, allow the CMC to have access to its premises and extend full cooperation for examining any books, accounts, records, and Produce in the custody of the Warehouse.

CHAPTER VI

WAREHOUSE RECEIPTS

22. Receipt to be issued: - (1) Against the Produce deposited in the Warehouse by each depositor, the CMC, upon intimation by the Warehouse Operator, shall immediately issue a Physical Warehouse Receipt, which shall contain full particulars of the Produce, as specified under Regulation 28(2) along with the name of the Warehouse Operator and the expiry date of receipt.

(2) The Physical Warehouse Receipt shall be temporary and remain valid only until the Depositor surrenders it to CMC for its cancellation, whereupon the CMC will issue an Electronic Warehouse Receipt to the Depositor, which shall simultaneously be entered into the system by CMC in favor of the holder of the receipt:

Provided that the details contained in the Physical Warehouse Receipt must match the contents of the Electronic Warehouse Receipt.

Provided further that the EWR may be made eligible for induction into the Central Depository System as a CDS-eligible security subject to prior approval of the Commission.

23. Transferability of EWR. - The EWR issued by a Collateral Management Company shall be transferable only upon endorsement of such CMC and shall entitle the lawful holder thereof to receive the Produce specified in it on the same terms and conditions as the original depositor/owner/seller/transferor.

24. Standardization and issuance of Warehouse Receipts: - (1) The CMC shall be the repository of the Electronic Warehouse Receipt books, and shall control and maintain the records of such Warehouse receipt book.

(2) The Warehouse receipt shall contain all the following particulars, namely:-

(a) receipt number;

(b) Warehouse registration number and date up to which it is valid;

(c) name of the Warehouse and its complete postal address;

(d) name and address of the person by whom or on whose behalf the goods are deposited;

(e) date of issue of the Electronic Warehouse Receipt;

(f) statement that the goods received shall be delivered to the holder thereof;

(g) storage charges and handling charges;

(h) description of the goods or of the packages containing them with particulars of quantity and quality or grade;

(i) market value of the goods at the time of deposit;

(j) private marks of Depositor on the goods or packages, if any, except in the case of fungible goods;

(k) name of the insurance company indemnifying for fire, flood, theft, burglary, misappropriation, riots, strikes or terrorism;

(l) statement of the amount of any advance made and of any liability incurred for which the Warehouse Operator claims his lien;

(m) date and signature of the Warehouse Operator or his authorized agent;

(n) declared shelf-life of goods;

(o) the fact that the Warehouse Operator holds the lien on the goods deposited for his storage and handling charges; and

(p) that the receipt would be valid only till the date of expiry of declared shelf-life of the goods for which it is issued.

(3) In case a CMC willfully omits from an Electronic Warehouse Receipt any of the particulars set out in sub-regulation (2), it shall be liable for damages caused by such omission.

(4) No Electronic Warehouse Receipt shall, by reason of the omission only of any of the particulars set forth in sub-regulation (2), be deemed to be invalid for the purpose of settlement of disputes or claims.

(5) CMC may, with the prior approval of the Commission, add, delete or modify any particulars as specified in sub-regulation (2) for all or any Produce or for any class of Warehouses.

(6) The Warehouse receipt issued by a CMC under these regulations, shall be in a standard format, size and font as approved by the Commission.

(7) Each Electronic Warehouse Receipt book and each Electronic Warehouse Receipt therein shall be allocated a serial number, which shall be duly noted in a separate register by the CMC.

25. Maintenance of Record of Warehouse Receipts. - (1) The CMC shall maintain a record of, -

- (a) total number and value of the Warehouse Receipts issued;
- (b) date of issuance of the Electronic Warehouse Receipt;
- (c) date of expiry of the Electronic Warehouse Receipt issued;
- (d) the commodities for which the Electronic Warehouse Receipt has been issued;
- (e) the quality and quantity of the commodities as specified in the electronic Warehouse receipt;
- (f) any Warehouse receipt that has been surrendered to the CMC by a depositor;
- (g) any Electronic Warehouse Receipt that has been cancelled by the CMC;
- (h) any transaction that has been carried out on the Electronic Warehouse Receipt: and
- (i) any other information prescribed or sought by the Commission.

(2) The CMC shall submit a summary of total number of Electronic Warehouse Receipts issued commodity-wise, along with the total value of the relevant Produce, on monthly basis to the Commission.

(3) The CMC shall inform the Commission immediately of any loss, damage or destruction of any record or report in relation to the Electronic Warehouse Receipts.

26. Financing against EWR in respect of Produce. - (1) The CMC may make necessary arrangements for provision of financing against the EWR, issued in respect of the Produce, including the matters concerning the collateral management of such financing/ownership in accordance with such terms and conditions as may be provided by the CMC with the prior approval of the Commission.

(2) The CMC may, from time to time, amend, modify, alter, rescind or substitute the terms and conditions referred to in sub-regulation (1) with the prior approval of the Commission.

CHAPTER VII

DISCIPLINARY PROCEEDINGS

27. Restriction or suspension of License. – (1) Where a CMC contravenes or fails to comply with any provision of these regulations or is not in compliance with the conditions of license or any directive issued or order passed by the Commission, the Commission may, after providing a reasonable opportunity of representation to the CMC, impose-

- (a) a restriction on its activities as CMC or suspend its license; and
- (b) penalties provided under sub-section (1) of section 282J of the Ordinance.

(2) A CMC whose license has been suspended shall not act as, or perform activities as a CMC during the period of suspension and remove the cause of suspension within a period of one hundred and twenty days from the receipt of the suspension order or such earlier period as specified in the order of suspension.

(3) The Commission while restricting or suspending the license of a CMC may impose such conditions, as it deems appropriate.

28. Cancellation of License. – (1) The Commission, after providing to a CMC a reasonable opportunity of being heard, may cancel the license of a CMC, if-

- (a) in the opinion of the Commission a CMC has been in violation of any provision of these regulations or restriction imposed under sub-regulation (1) of regulation 27; or
- (b) it is found guilty of fraud or any criminal offence of moral turpitude; or
- (c) its license has been suspended and the causes of suspension have not been removed within one hundred and twenty days from the receipt of suspension order or such earlier period as specified in the order of suspension; or
- (d) it has in any other manner become incompetent to carry out its functions as required under these Regulations.

(2) The Commission while cancelling the license of a CMC may take such measures and issue such directions as it deems appropriate as are not inconsistent with the Act and Ordinance.

(3) The license of a CMC shall stand automatically cancelled if such CMC-

- (a) voluntarily surrenders its license to the Commission; or
- (b) is wound up by an order passed by a court of competent jurisdiction; or

(4) Notwithstanding anything contained in sub-regulation (1), where the Commission is satisfied that a delay in the cancellation of license of the CMC will be detrimental to the interest of depositors or the public in general,

the Commission may immediately cancel the license of the CMC till the time an opportunity of being heard is provided to the CMC and final order is passed:

Provided that where the Commission cancels the license under sub-regulation (4), the opportunity of being heard and final order must be passed within ninety days of such cancellation.

(5) Upon cancellation of license, the CMC shall with immediate effect cease its business as a CMC and transfer all the necessary record to another CMC with the prior approval of the Commission.

(6) A CMC whose license has been cancelled shall fulfill its obligations in relation to any accreditation activity pending, inter alia, furnishing of reports, submission of documents etc.

29. Dissemination of information of cancellation of license. – Upon cancellation of license of CMC, the Commission shall publish the said information in widely circulated English and Urdu newspapers, along with the rationale for the said decision, and the order shall also be placed by PMEX on its website:

Provided that in case of suspension or cancellation, the Electronic Warehouse Receipt issued by a CMC, whose license has been suspended or cancelled, shall be honored by such CMC, provided that such Electronic Warehouse Receipts are bonafide. However, such CMC shall not issue any more Warehouse receipts till its suspension has been removed. Moreover, all the bonafide Warehouse Operators and their relevant Warehouses, that meet the criteria of these regulations and accredited by such CMC, shall be eligible to operate normally subject to the condition that they shall have them self-accredited by another registered CMC within a period of six months.

CHAPTER VII

MISCELLANEOUS

30. Conduct Inspection. – Notwithstanding anything contained in the provisions herein above, the Commission shall have the power to carry out inspections of the Warehouses and any matter connected with the warehousing business.

31. Power of the Commission to issue Directions. - (1) Where the Commission is satisfied that it is necessary and expedient so to do in the public interest or to prevent the affairs of any Warehouse that are likely to prejudice the interests of the stakeholders, the Commission may issue directions to the Warehouse operator.

(2) The Commission may, on representation made to it or on its own motion, modify or cancel any direction issued under sub-regulation (1), and in so modifying or canceling any direction may impose such conditions as it deems fit.

Schedule I
[See regulation 5(1)(b)]

FIT AND PROPER CRITERIA

DEFINITIONS

"Key Executive" means **key executives of the** Collateral Management Company and includes, inter alia, the persons discharging the following functional responsibilities, -

- a. Any executive, officer acting as second to chief executive officer including chief operating officer or by whatever name called;
- b. any person responsible for heading any specific licensed form of business
- c. chief financial officer, head of accounts or head of finance;
- d. head of internal audit;
- e. head of information technology;
- f. head of risk management;
- g. head of human resource;
- h. head of operations;
- i. head of inspections;
- j. head of marketing/sales;
- k. head of law, company secretary or compliance officer; and
- l. any other functional responsibility which the Commission may include.

APPLICATION AND SCOPE

(1) The Fit and Proper Criteria in relation to a Collateral Management Company is applicable to the following persons:

- (i) promoters and major shareholders of the collateral management company;
- (ii) director of the collateral management company;
- (iii) chief executive of the collateral management company;
- (iv) Key Executives of the collateral management company;

(2) A proposed director or chief executive of the Collateral Management Company shall not assume the charge of office until his appointment has been approved by the Commission.

(3) The application for seeking approval of the Commission under clause 4(1)(f) shall be submitted by the Collateral Management Company along with the requisite information **required under Annexure "A"** and an Affidavit **as specified in Annexure "B"**.

(4) The appointment of Key Executives of a Collateral Management Company does not require the approval of the Commission; however, a Collateral Management Company shall ensure at the time of appointing a Key Executive that such person **qualifies the Fit and Proper Criteria by submitting information as specified in Annexure "C"**.

(5) The fitness and propriety of any person shall be assessed by taking into account all the relevant factors including but not limited to the following:

- (a) Integrity and track record of such person;
- (b) Financial soundness of such a person;
- (c) Competence and capability of the person; and
- (d) Conflict of interest of such person with the business of the collateral management Company.

Provided that 5(c) may not be considered while assessing the fitness & propriety of promoters and major shareholder of the collateral management Company.

Provided further that in case the sponsor and major shareholder is a body corporate, in addition to the relevant/ applicable clauses, corporate behavior of the said body corporate and its sponsors shall be duly considered.

(6) The Fit and Proper Criteria is perpetual in nature and a Collateral Management Company shall ensure compliance with the provisions of Fit and Proper Criteria.

(7) The Collateral Management Company shall within 30 days of the close of each calendar year submit the following documents with regard to its chief executive and directors:

- (a) CIB reports of the chief executive and directors and the companies, firms, sole proprietorships, etc. where they are acting as directors, chief executives, partners or sponsors; and
- (b) Latest tax returns.

(8) All persons subject to Fit and Proper Criteria shall report any change with reference to their fitness and propriety to the respective Collateral Management Company within three business days of such change taking effect and Collateral Management Company shall within a period of seven business days from the date of receipt, report the same to the Commission.

(9) Collateral Management Company shall monitor whether any change in the status of its chief executive, directors and key executives is contrary to the requirements of the Fit and Proper Criteria. In case of any change in status result in non-compliance with the Fit and Proper Criteria, the Collateral Management Company shall immediately stop the person from performing his assigned functions, informs the Commission and initiate the process for replacement of the individual with a fit and proper individual.

(10) Any violations or circumvention of the Fit and Proper Criteria shall be dealt with under the provisions of the Ordinance.

ASSESSMENT OF FITNESS AND PROPRIETY

(a) Integrity and Track Record

A person shall not be considered Fit and Proper if he:

- (i) has been convicted of an offence involving moral turpitude;
- (ii) has been involved in the mismanagement of investments, financial or business misconduct, fraud etcetera;
- (iii) has been the subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;

- (iv) has been actively involved in the management of a company or firm whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices;
 - (v) is ineligible, under the Ordinance or any other legislation or regulation, from acting as a director or serving in a managerial capacity of a Collateral Management Company or a company;
 - (vi) has entered into a plea bargain arrangement with the National Accountability Bureau; and
 - (vii) in case of promoters or major shareholder of collateral management company, does not have the requisite disclosed and verifiable financial resources.
- (b) Financial soundness

In determining a person's financial soundness, the following shall be considered:

- (i) **whether such person's financial statements or record including wealth statements or income tax returns or assessment orders are available;**
 - (ii) whether the person has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;
 - (iii) whether any instance of overdue payments or default to a Financial Institution or write-offs by a Financial Institution are appearing in the latest Credit Information Bureau report of the person and of the companies, firms, sole proprietorships etc. where the person was a chief executive, director (major shareholder/ sponsor), partner, owner etc.
 - (iv) whether the person has applied to be adjudicated as an insolvent and his application is pending;
 - (v) whether the person is an un-discharged insolvent; and
 - (vi) whether the person has been declared a defaulter by a stock exchange or futures exchange.
- (c) Competence and Capability

In determining a person's competence and capability the following shall be considered:

- (i) the directors should be individuals having management or business experience of at least five years at a senior level;
 - (ii) the directors shall have experience and knowledge in any profession such as finance, accounting, marketing, trading, agriculture, etc.;
 - (iii) the chief executive should have a minimum experience of five years in a senior management position;
 - (iv) the chief executive should have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position; and
 - (v) the key officers must be qualified professionals possessing relevant experience and certification relating to the job or assignment.
- (d) Conflict of interest

The directors or chief executive of Collateral Management Company shall not be a director in any other Collateral Management Company engaged in a similar business in Pakistan.

Provided that this condition shall not apply to nominees of the Federal or Provincial Governments on the board of any collateral management company;

- (a) Information to be provided by promoters, major shareholders (other than a body corporate), proposed directors and proposed chief executive of the Collateral Management Company

| | |
|----|---|
| 1. | Curriculum Vitae/Resume containing: |
| a | Name: (former name if any): |
| b | Father's or Husband Name: |
| c | C.N.I.C # / Passport # (In case of foreign nationals) –(attach copy) |
| d | Latest photograph |
| e | Nationality: |
| f | Age: |
| g | Contact details: |
| | i) Residential address: |
| | ii) Business address: |
| | iii) Tel: |
| | iv) Mobile: |
| | v) Fax: |
| | vi) E-mail: |
| h | National Tax Number: |
| i | Present occupation: |
| j | Qualification(s): |
| | i) Academic: (Attach copy) (In case of CEO, HEC verification of all degrees) |
| | ii) Professional: (Attach copy) |
| k | Trainings |
| l | Experience: Position held during the last ten years (along with name and address of company/institution/ body where appointment held, nature of the company/institution/body and dates of appointment). In case of CEO, verification of antecedents from all the previous employers. |
| 2. | Status of directorship Shareholder <input type="checkbox"/> Nominee <input type="checkbox"/> Name of the shareholders/ Group of shareholders he is representing Nature of directorship Executive <input type="checkbox"/> Non-executive <input type="checkbox"/> Independent <input type="checkbox"/> Non-independent <input type="checkbox"/> Number of shares subscribed or held _____ Personal net worth (copy of wealth statement) _____ |
| 3. | Names of companies, firms, sole proprietorships and other organizations of which the proposed person is a chief executive, director, partner, sponsor, office holder or major shareholder. |
| 4. | (1) CIB report issued by SBP for the companies, firms, sole proprietorships, etc. where the applicant is/was a director (sponsor or major shareholder), chief executive, partner or owner (attach original CIB reports) |
| | (2) An undertaking providing details of the following: I. Any write off availed from any Financial Institution during the last five years II. Any default of Finance obtained from any Financial Institution during the last five years. III. Placement on ECL during the last five years |

| | |
|----|--|
| | <p>IV. Any conviction from any Court of Law or any plea bargain with NAB during the last ten years</p> <p>V. Any write off or default by any related or affiliated person or by any company on whom the applicant or anyone closely related to him had an interest as sponsor, major shareholder, director, chief executive, key executives, etc. during the last five years</p> |
| 5. | In the case of appointment of directors the date of board of directors' meeting in which the appointment of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors. If the director is elected, then attach a copy of the minutes of the general meeting of the company.) |
| 6. | Names of persons on the board of the Collateral Management Company who are related to the applicant. |

Signature _____

*use additional sheets if required

- (b) Information to be provided by a body corporate as promoters and major shareholders of the collateral management company:
1. Financial statements for the last three years;
 2. Details of business places;
 3. Shareholding details;
 4. CIB report of the company and its directors and sponsors;
 5. Details of any write off availed from any Financial Institution during the last five years
 6. Details of any default of Finance obtained from any Financial Institution during the last five years.
 7. Details of any rescheduling of Finance obtained from any Financial Institution during the last five years.
 8. Any substantial adverse verdicts against the Company from any Court of Law during the last ten years
 9. Details of associated companies and subsidiaries;
 10. Details of any exiting or potential litigation in the name of the company, its sponsors and directors;
 11. Details of any inquiry, investigation conducted by the Commission or any other regulatory or professional body or government agency during the last five years; and
 12. Any other information as may be required by the Commission.

Affidavit
Before the Securities and Exchange Commission of Pakistan

(On Stamp Paper of Appropriate Value)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-

1. That I am eligible for the position of _____ according to the Fit and Proper Criteria for the position of _____, annexed to the Collateral Management Companies (Establishment and Operations) Regulations, 2017
2. That I hereby confirm that the statements made, undertakings provided and the information given by me including that required under Schedule I is correct and that there are no facts which have been concealed.
3. That I have no objection if the Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party.
4. That I undertake to bring to the attention of the Securities Exchange Commission of Pakistan any matter which may potentially affect my status for the position of _____ as per the Fit and Proper Criteria annexed to the Collateral Management

Companies (Establishment and Operations) Regulations, 2017

- 5.
6. That all the documents provided to Securities Exchange Commission of Pakistan are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

DEPONENT

The Deponent is identified by me

Signature _____
ADVOCATE
(Name and Seal)

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature _____
OATH COMMISSIONER FOR TAKING AFFIDAVIT
(Name and Seal)

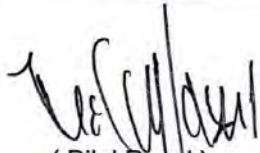
Information to be provided by key executives of the Collateral Management Company

1. Position and Grade held by the Officer
2. Date of assumption of current position (dd/mm/yyyy)
3. Curriculum Vitae/ Resume containing:
 - a) Name (Former name, if any)
 - b) Father or husband name
 - c) CNIC # / Passport # (In case of foreign nationals)
 - d) Nationality
 - e) Age
 - f) Contact details
 - i. Residential address
 - ii. Business address
 - iii. Telephone
 - iv. Mobile
 - v. Fax
 - vi. Email
 - g) National tax number
 - h) Education
 - i. Academic qualification (HEC verification of all degrees)
 - ii. Professional qualification
 - i) Trainings
4. Previous Employment(s)
5. Latest photograph
6. Has the executive ever been convicted of any offence? If yes, please provide details
7. Has the executive ever been censured or penalized by any financial regulator (local or foreign)? If yes please give details
8. Has the executive ever been dismissed from employment? If yes please give details
9. An undertaking providing details of the following:
 - i. Any write off availed from any Financial Institution during the last five years
 - ii. Any default of Finance obtained from any Financial Institution during the last five years.
 - iii. Placement on ECL during the last five years
 - iv. Any conviction from any Court of Law and plea bargain with NAB during the last ten years

(Signature of the concerned official)

(Signature and Stamp of Employer)

[F.No.SY/SECP/8/13]


 (Bilal Rasul)
 Secretary to the Commission