



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

International Affairs, Communication & Coordination (IACC) Department

PRESS RELEASE

FOR IMMEDIATE RELEASE

SECP approves amendments to streamline the process of capital issue

ISLAMABAD, July 21: As part of its mandate to develop an efficient primary market and encouragement of new listing at the stock exchanges, SECP has reviewed the Companies (Issue of Capital) Rules, 1996 (CI Rules) and approved various amendments for efficient raising of funds against issue of shares. Earlier, the draft amendments to the CI Rules were published in the official gazette on September 8, 2010 for soliciting public opinion as required under sub-section (1) of Section 506 of the Companies Ordinance, 1984. The feedback/comments received from the public and the key stakeholders have been considered by the SECP and some of them have been incorporated.

The CI Rules were promulgated in 1996 to regulate issue of share capital by companies and require companies to follow a set criterion while raising funds through initial public offerings (IPOs), right and bonus issues. The CI Rules also prescribe the procedure for issue of shares against consideration otherwise than in cash and disinvestment of shares by certain persons to the public.

The main objective of the amendments to the CI Rules is to streamline the process of capital issue. While administering the CI Rules, it was observed that certain clauses were unclear and created hurdles for the issuers/offerers, who often approached the SECP to seek clarifications and/or relaxations. Furthermore, pursuant to the introduction of the book building process for offer of shares it was felt necessary to make certain amendments in the CI Rules because under the book building process the offer price of shares is decided by market forces through open bidding. The proposed amendments will also streamline the book building process of companies for issue of shares.

The key amendments to the revised draft CI Rules include introduction of one uniform criterion for loan-based projects and equity-based projects, removal of restriction on the sponsors of companies to retain at least 25% of the capital at all times as now sponsors will be required to retain at least 25% of the capital for a period of just three financial years;

removal of the requirement of project appraisal from a financial institution, verification of the installation and shipment of the last consignment of the plant and machinery is no more required to be verified by the stock exchange as now the issuing company shall obtain a report verifying the implementation status of the project from a valuer; and exemption from certain requirements for charging premium in case the issue/offer of shares is made through book building process. The draft amended CI Rules require underwriting of all new issues of capital and approval of the SECP for issue of shares against intangible assets.

After seeking feedback from key stakeholders, during a period of two to three weeks, the same will be submitted to the federal government for approval and then the final revised CI Rules will be notified.

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