

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

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Islamabad, the 26th April, 2017

NOTIFICATION

S.R.O. 286 (I)/2017.- In exercise of its powers conferred under section 23 of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (Act No. XV of 2012) the Securities and Exchange Commission of Pakistan hereby makes the following amendments to the Stock Exchanges (Corporatisation, Demutualization and Integration) Regulations, 2012, namely:-

In the aforesaid Regulations, the following new Parts VIII and IX shall be inserted after the existing Regulation 41:

PART - VIII

Offer for Sale of Shares

42. Time and manner of offer for sale of shares lying in the blocked account.-

(1) The board of directors of the Exchange shall determine the time within which not less than twenty percent of total issued share capital out of shares of the Exchange lying in the blocked account shall be offered for sale.

(2) The offer for sale of shares lying in the blocked account shall be made in accordance with applicable provisions of the Act, the Securities Act, 2015, the Companies Ordinance and applicable rules and regulations framed thereunder, unless otherwise provided in these regulations or as may be notified by the Commission.

(3) The allocation of shares under the book building portion shall be seventy five percent of the offer size and the remaining twenty five percent shares shall be allocated to the retail portion.

(4) The bidders in book building shall bid for hundred percent of the offer size. The strike price shall be the price at which hundred percent of the offer size is subscribed. However, the successful bidders shall be allotted only seventy-five percent of the offer size and the remaining twenty-five percent shares would be offered to the retail investors.

(5) The bidders shall give an undertaking along with the bid application that they would subscribe to the shares remaining unsubscribed by the retail investors, if any. Their balance bid money would remain in the book building account with the banker to the book building portion till allotment of unsubscribed shares, if any, of the retail portion to them on pro-rata basis.

(6) In case the retail portion is fully subscribed, the balance bid money shall be immediately refunded to the successful bidders.

(7) The retail portion of the offer may not be underwritten.

(8) The following persons shall be eligible for participating in the book building process and the persons listed at (i) to (iv) shall submit an undertaking of compliance to the Exchange and the Commission with respect to regulation 39 prior to participating in book building:

- (i) a financial institution;
- (ii) a pension fund authorized under the Voluntary Pension System Rules, 2005;
- (iii) a fund established under the Collective Investment Scheme under the Non-Banking Companies (Establishment and Regulation) Rules, 2003;
- (iv) a company which has a history of investing in the securities market;
- (v) a high net worth individual; and
- (vi) a non-resident Pakistani individual holding Overseas ID Card (NICOP) issued by the National Database and Registration Authority:

Provided that the requirement of sub-regulation (a) of regulation 39 shall not be applicable to persons which have TRE certificate holders only as their subsidiaries.

(9) For the purposes of this regulation a "high net worth individual" includes a non-resident Pakistani individual and means any individual who:

- (i) is on the Active Taxpayer List of the Federal Board of Revenue;
- (ii) at the time of registration with the book runner submits his National Tax Number;
- (iii) makes payment for the bid through a banking instrument in his own name;
- (iv) has annual taxable income not less than two million rupees;
- (v) is registered with the book runner at least three days prior to commencement of book building;
- (vi) has experience of investing in the securities market;
- (vii) makes a minimum bid of three million rupees in book building; and
- (viii) provides a declaration on non-judicial paper that he is not a connected person of a TRE certificate holder:

Provided that for the purpose of this regulation non-resident Pakistani individuals shall not be required to comply with clauses (i) and (ii):

(10) The minimum number of bidders required to participate in the book building process shall be determined by the board of directors of the Exchange.

(11) The minimum bid size for book building shall be three million rupees.

(12) An eligible person under sub-regulation (8) shall not make more than one bid either severally or jointly and in case of non-resident Pakistani he shall furnish such information as required by the Commission.

(13) The book runner for the offer for sale shall be a scheduled bank or a development financial institution notified by the State Bank of Pakistan or any other institution as may be notified by the Commission:

Provided that for the purposes of these regulations the book runner shall not be required to be registered with the Commission under regulation 14 of the Book Building Regulations, 2015 but shall comply, *mutatis mutandis*, with all other applicable provisions of the Book Building Regulations, 2015.

(14) The book runner shall furnish such information for persons in sub-regulation (8) to the Commission on the format specified by the Commission as and when required.

43. Shareholding limits.- Notwithstanding the shareholding limits at any time prior to or after the sale of shares through an offer for sale under these regulations:

- (i) foreign persons shall not collectively directly or indirectly acquire or hold more than thirty percent of the total issued share capital of the Exchange;
- (ii) a financial institution shall not directly or indirectly acquire or hold more than five percent of the total issued share capital of the Exchange; and
- (iii) any other person shall not directly or indirectly acquire or hold more than one percent of the total issued share capital of the Exchange.

44. Committee for offer for sale of shares of the Exchange.- (1) On determination of the time under sub-regulation (1) of regulation 42, the initial shareholders of the Exchange shall in a meeting of initial shareholders, constitute a committee comprising up to 10 initial shareholders or ratify constitution of the divestment committee for offer for sale of shares of the Exchange.

(2) Responsibilities of the committee constituted or ratified, as the case may be, under sub-regulation (1) shall, *inter alia*, include appointment of consultant to the issue, determination of floor price for book building, determination of offer price for the retail portion, finalization and approval of prospectus and any other functions generally performed by sponsors in an offer for sale.

45. Constitution of committee by the Commission to review applications.- (1) On determination of the time under sub-regulation (1) of regulation 42, the Commission shall constitute a committee comprising independent professionals and industry experts, excluding any TRE certificate holders and connected persons of TRE certificate holders.

(2) The committee constituted under sub-regulation (1) shall independently review the applications submitted under regulation 46 and submit its recommendations to the board of directors of the Exchange.

46. Applications for issue, circulation and publication of prospectus for offer for sale of shares and self-listing.- (1) The committee constituted or ratified, as the case may be, under regulation 44 shall appoint a consultant to the issue and submit an application to the board of directors of the Exchange in prescribed form and supported by documents as provided in Annexure III to issue, circulate and publish the prospectus under section 87 and section 88 of the Securities Act, 2015 and any rules and regulations framed thereunder, for offer for sale of shares of the Exchange lying in the blocked account along with an application for self-listing of shares of the Exchange under sub-section (4) of section 15 of the Act accompanied by documents prescribed in Annexure IV.

(2) The board of directors of the Exchange shall review and forward the applications to the committee constituted under regulation 45 for its review and recommendations.

(3) On receipt of the applications and recommendations from the committee constituted under regulation 45, the board of directors of the Exchange shall approve and submit the applications along with prospectus and other documents to the Commission for approval under these regulations.

(4) The applications and prospectus shall be signed by members of the committee constituted or ratified, as the case may be, under regulation 44 and board of directors of the Exchange.

47. Approval of application.- (1) The Commission shall, upon scrutiny of the application submitted under regulation 46 to issue, circulate and publish the prospectus under section 88 read with section 87 of the Securities Act, 2015 and any regulations framed thereunder, for offer for sale of shares of the Exchange lying in the blocked account, grant approval to the Exchange for the issuance, circulation and publication of the prospectus subject to such conditions or restrictions as the Commission considers necessary:

Provided that where the Commission is satisfied that the application for offer for sale of shares filed by the Exchange is not in the interest of the capital market, the investors or the public in general, the Commission after recording reasons in writing and after providing the board of directors of the Exchange and the committee constituted or ratified, as the case may be, under regulation 44 an opportunity of hearing may refuse the application and in such case relevant provisions of the Act shall be applicable.

(2) The Commission may, if deemed appropriate, give direction for revision in the floor price or send back the prospectus for reconsideration of the board of directors of the Exchange and the committee constituted or ratified, as the case may be, under regulation 44.

(3) The Exchange shall, within fifteen days of receipt of approval of the application under sub-regulation (1), submit to the Commission the proposed dates for issuance of prospectus and offer for sale of shares.

(4) The Exchange shall confirm to the Commission completion of the book building, subscription of retail portion and allotment process.

48. Failure to sell shares through an offer for sale.- Where the process for sale of not less than twenty percent of total issued share capital out of shares of the Exchange lying in the blocked account through an offer for sale fails to complete under these regulations, the Commission may take such steps or give such directions as may be necessary for achieving the sale of such shares.

PART IX

Self-Listing

49. Self-listing of shares of the Exchange – (1) The Commission may grant, defer or refuse permission for self-listing as deemed appropriate in its discretion.

(2) Upon completion of the book building, subscription of retail portion and allotment process, the Commission shall, under sub-section (5) of section 15 of the Act, approve the application for self-listing of shares of the Exchange submitted under

regulation 46 and order listing of shares of the Exchange on itself, along with a schedule for its formal listing:

Provided where the Commission is not satisfied with transparency of the book building process or it does not appear to be in the interest of the public or the capital market, the Commission may declare the book building as null and void and direct the Exchange to commence the process *de novo* and may defer the application of self-listing till fresh process of book building is completed.

(3) The Exchange shall be self-listed and all applicable provisions for listing of a security on the Exchange as provided in the Securities Act, 2015, the Companies Ordinance and all other applicable rules and regulations framed thereunder shall apply, unless otherwise prescribed in these regulations or specified by the Commission.

(4) Where approval of the Commission is granted for self-listing of the Exchange, the Exchange shall make such arrangements as the Commission may require for:

- (a) dealing with possible conflicts of interest that may arise from self-listing;
- (b) ensuring the integrity of trading of securities of the Exchange; and
- (c) compliance with obligations and requirements as a listed company.

50. Payment of fee- The Exchange shall pay to the Commission such supervisory fee as applicable on listed companies and as specified by the Commission from time to time.

51. Powers and functions of the Commission for the purposes of offer for sale of shares of the Exchange lying in blocked account and self-listing.- (1) The Commission shall act as frontline regulator in case of self-listing and offer for sale of shares of the Exchange and for this purpose, all powers and functions of the Exchange for the performance of all or any action, grant of any approvals, requirements for submission of applications, forms or documents and any decision necessary to be taken or action performed by the Exchange in case of listing or public offer of shares under the Act, the Securities Act, 2015, the Companies Ordinance and any rules or regulations framed thereunder, shall vest and be performed by the Commission including but not limited to the powers and functions of the Exchange in relation to:

- (a) listing of securities including powers to request, accept and review any documents, information, applications or undertakings, or grant, refuse or issue regulatory or procedural approvals, instructions or no objection certificates;
- (b) ensuring compliance with any ongoing requirement for listed companies;
- (c) monitoring compliance with the disclosure of material information requirements;
- (d) conducting surveillance of trading in shares of the Exchange;
- (e) delisting or placing in the defaulters' segment, or suspending trading in shares or taking any other enforcement or disciplinary action(s) in case

of any violation/non-compliance of applicable regulations by the Exchange;

- (f) collecting any fees, charges, penalties within such time and manner as applicable for a listed company;
- (g) modifying or relaxing the listing requirements in relation to self-listing;
- (h) exempting or relaxing any ongoing listing requirements; and
- (i) any other matters as deemed appropriate by the Commission.

(2) In case where any inconsistency arises between the provisions of these regulations and listing and other regulations of the Exchange, the provisions of these regulations shall apply unless otherwise specified by the Commission.

52. Obligations of the Exchange in case of offer for sale of shares of the Exchange lying in blocked account and self-listing.- The obligations of the Exchange in relation to its self-listing and offer for sale of shares lying in blocked account include but are not limited to:

- (a) all obligations that an applicant for listing of securities on the Exchange would normally have under the regulations of the Exchange;
- (b) all obligations that a listed company has under the regulations of the Exchange;
- (c) the Exchange shall follow due process of listing as applicable on any other company and also comply with all requirements as required to be complied with by any other listed company, unless otherwise specified by the Commission; and
- (d) where the regulations require documents or information to be filed with or delivered to the Exchange, such documents or information shall be filed with or delivered to the Commission.

53. Trading in shares of the Exchange.- (1) The minimum lot size for trading in shares of the Exchange shall be determined by the board of directors of the Exchange with the approval of the Commission.

(2) The Exchange, CDC and National Clearing Company of Pakistan Limited shall ensure that the shareholding limits as specified in the Act and these Regulations are complied with.

(3) The shares of the Exchange shall not be eligible as margin eligible securities and for any financing product by whatsoever name called, including leveraged markets under the Securities (Leveraged Markets and Pledging) Rules, 2011, or any futures contract, till such time as may be specified by the Commission.

Explanation: For the purpose of this regulation, the term "futures contract" shall have the same meaning as ascribed thereto in the Futures Market Act, 2016.

(4) Dividends shall be paid by the Exchange in Pakistani rupees within Pakistan.

Annexure III
[See regulation 46]

**APPLICATION UNDER SECTION 88(1) READ WITH SECTION 87(2) OF THE
SECURITIES ACT, 2015
(ON THE EXCHANGE'S LETTERHEAD)**

No.....

Date.....

The Commissioner,
Securities Market Division,
Securities and Exchange Commission of Pakistan,
Islamabad.

Subject: Application under Section 88(1) read with Section 87(2) of the Securities Act, 2015 for approval to issue, circulate and publish the Prospectus for offer ofmillion [name of the securities] by [name of Exchange].

Dear Sir,

I, the Chief Executive Officer/the Chief Financial Officer/the Company Secretary of(name of the Exchange)..... duly authorized by the Board of Directors to do so hereby apply under Section 88(1) read with Section 87(2) of the Securities Act, 2015 for seeking approval to issue circulate and publish the prospectus for issue ofmillion [name of securities].....

2. I have gone through the draft prospectus attached to this application and ensure that all material facts, information and risk factors related to the offer are disclosed in a simple and plain language and in a proper manner, that nothing has been concealed and that the attached draft prospectus illustrates full, true and fair picture of the issue and the Exchange.

3. Salient features of the issue are attached herewith.

Yours truly,

Signatures:.....
Name:.....
CNIC No.....
Designation.....
Date.....
Place.....
Official Stamp.....

Note:-

This application should be signed by the company secretary or the chief executive officer of the Exchange duly authorized by the board of directors to do so.

List of documents required to be submitted along with application for approval of prospectus

1. Copy of the Prospectus, in English and Urdu languages, both in full and abridged Form with last page signed in original and duly witnessed.
2. Copy of the advertisement, if any.
3. Affidavit, on Non-Judicial Stamp Paper, from the Chief Executive Officer (CEO) & the Chief Financial Officer (CFO) of the Exchange on making of full, true and plain disclosure of all material facts in the prospectus and the supporting documents as required under clause 30A of Part-I of section 2 of the Second Schedule of the Companies Ordinance, 1984, duly certified by the Oath Commissioner.
4. Power of Attorney, on Non-Judicial Stamp Paper, in favor of the consultants to the issue, if any, certified by Notary Public.
5. Original Paid Challan evidencing payment of non-refundable application processing fee of such amount as mentioned in the Companies Ordinance, 1984.
6. Audited accounts for the last 5 years. Auditors' Certificates of the Exchange under Clause 28(1) of Section 2 of Part-I of the second schedule to the Companies Ordinance, 1984 and the break-up value per ordinary share on the basis of latest audited accounts along with its calculation as well as a copy of consent letter of the Chartered Accountants.
7. Copy of the trust deed and related documents including letter of hypothecation, certificate of registration of mortgage/charge, particular of mortgages/charges etc.
8. Copies of the material contracts related to the Issue.
9. Undertaking on non-judicial stamp paper regarding no-buy-back / repurchase agreement separately from Sponsors duly certified by the Oath Commissioner.
10. Undertaking on non-judicial stamp paper from CEO, Company Secretary or CFO of the Exchange and the directors of the Exchange duly certified by Oath Commissioner stating that all legal proceedings other than ordinary routine litigations incidental to the business of the Exchange as described in clause 27 of the Part-I of Second Schedule to the Companies Ordinance, 1984, have been disclosed in the Prospectus.
11. Certificate from Auditors testifying subscription of sponsors' money.
Copy of all Form-3 duly certified from concerned Company Registration Office.

Note: The documents submitted in the form of photocopy, must be certified by the Company Secretary or the CEO.

Annexure IV
[See regulation 46]

Documents to be submitted with application for self-listing

The following documents and information shall be submitted by the board of directors of the Exchange to the Commission along with application for self-listing:

1. An application for self-listing on Form I.
2. Undertaking on Form-II.
3. Copy of the certificate of incorporation.
4. Copy of the resolution passed by the Board of Directors of the Exchange with respect to self-listing and sale of shares lying in blocked account through an offer for sale.
5. Pay Orders/Bank Drafts/Cheques in favor of the Commission for payment of fee mentioned in these regulations.
6. Auditors' Certificates under Clause 28(1) of Section 2 of Part-I of the Second Schedule to the Companies Ordinance, 1984. The certificate shall also state Earning Per Share (EPS) of the Exchange for the last five years or for a shorter period if five years of the commencement of business are not completed.
The audited accounts disclosed in the Prospectus shall not be older than six months from the date of publication of the Prospectus.
7. Auditor's certificate on the Break-up value of shares on the basis of the latest audited accounts along with its calculation.
8. Copies of all material contracts and agreements relating to the offer of shares, if any.
9. Copy of the consent from the auditor, expert, legal advisors to the Offer, if any.
10. Copy of letter jointly signed by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Exchange confirming that they have reviewed the contents of the draft prospectus and to the best of their knowledge and belief these have been stated/disclosed correctly and fairly.
11. Copies of individual consent letters from all Directors, CEO and Secretary of the Exchange for publishing their names in their respective capacity in the Prospectus. The consent letters shall be dated and contain full name, father's name, CNIC or Passport Number & latest postal address of respective person.
12. 20 copies of draft full Prospectus and advertisement, if any, with last page signed in original by directors of the Exchange, as the case may be.
13. 20 copies of audited annual accounts of the Exchange for the last 5 years and its latest half yearly and quarterly accounts, if any.
14. Copy of the Memorandum and Articles of Association of the Exchange.
15. A brief history of the Exchange since incorporation giving details of its activities including any re-organization, changes in its capital structure and borrowings.
16. A statement showing:
 - (i) cash dividends and bonuses paid subsequent to demutualization of the Exchange.
 - (ii) dividends or interest in arrears, if any.
17. A statement containing particulars, dates of and parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar other documents except those entered into in the normal course of the Exchange's business or intended business together with a brief description of the terms of such agreements.
18. Particulars of the security listing of which is sought.

19. Certificate from lead manager/advisor to the issue regarding compliance by the Exchange of requirements of regulations of PSX and disclosure/regulatory requirements of the Commission.
20. Confirmation from the Exchange regarding compliance with all the eligibility criteria of the Exchange and other regulatory requirements/disclosure requirements of the Commission.
21. Any other document/material/information as may be required by the Commission for its own record or for inclusion in the prospectus.

Notes:

- i) Please note that copies of all the documents are certified by the Company Secretary/CEO.
- ii) Please note that all documents relating to regulatory authority are duly certified from the concerned Company Registration Office or concerned Regulatory Authority.
- iii) Please note that in addition to the above-mentioned documents, the following shall be also be submitted:
 - a) Soft copy of the draft prospectus;
 - b) Scanned copy of the Memorandum & Articles of Association; and
 - c) Scanned copy of the audited annual accounts of the Exchange for the last 5 years and its latest half yearly and quarterly accounts.

FORM I

Form of application for self-listing of shares of the Exchange

To:
The Securities and Exchange Commission of Pakistan
Islamabad.

Dear Sir,

1. We hereby apply for the listing of our ordinary shares on the Pakistan Stock Exchange Limited.
2. Necessary information and documents as required under the Stock Exchanges (Corporatisation, Demutualization and Integration) Regulations, 2012 are enclosed herewith.

Yours faithfully,

SIGNATURE & ADDRESS

FORM II

Form of unconditional undertaking on non-judicial stamp paper of Rs.20/-

Dated: _____

The Securities and Exchange Commission of Pakistan
Islamabad.

UNDERTAKING

We undertake, unconditionally, to abide by the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012, Stock Exchanges (Corporatisation, Demutualization and Integration) Regulations, 2012, the Securities Act, 2015 and any regulations made thereunder and the Listing Regulations of the Pakistan Stock Exchange Limited which presently are, or hereinafter may be in force.


We further undertake:

- (1) That our shares shall be quoted on the Ready Quotation Board or at the discretion of the Commission;
- (2) That the Commission shall not be bound by our request to remove the shares from the Ready Quotation Board;
- (3) That the Commission shall have the right, at any time to suspend or remove the said shares for any reason which the Commission considers sufficient in public interest;
- (4) That the Exchange and/or the security may be delisted by the Commission in the event of non-compliance and breach of this undertaking.

Yours faithfully

(Signature of Authorized Person) Common Seal of the Exchange

No. Sy/SECP/8/13


(Bilal Rasul)
Secretary to the Commission