

Securities and Exchange Commission of Pakistan

PRESS RELEASE

SECP approves the 2015 Book Building Regulations

ISLAMABAD, June 29: As part of its mandate to promote the primary market and to extend maximum facilitation to initial public offerings (IPOs) in Pakistan, the Policy Board of the Securities and Exchange Commission of Pakistan (SECP) has approved the 2015 Book-Building Regulations.

Earlier, the draft regulations were published in the Official Gazette of Pakistan vide notification S.R.O.35(I)/2015 on January 15, 2015 and in the newspapers on February 7, 2015, to elicit public opinion.

The book-building mechanism in IPO was initially introduced by the SECP in 2008 through amendments to the listing regulations of the stock exchanges. Book building is a common practice in developed markets and being used in emerging markets as well. Since introduction of the book building mechanism in our market, 22 companies make IPOs through book building out of total 33 issues.

The key features of the new book building regulations are as under:

- (a) the total offer size should not be less than 25 million shares
- (b) Maximum bid size by a single bidder is 10% of the book building portion
- (c) The associated companies and associated undertakings of the Issuer or the offerer shall not in aggregate make bids for shares in excess of 5% of the book-building portion
- (d) Person eligible to perform the functions of book runner are required to be registered as a book runner with the SECP
- (e) Prospectus is required to be published and circulated just once, i.e. before commencement of the book building.
- (f) Mechanism for pre-registration of the potential bidders with the institution providing the book building system.
- (g) Provision for payment of margin money through online transfer.
- (h) Restriction on making consolidated bid, i.e. a bid which is fully or partially beneficially owned by persons other than the one named therein.
- (i) An eligible investor shall not make a bid with price variation of more than 20% of the prevailing indicative strike price
- (j) The bidding shall remain open for at least two days;
- (k) Related employees, i.e. employees who are directly involved in the Issue or the offer for sale, of the issuer, the offerer, the book runner and sub-book runner shall not participate in the bidding for share;
- (l) Restriction on release of the subscription money received against the bids accepted till credit and dispatch of all shares allocated under the retail portion of the issue and issuance of NOC by the

relevant securities exchange in case the company is already listed or formal trading of the company in case of new listing

- (m) Withdrawal and downward revision of bids after 4:00 p.m. on last day of the bidding period shall not be allowed
- (n) Failure or refusal to comply with, or contravention of any of the provisions of the regulations shall be punishable with a fine not exceeding ten million rupees

The existing book-building regulations, which are part of the listing regulations of the stock exchanges are not effectively enforceable due to, non-applicability of these regulations to the book runners and non-availability of any penalty clause therein. To bring about efficiency and transparency in the book-building process, it was imperative to replace the regulatory framework for book-building with the one directly administered by the SECP.
