

## Press Release

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*For immediate release*

### **SECP amends Public Offering Regulations to promote quality IPOs**

ISLAMABAD, January 8: After thorough consultation and concurrence of the leading market participants, the SECP has introduced the amendments to the Public Offering Regulations, 2017, notified vide S.R.O. 7(I)/2018. The said notification and amended copy of the regulations is available on the SECP's website.

The amendments to the regulations have been introduced to promote quality listing, ensure fair price discovery through book-building process and increase investors' base.

In order to encourage quality listing and minimize the subjectivity involved in the approval process, certain specific requirements for listing have been introduced to the regulations. The said requirements include at least 3 years operational track record of the company with two years profitability from its core business activities and the book value per share of the company shall not be less than its face value per share. Moreover, the sponsors of the company, i.e. persons holding not less than 51% of the shares, shall be same for the last two years. However, these conditions shall not apply in case of a green field project.

To ensure fair price discovery for IPOs through book building mechanism, certain changes have been made to the book-building process, which include the introduction of concept of price band with the upper limit of not more than 40% of the floor price. Floor price in case of book-building means the minimum offer price per share set by the Issuer. The concept of price band will encourage setting up a more realistic floor price by the issuers for IPOs through book-building method. In order to increase the investor base, the basis of allotment has been changed from time priority basis to proportionate basis.

To ensure participation by high net worth individuals in price discovery process, the minimum bid size has been reviewed from rupees one million to rupees two million and minimum number of bids required have been increased from 40 to 100 bidders, to arrive at a more transparent bidding process.

In order to facilitate the book-building process, bidders have been allowed to revise their bid downward in terms of volume provided the total bid amount remains the same. Moreover, associated institutional investors of the issuer have been allowed to make bids in aggregate up to 10%, instead of earlier limit of 5%, of the shares allocated under the book-building portion. In addition, financial institutions and mutual funds that are associates of the consultant to the issue and the book runner have also been allowed to make investment in an IPO through book-building on a par with other institutional investors.

In order to facilitate investors to make a well informed decision, additional disclosures have been prescribed with regard to peer group companies comparison encompassing Earning per share, book value per share, market value per share; P/E multiple, return on equity; return on assets and free float etc.

The said amendments are expected to provide a more conducive regulatory environment for capital formation in the economy through primary market.

To promote ease of doing business, the concept of e-IPO has already been implemented and the SECP has also expedited its approval processing time which has significantly reduced the time and cost associated with an IPO.