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