



**LISTING REGULATIONS**  
**OF**  
**KARACHI STOCK EXCHANGE LIMITED**

**[As amended on January 03, 2014 and sent for Gazette Notification]**

## I N D E X

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**LISTING REGULATIONS  
OF THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED**

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**I. PRELIMINARY**

1. Short title and extent of applicability: (1) These Regulations may be called the “Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited.”
  2. The Regulations shall apply to all companies, and securities applying for listing and those listed on the Exchange.
2. (1) In the Regulations, unless there is anything repugnant in the subject or context:
- (i) “Bid Collection Centre”, means pre-determined places where applications for bidding of shares are collected by the Book Runner on behalf of the Issuer/Offeror and may include offices of Corporate Brokerage Houses, Schedule Banks, Development Financial Institutions and Investment Finance Companies, subject to appointment of these institutions as agent by the Book Runner through an agreement in writing for the purpose, with the consent of the Issuers/Offerer;
  - (ii) “Bidding Period”, means the period during which bids for subscription of shares will be made by Institutional Investors and HNWI;
  - (iii) “Board” means the Board of Directors of the Exchange;
  - (iv) “Book Building”, means a mechanism of price determination through which indication of interest for investment in the shares offered by an issuer/offeree is collected from Institutional Investors and HNWI and a book is built which gives a picture of demand for the shares at different price levels. The strike price is determined based on the price at which demand for the share at the end of book building period is sufficient to raise the minimum capital required;
  - (v) “Book Building Offer”, means the offer made under the Book Building process;
  - (vi) “Book Runner”, means a Corporate Brokerage House, appointed as Book Runner by the Issuer/Offeror;
  - (vii) “CDC” means the Central Depository Company of Pakistan Limited;
  - (viii) “CDS” means the Central Depository System established and operated by the Central Depository Company of Pakistan Limited;
  - (ix) “Commission” means the Securities and Exchange Commission of Pakistan;
  - (x) “Defaulters’ Segment” means a separate segment of companies, which have committed irregularities mentioned in Regulation No. 30(1);
  - (xi) “Eligible Security” means a security which the CDC has declared to be eligible for deposit with the CDS;
  - (xii) “Exchange” means the Karachi Stock Exchange (Guarantee) Limited;
  - (xiii) “Final Prospectus/Offer for Sale Document”, means the prospectus/offer for sale document containing all the information & disclosures as required under the Companies Ordinance, 1984 together with disclosure of the strike price and results of the Book Building process;
  - (xiv) “Floor Price”, means the minimum price set by the Issuer/Offeror for offer of shares;
  - (xv) “General public”, means all individual and institutional investors including both Pakistani (residents & non-residents) and foreign investors;

- (xvi) "High Net worth Individual Investor (HNWI)", means an individual investor who applies or bids for shares of the value of Rs. 1,000,000/- or above in the Book Building process;
- (xvii) "Institutional Investor", includes both local and foreign institutional investors;
- (xviii) "Investment Finance Company", means an investment finance company as defined in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- (xix) "Issuer", means a public limited Company or a body corporate which intends to issue shares to the public through prospectus under section 57 of the Companies Ordinance, 1984;
- (xx) Lead Manager", means a Corporate Brokerage House, or a Schedule Bank or a Developmental Financial Institution or an Investment Finance Company appointed as Lead Manager by the Issuer/Offeror;
- (xxi) "Limit Price", means the maximum price a prospective Institutional Investors or HNWI is willing to pay for a share under the Book Building process;
- (xxii) "Listed company" means a company or a body corporate or other body which has been listed in accordance with the regulations and whose securities are listed and include a provisionally listed company under these regulations for trading in provisionally listed companies of the Exchange;
- (xxiii) "Listed security" shall include any share, scrip, debenture, participation term certificate, modaraba certificate, mushariqa certificate, Sukuk Certificates, term finance certificate, bond, pre-organization certificate or such other instruments as the Federal Government may by notification in the Official Gazette specify for the purpose and which is accepted for listing on the Exchange in accordance with the Regulations;
- (xxiv) "Offeror", means a person who directly or indirectly holds more than 10% of any shares of a public limited company or a body corporate and offer for sale such shares, in full or in part, to the general public;
- (xxv) "Offer Price", means the price per share at which shares are offered for sale to the general public. This may either be the strike price or a price at a certain discount to the strike price;
- (xxvi) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984);
- (xxvii) "Preliminary Prospectus/Offer for Sale Document", means the preliminary offering document containing all the information & disclosures as required under the Companies Ordinance, 1984, approved by the Commission under Section 57 or Section 62 of the Companies Ordinance, 1984 as the case may be and issued to the Institutional Investors and HNWIs for the Book Building process;
- (xxviii) "Prescribed" means prescribed by these Regulations or under authority hereof;
- (xxix) "Public Issue/Offer", means issue/offer of shares by an Issuer/Offeror to the general public;
- (xxx) "Regulations" means these Listing Regulations of the Exchange for the time being in force;
- (xxxi) "Secretary" means the Secretary to the Exchange;
- (xxxii) "Securities & Exchange Ordinance" means the Securities & Exchange Ordinance, 1969 (XVII of 1969).

- (xxxiii) "Step bid", means a series of limit bids at increasing prices
- (xxxiv) "Strike Price or the Issue Price", means the price of share determined/discovered on the basis of book building process and is the price at which the shares are issued to institutional investors and HNWI;
- (xxxv) "Strike order", means a bid for a specified number of shares at the strike price to be determined under the Book Building process;
- (2) Words or expressions defined in the Ordinance and the Securities & Exchange Ordinance shall, except those defined herein or where the subject or the context forbids, bear the same meanings as in those Ordinances or either of them and in the case of word or expression bears different meanings under both the Ordinances, that meaning which is carried or included in the Companies Ordinance, 1984 shall prevail and have preferred application.

## **II. LISTING OF COMPANIES & SECURITIES**

3. (1) No dealings in securities of a company shall be allowed on the Exchange, either on the Ready Quotation Board or Futures Counter, unless the company or the securities have been listed and permission for such dealing has been granted in accordance with the Regulations.
- (2) The permission under sub-regulation (1) may be granted upon an application being made by the company or in respect of the securities in the manner prescribed. The Exchange, in granting such permission will consider among other things, sufficiency of public interest in the company or the securities.
- (3) The Exchange shall decide the question of granting permission within a maximum period of three months from the date of receipt of listing application. In case the permission is refused, the reasons thereof will be communicated to the applicant and the Commission within two weeks of the decision.
- (4) The Board will be the sole authority to grant, defer or refuse such permission and may for that purpose, relax any of these regulations subject only to two-third majority of the directors present at such meeting of the Board and so resolving.
4. (1) The application for listing shall be made on Form-I by the applicant company and shall be accompanied by the documents as mentioned in Appendix-I.
- (2) The Board may require additional evidence declarations, affirmations and information as also other forms to be filled up and all such requisitions shall be deemed to be prescribed requisitions for the purpose of a proper application for consideration by the Board for listing.
- (3) If an application together with the additional information referred to in sub-regulation (2) is not submitted, the Board may defer consideration or decline to consider it in which case such application will stand disposed off as refused. However, the applicant may move a fresh application after six months from the date of refusal unless the Board otherwise decides.
- (4) An applicant company or security applying for listing shall furnish full and authentic information in respect thereof and such other particulars as the Board or the Exchange may require from time to time. All routine particulars may be called for by the Secretary.

## **III. UNDERTAKING**

5. (1) No listing of a company or security shall be permitted unless the applicant company provides an undertaking on Form-II to abide by these Regulations.
- (2) The Company and/or the authorized representative in respect of securities, as the case may be, shall further undertake:-

- (i) that the securities shall be quoted on the Ready Quotation Board and/or the Futures Counter at the discretion of the Exchange;
- (ii) that the Exchange shall not be bound by the request of the company to remove its securities from the Ready Quotation Board and/or the Futures Counter
- (iii) that the Exchange shall be authorized and have the right, at any time and without serving notice if it be deemed proper, to suspend or to remove any shares or securities from the Ready Quotation Board and/or the Futures Counter for any reason which the Exchange considers sufficient in public interest subject, however, to the procedure laid-down in Section 9 of the Securities and Exchange Ordinance;
- (iv) that such provisions in the articles of association of a company or in any declaration or basis relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with the Regulations shall, upon being called upon by the Board, be amended forthwith and until such time as these amendments are made, the provisions of these Regulations shall be deemed to supersede the articles of association of the company or the nominee relating to the other securities to the extent indicated by the Board for purpose of amendment.
- (v) that the company or the security may be de-listed by the Board in the event of non-compliance and breach of undertaking given hereunder.

### **III A. OFFER OF CAPITAL BY COMPANIES/MODARABAS TO THE PUBLIC**

6. (1) In case of Offer of capital by the issuing company by way of IPO or Offer for Sale, the allocation to general public shall be as under:
- (a) **For companies seeking listing:**
- i. In case post-issue paid-up-capital of the company is up to Rs. 500 million, the allocation of capital to the general public, excluding premium amount and Pre-IPO placement, if any, shall not be less than 25% of the post-issue paid up capital of the company.
  - ii. In case post-issue paid-up-capital of the company is above Rs. 500 million, the allocation of capital to the general public, excluding premium amount and Pre-IPO placement, if any, shall be at least Rs. 125 million or 12.5% of the post-issue paid up capital, whichever is higher. Such company, except a public sector company, will however, be required to subsequently enhance the quantum of public shareholding to 25% within next four (4) years of its listing through:
    - I. issuance of shares to public through prospectus; or
    - II. offer for sale of shares held by the promoters to public through prospectus; or
    - III. sale of shares held by the promoters through the secondary market; or
    - IV. sale of shares to employees under the Employees Stock Option Schemes; or
    - V. any other method as may be allowed by the Exchange with the approval of the Commission.

**Explanation:** For the purpose of this clause, (a) “public shareholding” means the equity shares of the company held by persons other than the promoters and subsidiaries of the company; (b) “public sector company” means a company or a body corporate constituted through any special enactment and includes a government company; and (c) “Government company” means a company in which not less than fifty-one per cent of

the share capital is held by the Federal Government, Provincial Government(s) and/or local government(s).

**(b) For companies already listed:**

In case of an already listed company at the Exchange, the allocation of capital through Offer For Sale to the general public excluding premium amount and Pre-IPO placement, if any, shall not be less than Rs. 100 million.

- (2) The Issuer or the Offerer, as the case may be, may allocate share capital up to twenty percent of the public offer to overseas Pakistanis. The amount should be subscribed through proper banking channel.

Provided that in case of under subscription in either of the categories i.e., the quota allocated to resident or non-resident Pakistanis, the unsubscribed portion will be allocated to the applicants of other category.

- (3) The Issuer may allocate share capital up to five percent of the public offer to its employees.

The Offerer may allocate share capital up to five percent of the public offer to employees of the company whose shares are offered.

- (4) In the case of a Modaraba applying for listing on the Exchange, 30% of the total Paid-up capital shall be subscribed by the sponsors or their associates or friends, relatives and associated undertakings and the balance of 70% shall be offered to the General Public.

- (5) The stock exchange, if it is satisfied that it is not practicable to comply with the requirements of any of the above regulations in a particular case or class of cases; the exchange may, for reasons to be recorded, relax the regulations subject to approval of the Commission.

- (6) The allocation of shares to:

- (i) Sponsors in excess of 25%; and  
(ii) Allocation of shares, under Pre-IPO placement including employees of the companies / group companies etc., shall not be saleable for a period of six months from the date of public subscription.

- (7) In case where the shares of the company are issued /offered through book building, it shall comply with the requirements as set out in Appendix 4 of these Regulations.

#### **IV. PROSPECTUS, ALLOTMENT, ISSUE AND TRANSFER OF SHARES**

7. (1) No company will be listed unless it is registered under the Ordinance as a public limited company or has been setup under a statute and its minimum paid-up capital is Rs.200 million.
- (2) Companies registered in Northern areas and Azad Jammu and Kashmir will be eligible for listing and will be treated at par with Companies registered in Pakistan.
- (3) Despite receiving the application for listing and any preliminary actions thereon, no company shall be listed unless it has made a public issue which is subscribed by not less than 500 applications.
- (4) The requirements of sub-section (1) or (3) shall not apply to listing of securities other than shares of companies unless any law so requires or the Federal Government in the exercise of its powers under the Securities & Exchange Ordinance so directs.
- (5) Companies may make a public offer of securities to be eligible securities in the CDS.

8. (1) The prospectus or offer for sale shall be submitted to and cleared by the Exchange before an application for its approval is made to the Commission. The Exchange may require additional information, data, certification or requirement to be included in the prospectus or the offer for sale. If any applicant fails to comply with such requirements, the Exchange may refuse to issue clearance under these Regulations.
  - (2) The prospectus or the offer for sale shall conform to and be in accordance with the requirements and provisions of the ordinance and/or the Securities and Exchange Ordinance and any other law or legal requirement for the time being applicable. The application made to the Commission shall, amongst other things, be accompanied by the clearance given by the Exchange under sub-regulation (1).
  - (3) Without prejudice to the foregoing, the prospectus or the offer for sale shall fulfill all requirements of the law and instructions of the Commission as well as the criteria for listing and the guidelines laid down by the Exchange from time to time, not being inconsistent with law or instructions of the Commission.
  - (4) The prospectus or offer for sale with the proforma application form shall be published by the company in at least one widely circulated English and Urdu daily newspaper each at Karachi, Lahore and Islamabad or as the Exchange may in addition require, at least 7 (seven) days in advance but not more than 30 (thirty) days before the date of the opening of the subscription list.
  - (5) The issuer shall make available to the Exchange and to bankers to the issue for distribution printed copies of prospectus or offer for sale and application forms in the quantity to be determined by the Exchange and the bankers. The company shall also accept applications on identical forms.
  - (6) The Applications for shares shall be accepted only through bankers to the issue, whose names shall be included in the prospectus or the offer for sale.
  - (7) The directors or the offerers, as the case may be, shall not participate in subscription of shares offered to the general public.
- 8A.** The share certificates shall be issued in such marketable lots or in any other manner as may be determined or approved by the Exchange.
- 8B.** The application money shall be refunded, within such time as is prescribed in regulation 9(4), if the company is not listed on the Exchange for any reason whatsoever or the listing is refused.
9. (1) The company shall inform the Exchange of the subscription received which information shall be communicated in writing under the hand of an authorized person with certificate(s) from bankers to the issue, within five working days of the closing of subscription.
  - (2) The company shall take a decision within 10 days of the closure of subscription list as to which applications have been accepted or are successful.
  - (3) The company shall refund the application money in case of unaccepted or unsuccessful applications within 10 days of the date of such decision.
  - (4) In case the application for listing is refused by the Exchange, for any or whatsoever reasons, the company shall forthwith pay without surcharge all moneys received from applicants in pursuance of the prospectus or the offer for sale and any such director of the company shall be, jointly and severally, liable to repay that money with surcharge at the rate of one and half percent for every month or part thereof from the expiration of the fifteenth day.
  - (5) In case of over-subscription, the company, or the offerers, as the case may be, shall immediately submit to the Exchange copies of the ballot register of successful applications.



- (6) The company shall despatch all shares certificates, in marketable lots, within 30 days of the closing of subscription list to all the successful applicants under intimation to the Exchange.
- Provided that where the security has been declared to be an eligible security, share certificates shall be issued by the company and deposited directly into the CDS in such manner as may be prescribed by the CDC.
- (7) Any company which makes a default in complying with the requirements of any Sub-Regulation of Regulation 9, shall pay to the Exchange a penalty of Rs. 5,000/- (Rupees five thousand only) for every day during which the default continues. The name of such company shall be notified to the members of the Exchange and placed on the website of the Exchange.
- (8) Any action under these Regulations shall be without prejudice to the action or steps taken by any other person or Commission.
- 10.** The company or the Offerer, as the case may be, shall, within 30 days of closing of subscription list, pay brokerage to the members of the Exchange at a rate not more than one percent of the value of the shares actually sold through them.
- 11.** (1) The company shall split allotment letters and letters of right into marketable lots within seven days of receipt of such application.
- (2) The company shall consolidate or split, as may be required by a security holder in writing certificates into marketable lots within 30 days of receipt of such application. In case the split/consolidation results in lots other than marketable lots, the company may charge an amount, which shall not exceed Rs.100/= for each certificate.
- Provided that the requirements of sub-regulation (1) & (2) shall not apply where the security has been declared an eligible security and held in the name of CDC. In such cases, the procedure as prescribed by the CDC shall be complied with.
- 12.** Deleted.
- 13.** (1) The company shall verify the signature of shareholders within 48 hours of such a request.
- (2) The company shall complete shares transfer and have ready for delivery the share certificates lodged for registration of transfer within 45 days of the application for such transfer and its registration.
- Provided that this regulation shall not apply in case of eligible securities deposited into the CDS. In such cases, the procedure as prescribed by the CDC shall be complied with.
- 14** (1) The company shall give a minimum of 14 days notice to the Exchange prior to closure of Share Transfer Books for any purpose.
- Provided that the companies quoted on the Futures Counter shall intimate to the Exchange the dates of book closure and corporate actions, if any, on or before 20<sup>th</sup> day of the month with a notice period of at least 21 days after the said 20<sup>th</sup> day for commencement of book closure.
- (2) The company shall treat the date of posting as the date of lodgment of shares for the purpose for which shares transfer register is closed, provided that the posted documents are received by the company before relevant action has been taken by the company.
- (3) The company shall issue transfer receipts immediately on receiving the shares for transfer.

- (4) The company shall not charge any transfer fee for transfer of shares.
  - (5) The company shall provide a minimum period of 7 days but not exceeding 15 days at a time for closure of Shares Transfer Register, for any purpose, not exceeding 45 days in a year in the whole.
15. No listed company shall exercise any lien whatsoever on fully paid shares and nor shall there be any restriction on transfer of fully paid shares. The same shall apply to all listed securities.

**V. DIVIDENDS AND ENTITLEMENTS**

16. (1) Every listed company and issuer of a listed security shall advise and keep advised to the Exchange all decisions of its Board of Directors relating to cash dividend, bonus issue, right issue or any other entitlement or corporate action and any other price sensitive information in the manner notified by the Exchange from time to time. The said information is required to be communicated to the Exchange prior to its release to any other person or print / electronic media.
- (2) Whenever a listed company becomes aware or is made aware of any rumor or report containing material information that is likely to affect market price of its listed securities or trading volume, which is in any form whatsoever and howsoever, including that of being broadcasted/presented through the electronic media and not limited to an article/news or otherwise, published in a newspaper, newswire, magazine, or any other publication, the company should clarify / confirm or deny the rumor or false information and set forth the facts sufficient to clarify the same in writing to the stock exchange, within one day of such publication / broadcast.
- In the event that the Exchange enquires from the Issuer concerning unusual movements in the price or trading volume of its securities or any related matters, the issuer shall respond promptly to the Exchange by giving sufficient information as is available to the Issuer in order to clarify its position.
- (3) In case a listed company or issuer of a listed security fails to communicate timely, the complete financial results, or any other price sensitive information, it will make the company liable to pay penalty at a minimum of Rs. 100,000/- (Rupees one hundred thousand only) and maximum up to Rs. 1,000,000/- (Rupees One million only) to be determined by the Exchange.
- (4) In case a listed company or issuer of a listed security fails to communicate the accurate / complete financial results, or any other price sensitive information, the Chief Executive Officer as well as Chief Financial Officer of such listed company or issuer will be liable to pay a penalty to be determined by the Exchange. Provided that the amount of such penalty shall not be less than Rs. 100,000/- (Rupees one hundred thousand only) and shall not exceed Rs. 1,000,000/- (Rupees one million only).
- (5) Intimation of dividend and of all other entitlements shall be sent to the Exchange not later than 14 days prior to commencement of the book closure.
- (6) Where any director, CEO or executive of a listed company or their spouses sell, buy or take any beneficial position, whether directly or indirectly, in shares of the listed company of which he/she is a director, CEO or executive, as the case may be, he/she shall immediately notify in writing to the Company Secretary. Such director, CEO or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic within the Central Depository System), and nature of transaction to the Company Secretary within four days of effecting the transaction. The Company Secretary shall immediately forward the same to the Exchange for its dissemination to all concerned.
17. Every listed company and issuer of listed security shall send to the Exchange its quarterly and annual financial results, in the manner notified by the Exchange from time to time.
18. (1) The company shall send to the Exchange such number of copies of its statutory report, annual report and audited accounts as may be prescribed by the Exchange

not later than 21 days before a meeting of the shareholders is held to consider the same.

- (2) The company shall send to the Exchange copies of all notices as well as resolutions prior to their publication and despatch to the shareholders and also file with the Exchange certified copies of all such resolutions as soon as these have been adopted and become effective.
- (3) The company shall send to the Exchange such number of copies of its quarterly accounts as prescribed by the Exchange from time to time and within the time stipulated under the Ordinance.
- (4) A company which makes a default in complying with the requirements of sub regulation (1) or (3) above, shall be liable to pay a penalty of Rs. 5,000/- (Rupees five thousand only) for every day during which the default continues.

**19.** (1) Every listed company shall:-

- (i) dispatch the interim dividend warrants to the shareholders concerned within 30 days from the date of commencement of closing of share transfer register for purpose of determination of entitlement of dividend.
  - (ii) dispatch the final dividend warrants to the shareholders concerned within 30 days from the date of General Meeting in which the same has been approved.
  - (iii) intimate the Exchange immediately as soon as all the dividend warrants are posted to the shareholders;
  - (iv) despatch interim and final dividend warrants to the shareholders by registered post unless those entitled to receive the dividend require otherwise in writing.
- (2) All dividend warrants, in addition to the place of the Registered Office of the issuing companies, shall be encashable at Karachi, Hyderabad, Sukkur, Quetta, Multan, Lahore, Faisalabad, Islamabad, Rawalpindi and Peshawar for a period of three months from the date of issue.
  - (3) A listed company, which makes a default in complying with the requirements of this Regulation, shall pay to the Exchange penalty of Rs. 5,000/- (Rupees five thousand only) for every day during which the default continues. The Exchange may also notify the fact of such default and the name of defaulting company by notice and also by publication in the Daily Quotations of the Exchange.
  - (4) The Board may suspend or if it so decides, delist any company which makes a default in complying with the requirements of this Regulation.
  - (5) Any action under this Regulation shall be without prejudice to the action or steps taken by any other person or Commission.

## **VI. ANNUAL GENERAL MEETINGS / ANNUAL REVIEW MEETINGS, ETC**

- 20.** (1) A listed company shall hold its annual general meetings and lay before the said meetings its financial statements within four months following the close of financial year.
- (i) Each Modaraba shall hold an annual review meeting of its certificate holders and lay before the said meeting its financial statements within four months following the close of its financial year.

Provided that it shall be mandatory for a Company to notify the Exchange of any extension in time of holding the Annual General Meeting by furnishing to the Exchange a copy of the letter of approval from the Securities and

Exchange Commission of Pakistan allowing such extension, within 48 hours of receipt of the same.

- (2) Failure to hold the annual general meeting/ annual review meeting in time or within the extension in time provided by the Securities and Exchange Commission of Pakistan and/ or failure to notify the Exchange of any such extension shall make the Company liable to penalty at the rate of Rs. 5,000/- per day for every day of the default. The Exchange may also notify the fact of such default and the name of the defaulting company by notice and also by publication of the same in the Daily Quotations of the Exchange.
  - (3) The Board may suspend/delist any company which makes a default in complying with the requirements of this Regulation and/or fails to pay the penalty payable hereunder or imposed by the Exchange.
- 21.**
- (1) The company shall furnish certified true copies of minutes of its annual general meeting and of every extraordinary general meeting to the Exchange within 60 days of such meeting.
  - (2) The company shall furnish a complete list of all its security holders as at 31st December in each calendar year, duly affirmed to be correct as and upto that date, within 30 days thereof. If a listed company fails to submit such list as aforesaid, the company shall be liable to pay a sum of Rs.1,000/- per day for each day of default until it continues.
  - (3) Every Listed Company or issuer of Listed Security shall submit in such form and manner as may be prescribed by the Exchange from time to time the number and break-up of their free float shares on quarterly basis i.e. as on March 31, June 30, September 30 and December 31 each year. Such information shall be submitted to the Exchange within 15 days of close of each quarter.
- Explanation:** The term “free-float” for the purposes of this Sub-Regulation shall mean proportion of total shares issued by a company that are readily available for trading at the Stock Exchange. It generally excludes the shares held by controlling directors / sponsors / promoters, government and other locked-in shares not available for trading in the normal course.
- (4) (i) A company or an issuer of a listed security which fails to comply with the provision of sub-regulation (3) above, shall be liable to pay a sum of Rs.1,000/- per day for each day of default until it continues.
  - (ii) A company or an issuer of a listed security which fails to communicate the correct details of free-float of shares shall be liable to pay a penalty of Rs. 5,000/- per day from the date of first communication of such details till the correct details are communicated.

## **VII. INCREASE OF CAPITAL & ALLIED ISSUES**

- 22.** Every listed company shall immediately advise the Exchange of all decisions taken by its board of directors regarding any change in authorized, issued or paid-up capital, by issue of bonus shares, right shares or refund of capital, etc.
- 23.**
- (1) A listed company shall issue entitlement letters or right offers in marketable lots to all the security holders within a period of 30 (thirty) days from the date of re-opening of security transfer register of the company closed for this purpose.  
  
Provided that this regulation shall not apply in case of eligible securities deposited into the CDS. In such cases, the procedure as prescribed by the CDC shall be complied with.
  - (2) The company shall pay the following fees for extension granted by the Exchange with regard to issuance of entitlement letters, etc.

- (i) for the first 15 days Rs. 250/- per day
- (ii) for the next 15 days Rs. 500/- per day

Failure to seek extension from the Exchange shall make the company liable to a penalty at double the rate of extension fee provided above.

- (3) No extension shall be granted beyond the period mentioned in sub-regulation (2) above. In the event of the default continuing after the final extension, the company shall be liable to an additional penalty at the rate of Rs. 10,000/- per day for each day of default and also to action of suspension or otherwise delisting by the Exchange.
  - (4) No company which has been suspended or de-listed, as the case may be shall be restored and its shares re-quoted on Exchange until it has paid the full amount of penalty for the days of the default and receives the assent of the Board for the restoration.
- 24.** (1) A listed company shall issue bonus shares certificates within a period of 30 days from the date of re-opening of the share transfer register closed for this purpose:-
- (i) the bonus shares shall be credited into the respective CDS Accounts of shareholders maintained with the CDC or dispatched to the shareholders concerned by registered post unless those entitled to receive the bonus share certificates require otherwise in writing;
  - (ii) the Exchange shall be immediately intimated as soon as the bonus shares are credited / dispatched to the shareholders;
  - (iii) A company which makes a default in complying with the requirements of this Regulation shall be liable to pay a penalty at the rate of Rs. 5,000/- per day until the default continues and the Exchange may also take action of suspension of trading or de-listing of the company;
- Provided that in case of eligible securities deposited into the CDS, in addition to the above, procedure as prescribed by the CDC shall also be complied with.
- (2) No company which has been suspended or de-listed, as the case may be shall be restored and its shares re-quoted on Exchange until it has paid the full amount of penalty for the days of the default and receives the assent of the Exchange for the restoration.

#### **VIII. LISTING OF SUBSIDIARY COMPANY & OTHER MATTERS**

- 25.** (1) A listed company distributing shares of its unlisted subsidiary company in the form of specie dividend, right shares or any similar distribution shall get such subsidiary company listed on the Exchange within a period of 120 days from the date of approval of such distribution by the shareholders at a meeting of such company.
- (2) In case of failure of such subsidiary company to apply for listing or refusal by the Exchange for such listing on account of insufficient public interest, or for any other reason whatsoever, the company distributing specie dividend shall encash the shares of the subsidiary company at the option of the recipients at a price not less than the current break-up value, or face value, whichever is higher, within 30 days from the expiry of 120 days or from the date of refusal of listing whichever is earlier, failure in which behalf shall be default in which event the trading in the shares of the listed company be suspended by the Board or the company de-listed.
- 26.** A listed company shall obtain prior clearance of the Exchange for any amendment proposed to be made in its memorandum and articles of association before the same are placed for the approval of the shareholders.
- 27.** Every listed company shall advise the Exchange of:-

- (a) the decision to issue Participation Term Certificates and the purpose thereof notwithstanding that application is to be made to the authorities later;
  - (b) submit copy of the application made to authorities with relevant details and certified copy of the consent order.
  - (c) All material particulars of the Participation Term Certificates including conditions governing the issue, details of guarantee/ securities, trustees and name of the subscribing institution(s).
- 28.** (1) All listed companies shall obtain prior approval of the Exchange in respect of the date and time of holding of its annual general meetings.
- (2) Failure to obtain prior approval from the Exchange shall make the company liable to pay penalty of Rs.10,000/- (Rupees ten thousand only).
- 29.** Every listed company and issuer of listed security shall notify to the Exchange at least one week in advance the date, time and place of its board meeting specially called for consideration of its quarterly and annual accounts or for declaration of any entitlement for the security holders in the manner notified by the Exchange from time to time.

### **Quality of Audit**

- 29-A** All listed companies shall facilitate the Quality Control Review (QCR) of the audit working papers of practicing chartered accountants, carried out by the Institute of Chartered Accountants of Pakistan (ICAP) and, therefore, shall authorize their auditors to make available all the relevant information including the audit working papers to the QCR Committee of ICAP.
- 29-B** (i) No listed company shall appoint or continue to retain any person as an auditor, who has been found guilty of professional misconduct, by the Commission or by a Court of Law, for a period of three years unless a lesser period is determined by the Commission. In case a firm has been appointed as an auditor, and if any of its partners has been held guilty of professional misconduct, the firm shall only be eligible for appointment as an auditor provided a written confirmation is given by the firm to all the stock exchanges of the country and the Commission with a copy to ICAP to the effect that such a partner shall not be engaged in the audit of any listed company for the specified period.
- (ii) A person appointed as an auditor shall be guilty of "professional misconduct" if he:-
- a. fails to report a material misstatement or fact known to him and non-disclosure of which may render the financial statements misleading or disclosure of which is necessary in his professional capacity;
  - b. fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion;
  - c. makes a statement which is misleading, or deceptive;
  - d. incites any one to commit a criminal offence, or helps or encourages anyone in planning or execution of a criminal offence which is committed;
  - e. agrees with anyone to prevent or obstruct the course of justice by concealing, destroying or fabricating evidence by a misleading statement which he knows to be untrue;
  - f. deceives any person, either by making a statement, which he knows to be false, or by suppressing matters relevant to a proper appreciation of its significance;
  - g. expresses his opinion on financial statements of any business or enterprise in which he, his firm or a partner in his firm has substantial interest.
  - h. is penalized under any of the provisions of the Companies Ordinance, 1984 in relation to his function as an auditor of a listed company; and
  - i. is guilty of any other act which is determined as professional misconduct by the Commission in relation to his function as an auditor of a listed company.
- 29-C** (i) No Listed company shall, appoint or continue to retain any person as an auditor who is engaged by the company to provide services that are prohibited.

- (ii) A listed company shall also not appoint or continue to retain any person as an auditor, if a person associated with the auditor is, or has been, at any time during the preceding three months engaged as a consultant or advisor or to provide any services that are prohibited.

**Explanation:**

For the purposes of this regulation, the expression “associated with” shall mean any person associated with the auditor, if the person:-

- (a) is a partner in a firm, or is a director in a company, or holds or controls shares carrying more than twenty percent of the voting power in a company, and the auditor is also partner of that firm, or is a director in that company or so holds or controls shares in such company; or
- (b) is a company or body corporate in which the auditor is a director or holds or controls shares carrying more than twenty percent of the voting power in that company or has other interest to that extent.

**Explanation:**

For the purposes of this regulation the services that are prohibited shall mean the following:

1. Preparing financial statements, accounting records and accounting services;
2. Financial information technology system design and implementation, significant to overall financial statements;
3. Appraisal or valuation services for material items of financial statements;
4. Acting as an Appointed Actuary within the meaning of the term defined by the Insurance Ordinance, 2000;
5. Actuarial advice and reviews in respect of provisioning and loss assessments for an insurance entity;
6. Internal audit services related to internal accounting controls, financial systems or financial statements;
7. Human resource services relating to:-
  - i. Executive recruitment;
  - ii. Work performed (including secondments) where management decision will be made on behalf of a listed audit client;
8. Legal Services;
9. Management functions or decisions;
10. Corporate finance services, advice or assistance which may involve independence threats such as promoting, dealing in or underwriting of shares of audit clients.
11. Any exercise or assignment for estimation of financial effect of a transaction or event where an auditor provides litigation support services as identified in paragraph 9.187 of Code of Ethics for Chartered Accountants.
12. Share Registration Services (Transfer Agents) and;
13. Any other service(s) which the Council with the prior approval of the Securities & Exchange Commission of Pakistan, may determine to be a “prohibited service”.

The Commission may, in its sole discretion and to the extent deemed fit and proper exempt one or more services from the restriction aforesaid. ICAP also may, with the prior written approval of the Commission, and to the extent deemed fit and proper, exempt one or more services from this restriction.

**IX. DE-LISTING, SUSPENSION AND DEFAULTERS’ SEGMENT**

30. (1) A listed company may be placed in the Defaulters’ Segment, suspended and/ or de-listed for any of the following reasons and in the manner as provided herein below:

- (a) A listed company shall be placed in the Defaulters’ Segment if from three years of the date of formal listing, it has not started commercial production in the case of a manufacturing company or has not commenced business in the case of any other company.

- (b) A listed company shall be placed in the Defaulters' Segment if it has failed to hold its Annual General Meeting for two consecutive years.
- (i) Trading shall be suspended in shares of such company and notice of suspension, including therein the cause of suspension, shall be disseminated immediately to any other stock exchange(s) on which such company is listed. The suspension in trading of shares of the company shall continue till the default is rectified and annual accounts are approved;
  - (ii) The Exchange shall, on the date of suspension of a company due to violation of Regulation 30(1)(b), issue notice to the company under intimation to the Commission, for rectifying the default within a period of 90 days. Provided that upon failure to rectify the default within 90 days, the Exchange may, under intimation to the Commission and on reasonable grounds that the default would be rectified, provide the company with an additional period of not more than 90 days to rectify the default;
  - (iii) Upon failure of the company to rectify the default within the period specified by the Exchange under Regulation 30(1)(b)(ii) above, the Exchange through a notice in writing shall delist the company under intimation to the Commission.
- (c) A listed company in which winding-up proceedings have commenced shall be placed in the Defaulters' Segment and trading in its shares shall be suspended, in the manner provided in sub-clause (i) and sub-clause (ii) below. The notice of such suspension, including therein the cause of suspension, shall be disseminated immediately to any other stock exchange(s) on which such company is listed.
- (i) In case of winding-up by Court, the Exchange shall place the company in the Defaulters' Segment and suspend trading in its shares prior to opening of market on the next trading day from the date of receipt of information regarding commencement of its winding-up. However, in case where the winding-up petition is presented by creditor(s) or shareholder(s), the company shall be placed in the Defaulters' Segment and trading in its shares suspended subject to the following conditions:
    - (a) such creditor or creditors, either severally or jointly, have a claim against the company which is equivalent to at least ten percent of the equity of the company as per the latest accounts available with the Exchange; or
    - (b) such shareholder or shareholders, either severally or jointly, own at least ten percent of the company's paid-up capital;Provided that the Exchange may relax actions to be taken pursuant to sub-clause (a) or (b) above, if it establishes that placement of such company on the Defaulters' Segment and/or suspension of trading in its shares, as the case may be, is not in the best interest of the market. However, the Exchange shall ensure that its decision to grant such relaxation is immediately disseminated to the market participants.

Provided further that where winding-up proceedings are initiated by creditor(s) or shareholder(s) who do not meet the conditions specified in sub-clause (a) or (b) above, the Exchange may place the company in the Defaulters' Segment and suspend trading in its shares after expiry of two years from the date of commencement of the winding-up proceedings, if the matter is yet to be disposed of by the Court.
  - (ii) In case of voluntary winding-up, the Exchange shall place the company in the Defaulters' Segment and suspend trading in its shares prior to opening of market on the next trading day from the date of receipt of information from such company for passing of special resolution for voluntary winding-up;



- (iii) Notwithstanding anything contained in Regulations 30(1)(c ) above, any information regarding commencement of winding-up of a company shall be disseminated by the Exchange to the market participants prior to opening of market on the next trading day from the date of receipt of such information.
- (d) A listed company shall be delisted if its official liquidator/ liquidator has been appointed, whether by the Court or the company, as the case may be.
- (e) A listed company shall be placed in the Defaulters' Segment if it has failed to pay:
  - (i) the annual listing fees as prescribed in these Regulations for a period of 2 years; or
  - (ii) any penalty imposed under these Regulations; or
  - (iii) any other dues payable to the Exchange;
- (f) A listed company may be placed in the Defaulters' Segment and the Exchange may suspend trading in its shares if it has failed to comply with the requirements of any of these Regulations;
- (g) A listed company shall be placed in the Defaulters' Segment if it for any reason whatsoever refuses to join the CDS after its securities have been declared eligible securities by the CDC.
- (2) (a) The Exchange, on the same day of placement of a company in the Defaulters' Segment under Regulation 30(1)(e) or 30(1)(g), or both, shall issue instructions to such company for rectifying the default within ninety (90) days.
- (b) Upon failure of the company to rectify the default within the stipulated time period the Exchange shall immediately suspend trading in shares of the company and simultaneously issue compulsory buy-back directions to the majority shareholders/ sponsors having control of the company to provide all the shareholders an option for selling their shares to the majority shareholders/ sponsors and the shares tendered by the shareholders shall be purchased by the majority shareholders/ sponsors. The price for such buy-back of shares shall be fixed by the Exchange in accordance with Regulation 30-A.
- (c) Upon completion of the compulsory buy-back of shares by majority shareholders/ sponsors or failure of the company to comply with the compulsory buy-back directions within such reasonable time as may be specified by the Exchange in its notice, but not exceeding 90 days in total from the date of such directions, the company shall be delisted through a notice in writing by the Exchange under intimation to the Commission.

Provided that in case a company is also listed on another stock exchange in Pakistan but not in similar default as provided in Regulation 30(1)(e) above at such other stock exchange, the Exchange shall not issue any directions for compulsory buy-back of its shares and shall delist the company.

Provided further that if the company is in default as provided in Regulation 30(1)(e) at all the stock exchanges where it is listed, the compulsory buy-back directions shall be issued by all the stock exchanges in coordination with each other.

- (3) No company which has been de-listed or suspended shall be restored and its shares re-quoted until it removes the causes of de-listing/suspension and receives the assent of the Board for the restoration.
- (4) No company shall be de-listed under these Regulations, unless such company has been given an opportunity of being heard.

**Follow-up action after placing the companies in the Defaulters' Segment:**

- (5) Effects of suspension of trading in the shares of a company suspended at all the stock exchanges on which it is listed:

- (a) Transfer in the physical shares of such company shall be restricted. However, such restriction shall not be applicable in cases where:
- (i) the Share Registrar/ Transfer Agent/ the company has received transfer request from a shareholder prior to the date of suspension; or
  - (ii) the shares have been purchased prior to the date of suspension of trading and the shareholder provides proper instrument of transfer, evidencing purchase of such shares prior to the date of suspension, to the Share Registrar/ Transfer Agent/ the company.
- (b) It shall be mandatory upon the company to ensure that no transfers in physical shares, other than as specified in Regulation 30(5)(a)(i) and 30(5)(a)(ii) above, take place during the period of suspension. The company shall provide the Exchange with a copy of its Share Transfer Register, as of the day prior to the day of suspension, and details of any transfers registered under Regulation 30(5)(a)(i) and 30(5)(a)(ii) subsequent to suspension in trading of its shares shall also be submitted to the Exchange within 48 hours of registration of such transfer.

### **30-A Voluntary de-listing**

- (i) Any company intending to seek voluntary de-listing from the Exchange shall intimate to the Exchange, immediately, of the intention of the majority security holders/sponsors to purchase all securities, without exception, from all the security holders with the purpose to de-list the security along with the reasons thereof. Such intimation shall also include minimum price at which the securities are proposed to be purchased.

Provided that the minimum purchase price proposed by the sponsors will be the highest of the benchmark price based on any of the following:

- a) Current Market Price as of the date the exchange receives the sponsors/ majority security holders intimation under 30-A (i).
- b) Average Market Price (Annualized)
- c) Intrinsic value per share (estimated net realizable value of assets of the company)
- d) Earnings Multiplier approach (for profitable companies)
- e) The maximum price at which the Sponsors had purchased these shares from the open market in the preceding one year

#### **Explanation:**

##### **Intrinsic value per share**

The intrinsic value per share will be determined on the basis of revaluation of assets, carried out by professional evaluator approved by Pakistan Banks' Association (PBA), any Investment Bank or Valuers having relevant expertise and duly certified by the Auditors falling in Category 'A' or 'B' of SBP list. The revaluation of assets carried out by the evaluators shall not be older than six months from the date of receipt of buy-back application. The intrinsic value may also include any other factor in addition to tangible and intangible assets of company, which may be considered appropriate by the Exchange, while fixing the price of shares.

##### **Earning Multiplier approach (for profitable companies):**

A profitable company is a company that declares an after tax profit for the three years preceding the date of the application for voluntary de-listing as reported in its annual audited accounts.

##### **Fair value = Estimated Earnings \* P/E ratio:**

Estimated earnings should be arrived at using the weighted average earning per share of the last three years audited accounts. For this purpose, higher of, weights of 45%, 35% and 20% assigned to preceding three years respectively or latest earning per share should be used. The P/E ratio to be used may be of the date the Exchange receives the application under 30-A (i).

This approach is based on the identity that a stock's current price is the product of its actual earning per share and the P/E ratio. The P/E ratio is calculated by dividing the current price by the actual earning per share. To determine the value of stock, both the earnings and the P/E ratio will have to be estimated.

Price may be determined as a multiple of the P/E ratio of the related sector as on the date of application for the voluntary buy-back of shares. Earning per share may be based on the latest audited accounts of the companies in that sector or a weighted average earning per share of last 3 years of those companies.

**Average Market Price:**

Daily closing price of the three years preceding the date the Exchange receives the intimation under 30-A (i) should be used to calculate the Average Market Price.

- (ii) The final minimum purchase price of the securities to be de-listed shall be fixed with the approval of the Exchange.

At the same time the Exchange shall determine the minimum percentage of securities to be purchased by sponsors to qualify for de-listing and the same will be communicated to the company.

- (iii) In case of disagreement of sponsors on minimum percentage of securities to be purchased as determined by the Exchange, the sponsors will file an appeal with the Commission within 10 days of receipt of communication of such determination under intimation to the Exchange. The decision taken by the Commission will be final and binding.
- (iv) The sponsors/majority shareholders shall submit an undertaking that they will abide by these Regulations, which pertain to purchase of shares/voluntary de-listing of securities.
- (v) The sponsors/majority shareholders shall submit an undertaking to the effect that all material disclosures relating to the affairs of the company have been made to the shareholders of the company and the Exchange and that they do not have any information which will constitute an offence under Section 15-A of the Securities and Exchange Ordinance, 1969.
- (vi) The sponsors/majority security holders shall not withdraw their offer to purchase all securities from all the security holders with the purpose to de-list the security after such proposal has been approved by the company in a general meeting of its security holders by not less than  $\frac{3}{4}$  of their number present at such meeting as required under 30-C (ii).

**30-B Voluntary de-listing of a security shall be subject to the following:-**

- (i) Approval of the proposal in general meeting of the company by not less than  $\frac{3}{4}$  of the security holders present in person or by proxy at such general meeting.
- (ii) Compliance by the company with the prescribed procedure, guidelines/criteria and other terms and conditions as may be laid down by the Exchange.

The Exchange may for any reason whatsoever refuse to accept the proposal of the company, the purchase price and/or the request to de-list the securities.

**30-C Procedure for voluntary de-listing:-**

- (i) A formal application shall be made by the company for de-listing supported by reasons thereof and the proposed purchase price along with non-refundable application fee of Rs. 250,000/- (Rupees two hundred and fifty thousand only) to be paid by the sponsors.

Provided, in case of satisfactory fulfillment of the requirements of the Regulation and delisting of the company from the Exchange, Rs. 150,000/- (Rupees one hundred and fifty thousand only) will be refunded by the Exchange.

- (ii) On approval by the Exchange of the application, the company shall call a general meeting of its security holders and pass a special resolution approved by not less than  $\frac{3}{4}$  of their number present at such meeting resolving that the securities be de-listed on the terms stipulated by the Exchange.
- (iii) A copy of special resolution referred to above shall be sent to the Exchange immediately along with a complete list of holders of the security to be de-listed,

containing information with regard to securities held by the majority security holders and others, their names/category, the number of securities and addresses.

- (iv) Together with the application for de-listing, the company must submit an undertaking from a Purchase Agent (who may be a commercial bank, or an investment bank or a member of the Exchange) on behalf of the majority security holders which will constitute an irrevocable open offer to purchase at the relevant purchase price the securities from the other security holders. The said offer to remain valid at least for a period of 60- days or as may be fixed by the Exchange from the date of commencement of purchase. The purchase agent will provide a bank guarantee in an amount and such format as is demanded by the Exchange to secure this obligation and the said bank guarantee will remain valid till at least 15 days from the expiry date of the said open offer or when all outstanding securities have been purchased by the majority security holders whichever is earlier.

Provided that where a member of the Exchange is appointed as Purchase Agent and the total purchase amount does not exceed Rs.2.5 million, the requirement of bank guarantee can be replaced with the undertaking of such member of the Exchange on the prescribed format.

Provided further that in case of appointment of purchase agent other than a member of the Exchange, all trades shall be routed through a member of the Exchange.

Provided further that all the trades during the initial period of 60-days will be conducted on KATS only irrespective of marketable lot. The purchase agent will be required to maintain a live bid in the System at the minimum purchase price approved by the Exchange. The purchase price shall be based on market forces, subject to minimum purchase price determined by the Exchange.

- (v) The application for de-listing shall be supported by a written consent of the purchase agent to act as agent for purchase of the securities to be de-listed on behalf of the majority security holders as contemplated by these Regulations.
- (vi) The company shall convey to all the holders of the securities other than majority security holders on their addresses available in the records of the company through registered post the decision taken in their General Meeting to purchase the securities together with a copy of the special resolution and also publish a notice in this behalf duly approved by the Exchange through two widely circulated newspapers including one of Karachi.
- (vii) The company shall also submit the following information on completion of the period of purchase of securities to be de-listed:-
- (a) Total number of issued securities (with percentage)
  - (b) Securities owned by majority security holders before the offer (with percentage)
  - (c) Securities bought under the offer (with percentage)
  - (d) Total securities currently owned by majority security holders (with percentage)
  - (e) Securities still outstanding with minority holders (with percentage)
  - (f) Amount of Bank Guarantee required @ Rs.\_\_\_\_\_ (at the purchase price approved by the Exchange/Commission) per outstanding security.
- (viii) a. With regard to the outstanding securities identified in para (e) above, the sponsors shall continue to remain obliged to purchase the same at the relevant price (purchase price approved by the Exchange/Commission) for a period of 12 months from the day following the expiry of initial buy-back period of 60-days and the sponsors shall submit a bank guarantee valid for 12 months in an amount and format acceptable to the Exchange to secure such obligation.

Provided that the requirement of submission of bank guarantee will not be applicable where a member of the Exchange act as purchase agent on behalf of the sponsors.

In such a situation, the purchase agent will be required to submit an undertaking in the format prescribed by the Exchange.

- b. The company once allowed delisting under these Regulations will not be allowed relisting of any of its securities which have been de-listed at least for a period of five years from the date of delisting. However, the Exchange may allow, on case to case basis, listing of such securities on the Over-the-Counter (OTC) market.

### **30-D Time Frame for Completion for Requirements**

- (i) The company shall immediately intimate (if the decision of its Board of Directors is made during trading hours or before the beginning of the opening of trading, then intimation to the Exchange must be made during trading hours and otherwise if the decision is made after trading hours then the intimation must be made to the Exchange before the opening of trading of the Exchange on the next business day) the decision of its Board of Directors to de-list the securities, including a copy of the relevant resolution passed in this regard.
- (ii) Within one week of the aforementioned intimation, the company will furnish its sponsors' undertaking to purchase the securities owned by persons other than the sponsors at a purchase price. On receipt of such undertaking, the Exchange shall be empowered to ask for any additional information or details which shall be provided by the company within 15 days of the date of such request by the Exchange.
- (iii) The Board on its own or on the basis of recommendations of the Special Committee will determine/approve the purchase price. The decision of the Board will be communicated to the sponsors/company and shall also be notified and announced immediately.

Provided that any member of the Board and/or Special Committee holding 2% or more shares of the company applying for voluntary de-listing will not participate in the deliberations while the case of the company is considered by the Board/Committee.

- (iv) The sponsors will be required to convey their acceptance/refusal to the purchase price approved by the Board within 7 days of conveying of the relevant decision to them.

If the company wishes to appeal this decision to the Commission it must do so within 10 days of the decision in which case no further steps will be taken on the de-listing application until the Commission determines the purchase price.

- (v) Once the purchase price has been finalized either by determination by the Commission in appeal or by the sponsors accepting the price stipulated by the Exchange, the company will be required to comply with the following procedure:-
  - (a) To obtain approval of the proposal of voluntary de-listing in the general meeting of the holders of the securities within 30 days of the acceptance of sponsors.
  - (b) After approval of the general meeting, the requirements under Voluntary De-listing Regulations shall be completed within 7 days of the general meeting, to commence the purchase of shares.
  - (c) The sponsors will purchase the securities for a period of 60-days.
  - (d) Upon expiry of the said purchase period, the company will submit the relevant documents/information to the Exchange within a period of 21 days.
  - (e) After receipt of the required documents/information and compliance of the relevant requirements as stipulated by the Exchange, the securities of the company shall stand de-listed after a period of 30 days.

- (vi) In case of non-acceptance of the price determined by the Exchange as the purchase price, the company shall file an appeal with the Commission within 10 days of the date of refusal for determining the price under intimation to the Exchange. On finalizing the price by the Commission, the procedure as laid-down above will be followed.

**30-E Relaxation:**

Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to voluntary delisting under these Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such conditions as it may deem fit.

**30-F Penalty:**

Whoever fails or refuses to comply with, or contravenes any provision pertaining to voluntary delisting under these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, in addition to any other liability under the Regulations, be also liable to fine not exceeding two hundred thousand rupees for each default, and, in case of continuing failure, refusal or contravention, to a further fine not exceeding Rs. 10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues.

31. Where no trading has taken place on the Exchange in the securities of a listed company for a continuous period of 180 days, the Exchange, if it is satisfied that the prices quoted are not in accordance with the market realities, may except in cases where the earlier quotation is below par value and, with the prior approval of the Commission, quote such companies at par from the one hundred and eighty first day irrespective of the price earlier prevalent.

**X. LISTING AND ANNUAL FEES**

32. (1) A company applying for listing on the Exchange, shall pay an initial listing fee equivalent to one tenth of one percent of the PAID-UP-CAPITAL subject to a maximum of rupees two million and five hundred thousand.

Provided that in case of debt instruments and Open-End Mutual Funds, the initial listing fee shall be charged at the rate of one twentieth of one percent of the amount of total debt instrument/seed capital of Mutual Fund subject to a maximum of Rupees 0.5 million.

(2) Whenever, a listed company increases the paid-up capital of any class or classes of its shares, or securities listed on the Exchange, it shall pay to the Exchange a fee equivalent to one tenth of one per cent of increase in paid-up capital at par value or 0.4% of the actual amount of additional capital raised, whichever is lower.

(3) Every listed company shall pay, in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, an annual listing fee calculated on the basis of the company's \*market capitalization, which shall be payable by or before the 30th September in each calendar year, as per following schedule, subject to a maximum of Rupees one million and five hundred thousand:

(\* ) Explanation: For the purpose of this sub-clause, the market capitalization shall be calculated by multiplying the last one year's volume weighted average price with the company's outstanding ordinary shares as on June 30, of the preceding year.

<b>Companies having market capitalization as on June 30</b>	<b>Rate of Fee per annum</b>
Up to Rs. 100 million	Rs. 50,000+0.1% on excess over Rs. 50 Million
Above Rs. 100 million & up to Rs. 250 million	Rs. 100,000+0.055% on excess over Rs.100 million
Above Rs. 250 million & up to Rs. 500 million	Rs. 182,500+0.025% on excess over Rs.250 million
Above Rs. 500 million & up to Rs. 1,000 million	Rs. 245,000+0.015% on excess over Rs.500 million
Above Rs. 1,000 million & up to Rs. 2,000 million	Rs. 320,000+0.0055% on excess over Rs.1,000 million
Above Rs. 2,000 million & up to Rs. 10,000 million	Rs. 375,000+0.0025% on excess over Rs.2,000 million
Above Rs. 10,000 million	Rs. 575,000+0.0003% on excess over Rs.10,000 million

Provided that in case of debt instruments and Open-End Mutual Funds, the annual listing fee shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year, as per following schedule:

**Size of Instrument**

Up to Rs.150 million	Rs. 30,000
Above Rs.150 million & up to Rs.500 million	Rs. 40,000
Above Rs. 500 million	Rs. 50,000

Provided further that the Board may revise the above fees or any of the slabs or add new slabs with the approval of the Commission.

Provided further that every company applying for listing shall pay annual listing fee for the entire financial year of the Exchange along with the listing application irrespective of the date of its listing during the financial year.

- (4) The above Listing fee or any other sum fixed by the Board shall be payable by 30th September in advance for every financial year.
  - (5) Failure to pay the annual fee by 30th September shall make the company liable to pay a surcharge at the rate of 1.5 per cent (one and a half per cent) per month or part thereof, until payment. However, if reasonable grounds are adduced for non payment or delayed payment of annual fee, the Exchange may, reduce or waive the surcharge liability.
  - (6) A company applying for enlistment on the Exchange shall, in addition to other fees, pay a sum of Rs. 50,000/- (Rupees fifty thousand only) as non-refundable service charges. An open-end mutual fund applying for listing on the Exchange shall pay a sum of Rs. 25,000/- (Rupees twenty five thousand only) as non-refundable service charges.
- 33.**
- (1) All Exchange dues shall be paid by cheques, pay orders or bank drafts payable to the Exchange at any Bank Branch located in Karachi.
  - (2) Without prejudice to the action which the Exchange may take under these Regulations in the event of default in payment of its dues, nothing shall prevent the Exchange from recovering such dues through posting defaulters names on the notice board of the Exchange or by invoking the process of law and obtaining order of a competent court.
- 34.**
- (1) Without prejudice to various specific or other penalties provided or available under these Regulations, the Exchange shall have powers to place the company in the Defaulters Segment, suspend or delist it, if in the opinion of the Exchange, such company has defaulted or contravened any of these Regulations.
  - (2) The placement of a company in the Defaulters Segment, its suspension or de-listing under Regulations 30 or the preceding sub-regulation shall be communicated to the Commission, such company and simultaneously notified to the market participants, inter alia by posting it on the notice board and website of the Exchange and publishing it, if deemed necessary, in the Daily Quotations of the Exchange.
  - (3) Trading in the securities of a suspended or de-listed company shall forthwith cease and shall not be commenced until the suspension is withdrawn or the de-listing is restored by the order of the Board.
  - (4) Trading in the securities of a company placed in Defaulters' Segment, if allowed, shall be effected separately and the prices shall also be quoted separately in the Daily Quotations until such company is removed from the Defaulters' Segment and restored to the ready market of the Exchange.

## XI. CODE OF CORPORATE GOVERNANCE

35. All listed companies shall ensure compliance with the following Code of Corporate Governance (CCG). All provisions except where explicitly stated otherwise are mandatory.

### **Composition of the Board**

- i. The board of directors is encouraged to have a balance of executive and non-executive directors, including independent directors and those representing minority interests with the requisite skills, competence, knowledge and experience so that the board as a group includes core competencies and diversity, including gender, considered relevant in the context of the company's operations.

For this purpose listed companies shall take the following steps:

- (a) the minority shareholders as a class are facilitated to contest election of directors by proxy solicitation, for which purpose the listed companies shall:
- annex with the notice issued under Section 178 (4) of the Ordinance, a statement by a candidate from among the minority shareholders who seeks to contest election to the board of directors, such statement shall include a profile of the candidate(s);
  - provide information regarding members and shareholding structure to the candidate(s) representing minority shareholders; and
  - on a request by the candidate(s) representing minority shareholders and at the cost of the company, annex to the notice issued under Section 178 (4) of the Ordinance an additional copy of proxy form duly filled in by such candidate(s);
- (b) the board of directors of each listed company shall have at least one and preferably one third of the total members of the board as independent directors. The board shall state in the annual report the names of the non-executive, executive and independent director(s).

*Explanation:* For the purpose of this clause, the expression "independent director" means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the listed company, its associated companies, subsidiaries, holding company or directors. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest.

Provided that without prejudice to the generality of this explanation no director shall be considered independent if one or more of the following circumstances exist:

- He/she has been an employee of the company, any of its subsidiaries or holding company within the last three years;
- He/she is or has been the CEO of subsidiaries, associated company, associated undertaking or holding company in the last three years;
- He/she has, or has had within the last three years, a material business relationship with the company either directly, or indirectly as a partner, major shareholder or director of a body that has such a relationship with the company:

*Explanation:* The major shareholder means a person who, individually or in concert with his family or as part of a group, holds 10% or more shares having voting rights in the paid-up capital of the company;

- He/she has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the company apart from a director's fee or has participated in the company's share option or a performance-related pay scheme;
- He/she is a close relative of the company's promoters, directors or major shareholders:

*Explanation:* Close relative means spouse(s), lineal ascendants and descendants and siblings;



- He/she holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- He/she has served on the board for more than three consecutive terms from the date of his first appointment provided that such person shall be deemed "independent director" after a lapse of one term.

Any person nominated as a director under Sections 182 and 183 of the Ordinance, shall not be taken to be an "independent director" for the above-mentioned purposes.

The director representing an institutional investor shall be selected by such investor through a resolution of its board of directors, either specifically or generally, and the policy with regard to selection of such person for election on the board of directors of the investee company shall be annexed to the Directors' Report of the investor company.

- (c) professional indemnity insurance cover in respect of independent directors shall be encouraged.
- (d) executive directors, i.e., paid executives of the company from among senior management, shall not be more than one third of the elected directors, including the Chief Executive:

Provided that nothing contained in this clause shall supersede any law for the time being in force or regulation made by any regulator regarding the composition of the board.

***Maximum number of directorships to be held by a director***

- ii. No person shall be elected or nominated as a director of more than seven listed companies simultaneously:

Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company<sup>1</sup>

***Filling up a casual vacancy***

- iii. Any casual vacancy on the board of directors of a listed company shall be filled up by the directors at the earliest but not later than 90 days thereof.

***Responsibilities, powers and functions of board of directors***

- iv. The board of directors of a listed company shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interests of the listed company.
- v. The board of directors of a listed company shall ensure that:
  - (a) professional standards and corporate values are put in place that promote integrity for the board, senior management and other employees in the form of a Code of Conduct, defining therein acceptable and unacceptable behaviors. The board shall take appropriate steps to disseminate Code of Conduct throughout the company along with supporting policies and procedures and these shall be put on the company's website;
  - (b) adequate systems and controls are in place for identification and redress of grievances arising from unethical practices.
  - (c) a vision and/or mission statement and overall corporate strategy for the listed company is prepared and adopted. It shall further ensure that significant policies have been formulated;

*Explanation:* The significant policies for this purpose may include:

- governance, risk management and compliance issues;
- human resource management including preparation of a succession plan;
- procurement of goods and services;

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<sup>1</sup> "Holding company" means a holding company as defined in Section 3 of the companies Ordinance, 1984.

- investors' relations including but not limited to general investor awareness, complaints and communication, etc.;
- marketing;
- determination of terms of credit and discount to customers;
- write-off of bad/doubtful debts, advances and receivables;
- capital expenditure, planning and control;
- investments and disinvestment of funds;
- borrowing of moneys;
- determination and delegation of financial powers;
- transactions or contracts with associated companies and related parties;
- the corporate social responsibility (CSR) initiatives and other philanthropic activities including donations, charities, contributions and other payments of a similar nature;
- health, safety and environment; and
- the whistleblower policy.

A complete record of particulars of the significant policies along with the dates on which they were approved or amended by the board of directors shall be maintained.

- (d) a system of sound internal control is established, which is effectively implemented and maintained at all levels within the company;
  - (e) within two years of coming into force of this Code, a mechanism is put in place for an annual evaluation of the board's own performance;
  - (f) the decisions on the following material transactions or significant matters are documented by a resolution passed at a meeting of the board:
    - investment and disinvestment of funds where the maturity period of such investments is six months or more, except in the case of banking companies, non-banking finance companies and insurance companies;
    - determination of the nature of loans and advances made by the listed company and fixing a monetary limit thereof.
  - (g) the board of directors shall define the level of materiality, keeping in view the specific circumstances of the company and the recommendations of any technical or executive subcommittee of the board that may be set up for the purpose.
- vi. The Chairman and the Chief Executive Officer (CEO), by whatever name called, shall not be the same person except where provided for under any other law. The Chairman shall be elected from among the non-executive directors of the listed company. The Chairman shall be responsible for leadership of the board and shall ensure that the board plays an effective role in fulfilling all its responsibilities. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and CEO.

Provided that the provisions of this clause, clauses (i)(b), (i)(d) and (ii) shall take effect when the board is reconstituted on the expiry of its current term after coming into force of this Code.

#### ***Meetings of the board***

- vii. All written notices, including the agenda, of meetings shall be circulated at least seven days prior to the meetings, except in the case of emergency meetings, where the notice period may be reduced or waived.
- viii. The Chairman shall ensure that the minutes of meetings of the board of directors are appropriately recorded. The Company Secretary shall be secretary to the board.

In the event that a director of a listed company is of the view that his dissenting note has not been satisfactorily recorded in the minutes of a meeting of the Board of Directors, he may refer the matter to the Company Secretary. The director may require the note to be appended to the minutes, failing which he may file an objection with the Securities and Exchange Commission of Pakistan (SECP) in the form of a statement to that effect. The objection may be filed with the SECP within 30 days of the date of confirmation of the minutes of the meeting.

**Significant issues to be placed for decision of Board of Directors**

- ix. In order to strengthen and formalize corporate decision-making process, significant issues shall be placed for the information, consideration and decision of the board of directors of listed companies and/or its committees.

The significant issues for this purpose may include:

- the CEO shall immediately bring before the board, as soon as it is foreseen that the company will not be in a position of meeting its obligations on any loans (including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit), TFCs, Sukuks or any other debt instrument. Full details of the company's failure to meet obligations shall be provided in the company's quarterly and annual financial statements.
- annual business plan, cash flow projections, forecasts and strategic plan;
- budgets including capital, manpower and overhead budgets, along with variance analyses;
- matters recommended and/or reported by the committees of the board;
- quarterly operating results of the listed company as a whole and in terms of its operating divisions or business segments;
- internal audit reports, including cases of fraud, bribery, corruption, or irregularities of a material nature;
- management letter issued by the external auditors;
- details of joint venture or collaboration agreements or agreements with distributors, agents, etc.;
- promulgation or amendment to a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the listed company;
- status and implications of any law suit or proceedings of material nature, filed by or against the listed company;
- any show cause, demand or prosecution notice received from revenue or regulatory authorities;
- failure to recover material amounts of loans, advances, and deposits made by the listed company, including trade debts and inter-corporate finances;
- any significant accidents, dangerous occurrences and instances of pollution and environmental problems involving the listed company;
- significant public or product liability claims made or likely to be made against the listed company, including any adverse judgment or order made on the conduct of the listed company or of another company that may bear negatively on the listed company;
- report on governance, risk management and compliance issues. Risks considered shall include reputational risk and shall address risk analysis, risk management and risk communication;
- disputes with labor and their proposed solutions, any agreement with the labor union or collective bargaining agent and any charter of demands on the listed company;
- whistleblower protection mechanism;
- report on CSR activities; and
- payment for goodwill, brand equity or intellectual property.

- x. Related party transactions

- a) The details of all related party transactions shall be placed before the Audit Committee of the company and upon recommendations of the Audit Committee the same shall be placed before the board for review and approval.
- b) The related party transactions which are not executed at arm's length price shall also be placed separately at each board meeting along with necessary justification for consideration and approval of the board on recommendation of the Audit Committee of the listed company.
- c) The board of directors of a company shall approve the pricing methods for related party transactions that were made on the terms equivalent to those that prevail in arm's length transaction, only if such terms can be substantiated.
- d) Every company shall maintain a party wise record of transactions, in each financial year, entered into with related parties in that year along with all relevant documents and explanations. The record of related party transactions shall include the following particulars in respect of each transaction:
  - i) Name of related party;

- ii) Nature of relationship with related party;
- iii) Nature of transaction;
- iv) Amount of transaction; and
- v) Terms and conditions of transaction, including the amount of consideration received or given.

#### **Directors' Training Program**

- xi. All listed companies shall make appropriate arrangements to carry out orientation courses for their directors to acquaint them with this code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the listed companies for and on behalf of shareholders.

It shall be mandatory for all the directors of the listed companies to have certification under any directors' training program offered by institutions—local or foreign—that meet the criteria specified by the SECP:

Provided that from June 30, 2012 to June 30, 2016 every year, a minimum of one director on the board shall acquire the said certification under this program each year and thereafter all directors shall obtain it:

Provided further that individuals with a minimum of 14 years of education and 15 years of experience on the board of a listed company—local and/or foreign—shall be exempted from the directors' training program.

#### **Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit**

##### **Appointment and removal**

- xii. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer (CFO), the Company Secretary and the Head of Internal Audit of listed companies shall be determined by the board of directors.

The removal of the CFO and Company Secretary of listed companies shall be made with the approval of the board of directors.

The removal of Head of Internal Audit shall be made with the approval of the board only upon recommendation of the Chairman of the Audit Committee:

*Explanation:* For this purpose the term removal shall include non renewal of contracts of the CFO, Company Secretary and Head of Internal Audit.

##### **Qualifications of CFO and Head of Internal Audit**

- xiii. No person shall be appointed as the CFO of a listed company unless he/she has at least three (3) years of experience of being engaged in or employed in a public practice (audit/accounting) firm, or in managing financial or corporate affairs functions of a company and is:

- (a) a member of a recognized body of professional accountants; or
- (b) has a postgraduate degree in finance from a recognized university or equivalent.

Provided that individuals serving as CFO of a listed company for the last five years at the time of coming into effect of this Code shall be exempted from the above qualification requirement.

- xiv. No person shall be appointed as the Head of Internal Audit of a listed company unless he/she has three (3) years of relevant audit experience in audit or finance or compliance function, and is:

- (a) a member of a recognized body of professional accountants; or
- (b) a Certified Internal Auditor; or
- (c) a Certified Fraud Examiner; or
- (d) a Certified Internal Control Auditor

Provided that individuals serving as Head of Internal Audit of a listed company for the last five years at the time of coming into effect of this Code shall be exempted from the above qualification requirement.

### **Requirement to attend board meetings**

xv. The CFO and Company Secretary of a listed company or in their absence, the nominee, appointed by the board, shall attend all meetings of the Board of Directors. Provided that the CFO and Company Secretary shall not attend such part of a meeting of the Board of Directors, which involves consideration of an agenda item relating to the CFO and Company Secretary respectively.

Corporate and financial reporting framework

xvi. The directors of listed companies shall annex statements to the following effect with the Directors' Report, prepared under Section 236 of the Ordinance:

- (a) The financial statements, prepared by the management of the listed company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the listed company have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- (e) The system of internal control is sound in design and has been effectively implemented and monitored; and
- (f) There are no significant doubts upon the listed company's ability to continue as a going concern:

Provided that where necessary the following information shall also be annexed to the Directors' Reports of listed companies:

- (a) If the listed company is not considered to be a going concern, the fact along with the reasons shall be disclosed;
- (b) Significant deviations from last year in operating results of the listed company shall be highlighted and reasons thereof shall be explained;
- (c) Key operating and financial data of last six years shall be summarized;
- (d) If the listed company has neither declared dividend nor issued bonus shares for any year, the reasons thereof shall be given;
- (e) Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same shall be disclosed;
- (f) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the listed company;
- (g) A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included;
- (h) The number of board and committees' meetings held during the year and attendance by each director shall be disclosed;
- (i) The details of training programs attended by directors;
- (j) The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:
  - i. associated companies, undertakings and related parties (name wise details);
  - ii. mutual funds (name wise details);
  - iii. directors and their spouse(s) and minor children (name wise details);
  - iv. executives;
  - v. public sector companies and corporations;
  - vi. banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds; and
  - vii. shareholders holding five percent or more voting rights in the *listed* company (name wise details).

*Explanation:* For the purpose of this sub-clause, the expression "executive" means an employee of a listed company other than the CEO and directors.

- (k) The directors' report shall cover, loans, TFCs, sukuks or any other debt instruments in which the company is in default or likely to default. There shall be a clear presentation with details as to the aggregate amount of the debt overdue or likely to become overdue and the reasons for the default/emerging default situation and the measures taken by the company to address and settle such default situation.

- (l) All trades in the shares of the listed company, carried out by its directors, executives and their spouses and minor children shall also be disclosed.

**Explanation:** For the purpose of this sub-clause and clause xxiii the expression “executive” means the CEO, COO, CFO, Head of Internal Audit and Company Secretary by whatever name called, and other employees of the company for whom the board of directors will set the threshold to be reviewed on an annual basis and disclosed in the annual report.

#### **Directors’ remuneration**

- xvii. There shall be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director shall be involved in deciding his/her own remuneration.

- (a) Directors’ remuneration packages shall encourage value creation within the company. These shall be subject to prior approval of shareholders/board as required by company’s Articles of Association. Levels of remuneration shall be appropriate to attract and retain the directors needed to govern the company successfully.

Subject to the provisions of the Ordinance and the company’s Articles of Association, the shareholders/board shall determine the remuneration for non-executive directors. However, it shall not be at a level that could be perceived to compromise their independence.

- (b) The company’s Annual Report shall contain details of the aggregate remuneration separately of executive and non-executive directors, including salary/fee, benefits and performance-linked incentives etc.

#### **Frequency of financial reporting**

- xviii. The quarterly unaudited financial statements of listed companies shall be published and circulated along with directors’ review on the affairs of the listed company.

- xix. All listed companies shall ensure that second quarterly financial statements are subjected to a limited scope review by the statutory auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan (ICAP) and approved by the SECP.

- xx. Every listed company shall immediately disseminate to the SECP and the stock exchange on which its shares are listed all material information relating to the business and other affairs of the listed company that will affect the market price of its shares. The mode of dissemination of information shall be prescribed by the stock exchange on which shares of the company are listed.

This information may include but shall not be restricted to any material change in the nature of business of the company; information regarding any joint ventures, merger or acquisition or any material contract entered into or lost; purchase or sale of significant assets; franchise, brand name, goodwill, royalty, financial plan, etc.; any unforeseen or undisclosed impairment of assets due to technological obsolescence, etc; delay or loss of production due to strike, fire, natural calamities, major breakdown, etc; issue or redemption of any securities; a major change in borrowings including projected gains to accrue to the company; any default in repayment or rescheduling of loans; and change in directors, Chairman or CEO of the listed company:

**Explanation:** Such information shall be disseminated to the above-mentioned entities as soon as any decision about above referred matters or any other significant issue is taken by the board or a significant matter requiring disclosure has come into the knowledge of company’s management.

#### **Responsibility for financial reporting and corporate compliance**

- xxi. No listed company shall circulate its financial statements unless the CEO and the CFO present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors.

It shall be mandatory for the CEO and CFO to have the second quarterly and annual accounts (both separate and consolidated where applicable) initialed by the external auditors before presenting it to the audit committee and the Board of Directors for approval.

- xxii. The Company Secretary of a listed company shall furnish a Secretarial Compliance Certificate, on the prescribed form (Appendix A), along with annual return filed with the registrar concerned certifying that the secretarial and corporate requirements of the Ordinance have been complied with.

#### ***Disclosure of interest by a director holding company's shares***

- xxiii. Where any director, CEO or executive of a listed company or their spouses sell, buy or transact, whether directly or indirectly, in shares of the listed company of which he is a director, CEO or executive, as the case may be, he shall immediately notify in writing to the Company Secretary of such transaction. Such director, CEO or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates, i.e., whether physical or electronic within the Central Depository System, and nature of transaction to the Company Secretary within four days of effecting the transaction. The notice of the director, CEO or executive, as the case may be, shall be presented by the Company Secretary at the meeting of the board of directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a written notice or deliver a written record, the Company Secretary shall place the matter before the board of directors in its immediate next meeting:

Provided that each listed company shall determine a closed period prior to the announcement of interim/ final results and any business decision, which may materially affect the market price of its shares. No director, CEO or executive shall, directly or indirectly, deal in the shares of the listed company in any manner during the closed period.

The closed period shall start from the day when any document/statement, which forms the basis of price sensitive information, is sent to the board of directors and terminate after the information is made public.

Every listed company shall advise its directors about the closed period at the time of circulating agenda and working papers for the board meetings, along with sending intimation of the same to the stock exchanges.

#### ***Committees of the Board***

##### ***Composition***

- xxiv. The board of directors of every listed company shall establish an Audit Committee, at least of three members comprising of non-executive directors and at least one independent director. The chairman of the committee shall preferably be an independent director, who shall not be the chairman of the board. The board shall satisfy itself such that at least one member of the audit committee has relevant financial skills/expertise and experience.
- xxv. There shall also be a Human Resource and Remuneration (HR&R) Committee at least of three members comprising a majority of non-executive directors, including preferably an independent director. The CEO may be included as a member of the committee but not as the chairman of committee. The CEO if member of HR&R Committee shall not participate in the proceedings of the committee on matters that directly relate to his performance and compensation.

The committee shall be responsible for:

- i) recommending human resource management policies to the board;
- ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- iii) recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
- iv) consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

- xxvi. The names of members of the committees of the board shall be disclosed in each Annual Report of the listed company.

## **Audit Committee**

### **Frequency of meetings, attendance, terms of reference and reporting procedures**

xxvii. The Audit Committee of a listed company shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the listed company by its Board of Directors and before and after completion of external audit. A meeting of the Audit Committee shall also be held, if requested by the external auditors or the Head of Internal Audit.

### **Attendance at meetings**

xxviii. The CFO, the Head of Internal Audit and external auditors represented by engagement partner or in his absence any other partner designated by the audit firm shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed:

Provided that at least once a year, the Audit Committee shall meet the external auditors without the CFO and the Head of Internal Audit being present:

Provided further that at least once a year, the Audit Committee shall meet the head of internal audit and other members of the internal audit function without the CFO and the external auditors being present:

Provided further that the chairman of the Audit Committee and engagement partner of external auditor or in his absence any other partner designated by the audit firm shall be present at the AGM for necessary feedback to the shareholders.

### **Terms of reference**

xxix. The Board of Directors of every listed company shall determine the terms of reference of the Audit Committee. The Board shall provide adequate resources and authority to enable the Audit Committee carry out its responsibilities effectively. The Audit Committee shall, inter alia, recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the listed company in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the Audit Committee in all these matters and where it acts otherwise, it shall record the reasons thereof.

The terms of reference of the Audit Committee shall also include the following:

- (a) determination of appropriate measures to safeguard the listed company's assets;
- (b) review of quarterly, half-yearly and annual financial statements of the listed company, prior to their approval by the Board of Directors, focusing on:
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards;
  - compliance with listing regulations and other statutory and regulatory requirements;
  - and
  - significant related party transactions.
- (c) review of preliminary announcements of results prior to publication;
- (d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- (e) review of management letter issued by external auditors and management's response thereto;
- (f) ensuring coordination between the internal and external auditors of the listed company;
- (g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the listed company;
- (h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- (i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- (j) review of the listed company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;



- (k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- (l) determination of compliance with relevant statutory requirements;
- (m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- (n) consideration of any other issue or matter as may be assigned by the Board of Directors.

### **Reporting procedure**

xxx. The Audit Committee of a listed company shall appoint a secretary of the committee who shall either be the Company Secretary or Head of Internal Audit. However, CFO shall not be appointed as the secretary to the Audit Committee. The secretary shall circulate minutes of meetings of the Audit Committee to all members, directors, Head of internal Audit and the CFO prior to the next meeting of the board and where this is not practicable, the Chairman of the Audit Committee shall communicate a synopsis of the proceedings to the board and the minutes shall be circulated immediately after the meeting of the board.

### **Internal audit**

xxxi. There shall be an internal audit function in every listed company. The Head of internal Audit shall functionally report to the Audit Committee and administratively to the CEO.

A director cannot be appointed, in any capacity, in the internal audit function, to ensure independence of the internal audit function.

The internal audit function may be outsourced by a listed company to a professional services firm or be performed by the internal audit staff of holding company. However, due care shall be exercised to ensure that suitably qualified and experienced persons, who are conversant with the company's policies and procedures, are engaged in the internal audit. In the event of outsourcing the internal audit function, company shall appoint or designate a fulltime employee other than CFO, as Head of Internal Audit, to act as coordinator between firm providing internal audit services and the board:

Provided that while outsourcing the function, the company must not appoint its existing external auditors as internal auditors.

xxxii. All listed companies shall ensure that internal audit reports are provided for the review of external auditors. The auditors shall discuss any major findings in relation to the reports with the Audit Committee, which shall report matters of significance to the Board of Directors.

### **External auditors**

xxxiii. No listed company shall appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan.

xxxiv. No listed company shall appoint as external auditors a firm of auditors which or a partner of which is non-compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.

xxxv. The Board of Directors of a listed company shall recommend appointment of external auditors for a year, as suggested by the Audit Committee. The recommendations of the Audit Committee for appointment of an auditor or otherwise shall be included in the Directors' Report. In case of a recommendation for appointment of an auditor other than the retiring auditor the reasons for the same shall be included in the Directors' Report.

xxxvi. No listed company shall appoint its auditors to provide services in addition to audit except in accordance with the regulations and shall require the auditors to observe applicable IFAC guidelines in this regard and shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board of Directors and management of the listed company.

xxxvii. (a) All listed companies in the financial sector shall change their external auditors every five years. Financial sector, for this purpose, means banks, non-banking financial companies (NBFC's), modarabas and insurance/takaful companies; provided that all inter related

companies/ institutions, engaged in business of providing financial services shall appoint the same firm of auditors to conduct the audit of their accounts<sup>2</sup> and

(b) All listed companies other than those in the financial sector shall, at a minimum, rotate the engagement partner after every five years.

xxxviii. No listed company shall appoint a person as an external auditor or a person involved in the audit of a listed company who is a close relative, i.e., spouse, parents, dependents and non-dependent children, of the CEO, the CFO, an internal auditor or a director of the listed company.

xxxix. Every listed company shall require external auditors to furnish a Management Letter to its board of directors within 45 days of the date of audit report:

Provided that any matter deemed significant by the external auditor shall be communicated in writing to the board prior to the approval of the audited accounts by the board.

***Compliance with the Code of Corporate Governance***

xl. All listed companies shall publish and circulate a statement (in the form as specified in Appendix "B") along with their annual reports to set out the status of their compliance with the requirements set out above. The statement shall be specific and deemed to be supported by the necessary evidence held by the company making the said statement.

xli. All listed companies shall ensure that the statement of compliance with the best practices of corporate governance is reviewed and certified by statutory auditors, where such compliance can be objectively verified, before its publication. Statutory auditors of listed company shall ensure that any non-compliance with the CCG requirements is highlighted in their review report.

xlii. Where the SECP is satisfied that it is not practicable to comply with any of the best practices of corporate governance in a particular case, it may, for reasons to be recorded, relax the same subject to such conditions as it may deem fit.

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<sup>2</sup> Joint Notification by SBP & SECP dated February 25, 2004

**Secretarial Compliance Certificate**

*[See clause (xxii)]*

Name of company .....

To  
Company Registration Office  
Securities and Exchange Commission of Pakistan

I ..... being the Secretary of [1] ..... certify, to the best of my knowledge and belief, that I am qualified to be appointed as the Company Secretary of a listed company and that the secretarial and corporate compliance requirements of the Companies Ordinance, 1984, memorandum and articles of association of [1] ..... and the listing regulations of [2] ..... have been duly complied with for the year ending ..... \*, and that nothing has been concealed or withheld in this regard.

Date:

Place:

Signature (s)  
(Name (s) in block letters)  
CNIC number

\* State exceptions in case of non-compliance.

[1] Insert name of the company

[2] Insert names of the stock exchanges on which shares of the company are listed

Note: The declaration need not be:

- (a) signed before a magistrate or an officer competent to administer oaths; or
- (b) stamped as an affidavit

\_\_\_\_\_

**Statement of Compliance with the Code of  
Corporate Governance**  
*[See clause (x)]*

Name of company ..... Year ending.....

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. .... of listing regulations of ..... for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	
Executive Directors	
Non-Executive Directors	

2. The independent directors meets the criteria of independence under clause i (b) of the CCG.
3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. A casual vacancy occurring on the board on ..... was filled up by the directors within ..... days.
6. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
7. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
9. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The board arranged ..... training programs for its directors during the year.
11. The board has approved [1] appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
14. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises ..... members, of whom ..... are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises.....members, of whom.....are non-executive directors and the chairman of the committee is a/an .....director.
18. The board has set up an effective internal audit function/ or has outsourced the internal audit function to ..... who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with [2] except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Signature (s)  
(Name (s) in block letters)  
Chairman /CEO

Note: Any exception to the above shall be adequately noted with reasons.

- [1] In case of new appointments made after the CCG has taken effect  
[2] Delete if not applicable

## **XII. COMPLIANCE WITH THESE REGULATIONS**

- 36.** Whoever fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to fine not exceeding five hundred thousand rupees for each default, and, in case of continuing failure, refusal or contravention, to a further fine not exceeding Rs. 10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues.

Provided that no such penalty shall be imposed unless an opportunity of hearing has been granted.

Provided further that this Clause shall only be applicable in instances of failure, refusal or contravention where specific penalty provisions have not been provided in these regulations.

**DOCUMENTS TO BE SUBMITTED WITH LISTING APPLICATION**

The following documents and information shall be submitted by the applicant company to the Exchange along with application for listing under Sub-Regulation (1) of Regulation 3:

01. An application for Listing on Form I and copy thereof to the Commission along with all the documents.
02. An undertaking on Form-II as required under regulation 5(1).
03. An undertaking, on Form-III, pertaining to issue of share certificates, computerized transfer deeds and verification of signatures on transfer deeds;
04. Copy of the certificate of incorporation.
05. Copy of the conversion certificate from private to public company; if applicable.
06. Copy of the certificate of commencement of business.
07. Copy of the certificate for change of name of the company, if applicable.
08. Copy of the Feasibility Report, in case of a new project. The report shall contain a letter from the Chief Executive Officer (CEO) of the institution who has prepared the report, brief profile of such institution, scope of work of the institution for conducting feasibility study and preparing the report. The report shall be dated and each page of it shall carry signature or initial of CEO or any other officer authorized to do so by the Board of Directors of such institution by way of a Resolution.
09. Copy of the resolution passed by the Board of Directors of the company with respect to listing and issue of shares to the general public.
10. Copy of the certificate of registration of Modaraba Management Company, if required.
11. Copy of authorization for flotation of Modaraba by the Registrar of Modarabas.
12. Copy of the license, consent, approval, NOC etc. from the concerned regulatory authority for undertaking / carrying on the business.
13. Pay Order/Bank Draft/Cheque in favour of the Exchange for payment of initial listing fee at the rate as mentioned in regulation 32.
14. Pay Order/Bank Draft/Cheque in favour of the Exchange for payment of annual listing fee at the rate as mentioned in regulation 32.
15. Pay Order/Bank Draft/Cheque in favour of the Exchange for payment of service charges at the rate as mentioned in regulation 32.
16. Auditor's Certificate, separately indicating the amount subscribed by the sponsors/promoters/ directors/associates/friends/relatives and shares subscribed by the foreign/local investors under private placement. The certificate shall be supported by copies of Form-3 i.e., return of allotment of shares.
17. Auditors' Certificates under Section 53 read with 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 of the company 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 / Offer For Sale shall not be older than six months from the date of publication of the Prospectus / Offer For Sale Document.

18. Auditor's certificate on the Break-up value of shares on the basis of the latest audited accounts along with its calculation.
19. Copy of Information Memorandum prepared for placement of shares to local and foreign investors;
20. Names of Directors/shareholders common to the company and the institutions/funds, which have subscribed the shares under private placement.
21. No Objection Certificates from the Underwriter(s) to the Issue/Offer, if any, on Form-IV.
22. Copies of all material contracts and agreements relating to the public issue/offer of shares and project, if any.
23. Copies of the Consent Letters from Bankers to the issue/offer. The letter shall state that;
  - (i) the Bank has given its consent to act as one of the Bankers to Issue/Offer;
  - (ii) this consent has not been withdrawn;
  - (iii) it has no objection on publication of its name in the prospectus/offer for sale document;

- (iv) the bank has undertaken that the subscription money shall be kept in a separate bank account and shall not be released to the company/the offerer without prior written approval of the Exchange and/or until the company is formally listed.
24. Copies of the title deeds of land duly attested by a gazetted officer;
  25. Copy of the consent from the auditor, expert/legal advisors to the Issue/Offer, if any, under Sub-section (5) of Section 57 of the Companies Ordinance, 1984;
  26. Copy of letter jointly signed by the Chief Executive Officer and Chief Financial Officer of the company confirming that they have reviewed the contents of the draft prospectus / offer for sale and to the best of their knowledge and belief these have been stated/disclosed correctly and fairly.
  27. Copies of individual consent letters from all Directors, Chief Executive and Secretary of the Company for publishing their names as Directors, Chief Executive and Secretary respectively in the Prospectus/Offer For Sale Document. The consent letter shall be dated and contain full name, father's name, CNIC Number & latest postal address of the Directors, Chief Executive and the Company Secretary.
  28. Copy of consent from the Ballotters to the Issue/Offer.  
The Ballotters to the Issue/Offer shall not be associated company or associated undertaking of the issuing company/the offerer.
  29. 25 copies of draft full Prospectus / Offer for Sale draft abridged prospectus and advertisement, if any, with last page signed in original by directors of the Company or the offerer, as the case may be.
  30. 25 copies of audited annual accounts of the company for the last 5 years and its latest half yearly and quarterly accounts, if any or for a shorter period if five years of the commencement of business are not completed.
  31. A List of employees, who have been allocated shares out of the present issue along with their full particulars i.e., names, addresses and number of shares offered to each of them;
  32. In issues where premium is to be charged from public, the shares allocated to any person on account of preferential allocation at par shall not be saleable for a period of two years from the date of public subscription. Such shares shall be deposited in a Blocked Account with a depository company and their deposit shall be certified by the depository company. The particulars of these shares shall be furnished to the Stock Exchange. Provided that charges of opening and operating of the said Blocked Account with the depository company shall be borne by the holder of such shares.
  33. Copy of application submitted with CDC for declaration of such company as CDC eligible security.
  34. Report of State Bank of Pakistan that the names of promoters/sponsors/controlling directors of the company are not in the Defaulter's List of State Bank of Pakistan either in their individual capacity or in the capacity of Directors of other companies. (This will not apply to nominee Directors of the Government and Financial Institutions).
  35. Report of State Bank of Pakistan that the name of the company as well as the names of other companies in which directors of the company are holding directorship are not in the defaulter's list of State Bank of Pakistan.
  36. Printed copy of share certificate duly cancelled.
  37. Documents as prescribed under Annexure-A, in relation to the requirements of Annexure to Form III of the Securities and Exchange Rules, 1971.
  38. Documents as prescribed under Annexure-B, in relation to the requirements mentioned in the Companies (Issue of Capital) Rules, 1996.
  39. Any other document/material/information as may be required by the Exchange for its own record or for inclusion in the prospectus/offer for sale document.

**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 / offer for sale document;
  - b) Scanned copy of the Memorandum & Articles of Association; and

- c) Scanned copy of the audited annual accounts of the company for the last 5 years or for a shorter period if five years of the commencement of business are not completed and its latest half yearly and quarterly accounts.

#### **ANNEXURE-A**

1. Memorandum and Articles of Association and, in case of debentures, a copy of the trust deed
2. Copies of prospectus issued by the Company in respect of any security already listed on the Stock Exchange;
3. A brief history of the company since incorporation giving details of its activities including any re-organization, changes in its capital structure and borrowings
4. A statement showing:
  - (a) cash dividends and bonuses paid during the last 10 years or such shorter period as the company may have been in existence;
  - (b) dividends or interest in arrears, if any.
5. Certified copies of agreements or other documents relating to arrangements with or between:
  - (a) vendors and/or promoters
  - (b) underwriters
  - (c) brokers
6. Certified copies of agreements with:
  - (a) managing agents.
  - (b) selling agents.
  - (c) Managing Director and technical directors.
7. Certified copies of the agreements with the NIT, ICP, PICIC, IDBP and any other financial institution.
8. 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 company's business or intended business together with a brief description of the terms of such agreements.
9. Names and addresses of the directors and persons holding ten per cent or more of any class of equity security as on the date of application together with the number of share or debentures held by each of them.
10. Particulars of the security listing of which is sought.

#### **ANNEXURE-B**

##### **In case of Equity-Based Project**

1. Certificate from the auditors that the fixed capital expenditure is entirely financed by equity and that the capital allocated to sponsors, foreign and local investors, if any, has been fully paid.
2. Project appraisal report from a financial institution or a commercial bank or an investment bank.
3. Certificate from the auditors that the land for the project has been acquired, transferred/registered in the name of company, letters of credit have been established and shipment schedule of plant and machinery has been finalized by the suppliers.
4. Undertaking on Non-Judicial Stamp Paper from the Sponsors that they shall retain at least twenty-five per cent of the capital of the company for a period of five years from the date of public subscription.
5. Underwriting arrangement in the manner as prescribed in sub rule (II)(iv) of rule 3 of the Companies (Issue of Capital) Rules, 1996.

##### **In case of Loan-based Project**

1. Certificate from auditors that sponsors' subscription has been received in full and at least 80% thereof has been utilized in the project.



2. Certificate from the concerned Stock Exchange that at least 30% of the plant and machinery has been installed and last consignment of plant and machinery, where required has been shipped to the company.
3. Undertaking on Non-Judicial Stamp Paper from the Sponsors that they shall at all times retain at least 25% of the capital of the company.

**FORM I**

**FORM OF APPLICATION UNDER SECTION 9 OF THE SECURITIES AND EXCHANGE  
ORDINANCE 1969 FOR LISTING A SECURITY ON A STOCK EXCHANGE**

To:  
The General Manager  
Karachi Stock Exchange (Guarantee) Limited  
Karachi.

Dear Sir,

1. We hereby apply for the listing of our \_\_\_\_\_ on  
your Stock Exchange. (Name of company)
2. Necessary information and documents as required under Regulation 4(1) are enclosed  
herewith.

Yours faithfully,

\_\_\_\_\_  
SIGNATURE & ADDRESS

**c.c. to:**  
The SECP  
ISLAMABAD as required under Sub-Section (1) of Section 9  
of the Securities & Exchange Ordinance, 1969

**FORM II**

**FORM OF UNCONDITIONAL UNDERTAKING UNDER LISTING  
REGULATION NO. 5 ON NON-JUDICIAL STAMP PAPER OF RS. 20/-**

Dated: \_\_\_\_\_

**The Governing Board of Directors**  
Karachi Stock Exchange (Guarantee) Limited  
KARACHI.

**UNDERTAKING**

We undertake, unconditionally, to abide by the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited which presently are, or hereinafter may be in force.

We further undertake:

- (1) That our shares and securities shall be quoted on the Ready Quotation Board and/or the Futures Counter at the discretion of the Exchange;
- (2) That the Exchange shall not be bound by our request to remove the shares or securities from the Ready Quotation Board and/or the Futures Counter;
- (3) That the Exchange shall have the right, at any time to suspend or remove the said shares or securities for any reason which the Exchange consider sufficient in public interest.
- (4) That such provisions in the articles of association of our company or in any declaration or agreement relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with the Listing Regulations of the Exchange shall, upon being called upon by the Exchange, be amended to supersede the articles of association of our company or the nominee relating to the other securities to the extent indicated by the Exchange for purposes of amendment and we shall not raise any objection in relation to a direction by the Exchange for such amendment; and
- (5) That our company and/or the security may be delisted by the Exchange in the event of non-compliance and breach of this undertaking.

Yours faithfully

(Signature of Authorized Person)

Common Seal of the Company

**FORM III**

Dated: \_\_\_\_\_

**The General Manager**

Karachi Stock Exchange (Guarantee) Limited  
Stock Exchange Building  
Stock Exchange Road  
KARACHI.

**UNDERTAKING**

We, M/s \_\_\_\_\_ have applied for Listing of our Company on your Exchange. In case our application is approved, we hereby undertake as under:-

- (1) That we will issue shares either in scripless form in the Central Depository System (CDS) or in the shape of physical scrip along with computerized transfer deeds on the basis of option exercised by the successful applicants within 30 days from the date of close of public subscription.
- (2) That shares in the physical scrip shall be despatched through the bankers to the issue whereas scripless shares shall be directly credited through book entry into the respective CDC accounts of the allottees maintained with Central Depository Company of Pakistan Limited (CDC).
- (3) That we will arrange to verify the signature on Transfer Deeds in Karachi atleast for a period of 30 days after Official Listing of our Company.
- (4) That we will return the Transfer Deeds duly verified within 48 hours Lodged for verification of signatures.

\_\_\_\_\_  
MANAGING DIRECTOR/CHIEF EXECUTIVE

**FORM IV**

**The General Manager**

Karachi Stock Exchange (Guarantee) Limited  
(Secretariat Block)  
Stock Exchange Building  
Stock Exchange Road  
KARACHI.

Dear Sir,

Re: **NO OBJECTION CERTIFICATE**

We the undersigned have entered into an Underwriting Agreement with M/s. \_\_\_\_\_ on \_\_\_\_\_. The terms of which are as follows:

- |       |  |                     |
|-------|--|---------------------|
| i)    | Total Number of Shares Underwritten      | _____               |
| ii)   | Face Value                               | Rs. _____ per share |
| iii)  | Premium Value (if any)                   | Rs. _____ per share |
| iv)   | Total Value (Including Premium)          | Rs. _____ per share |
| v)    | Amount of Underwriting                   | Rs. _____           |
| vi)   | Underwriting Commission                  | _____ %             |
| vii)  | Take-up Commission                       | _____ %             |
| viii) | The Underwriting Agreement is Valid Upto | _____               |

We have no objection for offering of shares to the general public and publication of Prospectus/Offer For Sale of the company in the newspapers.

We further confirm that we have not entered into any buy back or repurchase agreement in respect of the shares underwritten with the sponsors or any other person under the said agreement.

Yours truly,

\_\_\_\_\_  
Name and Designation of the Underwriter

**CRITERIA/GUIDELINES FOR LISTING OF COMPANIES ON THE EXCHANGE**

- (1) The Exchange shall not entertain listing/application of such company whose:
  - i) Chief Executive has been found to have violated the Listing Regulations or any others/listed company on the Exchange of which he had been the Chief Executive.
  - ii) Promoters/sponsors/controlling directors are in the defaulters list of State Bank of Pakistan either in their individual capacity or in the capacity of directors of other companies. However, this will not apply to nominee directors of the Government and Financial Institutions. The company shall also provide a list of Controlling Directors.
- (2) No company shall be allowed listing which is an associated company of any other listed company which has violated the Listing Regulations of the Exchange and is still in default of any Listing Regulation. However, this will not apply to nominee directors of the Government and Financial Institutions.
- (3) In all the prospectuses/offer for sale, the following disclosures must be made:-
  - i) Only those financial statements shall be incorporated in the prospectus/Offer for Sale which are audited and certified by the auditors and which are accompanied by accounting policies.
  - ii) The Audited Accounts incorporated in the Prospectus shall not be older than 6 months from the date of publication of the Prospectus / Offer for Sale Document
  - iii) A profile of the Chief Executive along with academic qualification and relevant experience.
  - iv) Break-up value of the shares on the basis of the latest audited account supported by a certificate from the auditors.
  - v) In the financial plan, the amount of interest/mark-up/financial charges during preproduction period shall be shown separately.
  - vi) A brief write-up of each of the controlling directors.
  - vii) Detail of project, if any, like status of civil work, break up of plant and machinery, its cost, made, supplier, status i.e. new or used, ordered, shipped, reached at site, installed, etc. Total project cost, means of financing, cost incurred, Project implementation schedule, expected date of trial production and commercial production etc.
  - viii) Any other disclosure which the Exchange may require for the benefit of the investors.
- (4) A running company for one full year or more, reflecting losses in their last audited accounts, shall not qualify for listing if its equity is eroded by 40% or more.
- (5) The companies applying for listing on the Exchange shall have a minimum paid-up capital as mentioned in regulation 7(1)
- (6) The Allocation of capital to the public shall be in accordance with regulation 6 & 7.
- (7) No company shall be allowed listing whose promoters/sponsors/ controlling directors are also promoters/sponsors/controlling directors in other listed companies, which are in default of any Listing Regulation of the Exchange. Further no person shall be allowed to act as promoter/sponsor/controlling director of a company which was delisted during last three years and non-compliant of any Listing Regulation at the time of its delisting. However, this will not apply to nominee directors of the Government and Financial Institutions. The company shall also provide a list of Controlling Directors.
- (8) No company shall be allowed listing which is a wholly owned subsidiary company of any other listed company which has violated the Listing Regulations of the Exchange and is still in default of any Listing Regulation.”

**THE COMPANIES (ISSUE OF CAPITAL) RULES, 1996**

- (1) **Short title:** commencement and application: (1) These rules may be called the Companies (Issues of capital) Rules, 1996
  - (2) They shall come into force at once:
  - (3) They shall apply to:
    - (i) the companies proposing to offer share capital to the public;
    - (ii) listed companies proposing to increase share capital through right issue or bonus issue;
    - (iii) all companies proposing to issue shares for consideration otherwise than in cash; and
    - (iv) certain persons offering shares for sale to the public.
2. **Interpretation:** In these rules the words and expressions used shall have the same meanings as are assigned to them in the Companies Ordinance, 1984 (XLVII of 1984).
3. **Policy for issue of capital:** A company which owns a loan-based project or an equity-based project and proposes to raise capital through public offer for the first time shall comply with the following conditions, namely:
  - (I) **LOAN BASED PROJECTS:**
    - (i) The size of capital to be issued shall be in accordance with financial plan approved by an institution financing the project.
    - (ii) The company's auditors shall certify that sponsors' subscription has been received in full and at least eighty percent thereof has been utilized in the project.
    - (iii) The stock exchange concerned shall verify that at least thirty percent of the plant and machinery has been installed and last consignment of plant and machinery, where required, has been shipped to the company.
    - (iv) The sponsors shall, at all times, retain at least twenty-five percent of the capital of the company.
  - (II) **EQUITY BASED PROJECT:**
    - (i) The fixed capital expenditure shall be entirely financed by equity.
    - (ii) The project shall be appraised by a financial institution or a commercial bank or an investment bank.
    - (iii) The appraisal report shall be accompanied by a certificate from the company's auditors confirming that:
      - (a) the capital allocated to sponsors, foreign and local investors, if any, has been fully paid; and
      - (b) the land for the project has been acquired, letters of credit have been established and shipment schedule of plant and machinery has been finalized by the suppliers.
    - (iv) The issue shall be fully underwritten and the underwriters, not being the associated companies, shall include at least two financial institutions including commercial banks and investment banks and the underwriters shall evaluate the project in their independent due diligence reports.
    - (v) The sponsors shall retain at least twenty-five percent of the capital of the company for a period of five years from the date of public subscription.

4. **Issue of shares on premium:** A company may issue shares to the public on premium subject to the following conditions, namely:

- (i) It shall have profitable operational record of at least one year;
- (ii) the premium on public offering shall not exceed the amount of premium charged on placements with foreign or local institutions and the names and addresses of such institutions shall be disclosed in the prospectus;
- (iii) the issues shall be fully underwritten and the underwriters, not being the associated companies, shall include at least two financial institutions, including commercial banks and investment banks and the underwriters shall give full justification of the amount of premium in their independent due diligence reports;
- (iv) the due diligence report of the underwriters shall form part of the material contracts;
- (v) Full justification for premium shall be disclosed in the prospectus;
- (vi) the employees of the company getting preferential allocation, if any, shall be charged premium at the same rate as the public; and
- (vii) the shares allotted to any person on account of preferential allocation at par, shall not be salable for a period of two years from the date of public subscription. These persons shall be issued jumbo certificates with markings "not salable for two years". The particulars of each jumbo certificates will be furnished to the respective stock exchange. Companies while splitting jumbo certificates into marketable lots, after the prescribed period, shall inform the respective stock exchange.

(5) **Issue of right shares by a listed company:** a listed company may issue right shares subject to following conditions, namely;

- (i) The company shall not make a right issue within one year of the first issue of capital to the public or further issue of capital through right issue;
- (ii) the company, while announcing right issue, shall clearly state the purpose of the right issue, benefits to the company use of funds and financial projections for three years. The financial plan and projections shall be signed by all the directors who were present in the meeting in which the right issue was approved;
- (iii) the decision of the company to issue right shares shall be communicated to the Authority and the respective stock exchange on the day of the decision;
- (iv) the company may charge premium on right shares up to the free reserves per share as certified by the company's auditors and the certificate of the auditors shall be furnished to the Authority and the respective stock exchange along with intimation of the proposed right issue;

Provided that where a company proposes to charge premium on right issue above the free reserves per share it shall be required to fulfill the following requirements, namely:

- (a) At least forty percent of all the shareholders undertake to subscribe their portion of right issue; and
- (b) the remaining right issue shall be fully underwritten and the underwriters, not being associated companies, shall include at least two financial institutions including commercial banks and investment banks and the underwriters shall give full justification of the amount of premium in their independent due diligence report;



- (v) right issue of a loss making company or a company whose market share price during the preceding six months has remained below par value shall be fully and firmly underwritten;
- (vi) book closure shall be made within forty-five days of the announcement of the right issue and the payment and renunciation date once announced for the letter of right shall not be extended except with the permission of the respective stock exchange under special circumstances; and
- (vii) if the announcement of bonus and right issue is made simultaneously, resolution of the board of directors shall specify whether the bonus shares covered by the announcement qualify for right entitlement;

**Explanation:** "free reserves" includes any amount which, having been set aside out of revenue or other surpluses after adjustment of all intangible or fictitious assets, is free in that it is not retained to meet any diminution in value of assets, specific liability, contingency or commitment known to exist at the date of balance sheet, but does not include:

- (i) Reserves created as a result of re-valuation of fixed assets;
- (ii) goodwill reserve;
- (iii) depreciation reserve to the extent of ordinary depreciation including allowance for extra shifts admissible under the Income Tax Ordinance, 1979 (XXXI of 1979);
- (iv) development allowance reserve created under the provision of the Income Tax Ordinance, 1979 (XXXI of 1979);
- (v) workers welfare fund;
- (vi) provisions for taxation to the extent of the deferred or current liability of the company; and
- (vii) capital redemption reserve;

#### 6. **Issue of bonus shares by listed companies:**

A listed company may issue bonus shares subject to the following conditions, namely:-

- (i) the decision of the directors to issue bonus shares shall be communicated to the Authority and the respective stock exchange on the day of the decision and the intimation letter shall be accompanied by the auditor's certificates as specified in clause (iii);
- (ii) the free reserves of the company calculated in the manner as specified in rule 5 shall be sufficient to issue the bonus shares after retaining in the reserves twenty-five percent of the capital as it will be increased by the proposed bonus shares;
- (iii) a certificate from the auditors shall be obtained to the effect that the free reserves and surpluses retained after the issue of the bonus shares will not be less than twenty-five percent of the increased capital; and
- (iv) all contingent liabilities disclosed in the audited accounts and any such liability which may have been created subsequent to the audited accounts shall be deducted while calculating minimum residual reserves of twenty-five percent.

#### 7. **Offer for sale of shares by privatized companies:**

Where a company has been privatized by the Federal Government or a Provincial Government, the new management shall not offer shares to the public for a period of three years from the date of privatization at a price higher than the purchase price per share

adjusted by right or bonus issue or any other distribution made out of the pre-acquisition reserves.

**8. Issue of shares for consideration otherwise than in cash:**

A company may issue shares for consideration otherwise than in cash subject to the following conditions, namely:

- (i) the value of assets shall be determined by a consulting engineer registered with Pakistan Engineering Council and borne on the panel of at least two financial institutions as a valuer;
- (ii) the value of assets taken over shall be reduced by depreciation charged on consistent basis;
- (iii) the goodwill and other intangible assets shall be excluded from the consideration; and
- (iv) certificate from a practicing Chartered Accountant shall be obtained to the effect that the above mentioned conditions have been complied with.

**9. Offer for sale of share by certain persons:**

A person who holds more than ten percent of the shares of a company may offer such shares for sale to the public subject to the following conditions, namely:

- (i) the size of the capital to be offered to public through offer for sale shall not be less than one hundred million rupees or twenty-five percent of the capital which ever is less;
- (ii) no premium shall be charged unless the company has profitable operational record for at least one year;
- (iii) in case a premium is to be charged on the sale of shares, the offer shall be fully under-written and the underwriters, not being the associated companies, shall includes at least two financial institutions including commercial banks and investment banks and the under-writers shall give full justification of the amount of premium in their independent due diligence reports;
- (iv) due diligence reports of the underwriters shall form part of the material contracts; and
- (v) full justification for the premium shall be disclosed in the offer for sale.

**10. Relaxation of rules:**

Where the Authority is satisfied that it is not practicable to comply with any requirement of these rules in a particular case or class of cases, the Authority may, for reasons to be recorded, relax such requirement subject to such conditions as it may deem fit.

**11. Penalty:**

Whoever fails or refuses to comply with, or contravenes any provision of these rules, or knowingly and will fully authorizes or permits such failure, refusal or contravention, shall, in addition to any other liability under the Ordinance, be also punishable with fine not exceeding two thousand rupees, and, in case of continuing failure, refusal or contravention, to a further fine not exceeding one hundred rupees for every day after the first during which such contravention continues.

**ISSUE/OFFER OF SHARES THROUGH BOOK BUILDING**

**1. Eligibility:**

A public limited company or a body corporate which intends to issue shares to the general public under Section 57 of the Companies Ordinance, 1984 and makes an application to a stock exchange for listing of its shares or an Offeror who intends to offer shares under Section 62 of the Companies Ordinance, 1984 and makes an application to a stock exchange for listing of such shares, where applicable, and is in compliance with Listing Regulations of the stock exchange, is eligible to issue/offer its shares through Book Building mechanism.

**2. Offer through Book Building:**

A Company or a body corporate or an Offeror, which fulfills the eligibility criteria mentioned in clause 1 above, may subject to the requirements specified under this appendix of the Regulations, offer shares through Book Building process subject to the following conditions:

- (a) not more than 75% of the total offer shall be allocated for offer through book building process to institutional investors and HNWI; and
- (b) not less than 25% of the total offer shall be allocated for offer to the general public.

**3. Procedure of Issue/Offer under Book Building Process:**

3.1 The Issuer or Offeror, as the case may be, proposing to offer shares to the Institutional Investors and HNWI through the book building process shall appoint a Lead Manager (LM) and a Book Runner (BR). An Issuer / Offeror need not to appoint a LM, if so desired by it, provided such Issuer / Offeror is eligible to act as LM under this appendix of the Regulations. Nothing in this appendix of the Regulations shall restrict an Issuer / Offeror to appoint a single person as Book Runner and Lead Manager or to appoint more than one Book Runner or Lead Manager.

Provided that BR shall not be an associated company or an associated undertaking of the Issuer/ Offeror.

3.2 The Issuer/Offeror in consultation with LM and BR shall issue a preliminary prospectus to selected Institutional Investors and HNWIs.

Apart from meeting the disclosure requirements as specified under various clauses of this appendix of the Regulations and under various provisions of the Companies Ordinance, 1984, the following disclosures shall be suitably made in the preliminary prospectus:

- (i) The particulars of LM, BR, the share registrars and the bankers to the issue/offer etc.;
- (ii) Role and functions of LM and BR
- (iii) The following accounting ratios, shall be given in a separate para under the heading "Financial Ratios" for each of the accounting periods for which the financial information is given:
  - a. EPS, where applicable, as adjusted for changes in capital;
  - b. P/E ratio, where applicable;
  - c. Break-up value per share / Net-Asset value per share;
  - d. Return on Assets and Average return on net-worth in the last five years (where applicable);

Note: The accounting ratios disclosed in the prospectus should be calculated after giving effect to the consequent increase of capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital shall be exercised.

- (iv) The dates and time of opening and closing of the bidding period;
- (v) The method and process of bidding;
- (vi) Mechanism for determination of the strike price containing illustration, for easy understanding, based on hypothetical data;
- (vii) Basis of allotment of shares out of Book Building offer;

- (viii) The addresses of the bid collection centres; and
  - (ix) Separate statements by both the Issuer/Offerer and LM confirming that all the material information as required under the Companies Ordinance, 1984 and this appendix of the Regulations have been disclosed in the prospectus and that whatever stated in the prospectus and the supporting documents is true and correct to the best of their knowledge and belief and that nothing has been concealed;
- 3.4 The preliminary prospectus/offer for sale document shall, after clearance by the stock exchange(s), be submitted to the Commission for approval under Section 57 or Section 62 of the Companies Ordinance, 1984 as the case may be;
  - 3.5 Copy of the preliminary prospectus approved by the Commission shall be circulated by the Issuer/Offerer through LM and BR to the prospective institutional investors and HNWI and shall also be placed on the websites of the Issuer/Offerer, LM and BR;
  - 3.6 In addition to circulation of the preliminary prospectus in the manner as mentioned in para 3.5 above, an advertisement, approved by the Commission, shall be published at least in one Urdu and one English daily Newspaper having wide circulation in the federal and all the provincial capitals, inviting the institutional investors and HNWI to participate in the bidding;
  - 3.7 After approval of the preliminary prospectus by the Commission, LM and BR may jointly conduct awareness campaigns like advertisement, road shows, presentations, meetings etc.;

Note: The Issuer/Offerer shall obtain prior approval of the Commission for issue, circulation and publication of advertisement, if any, regarding the issue/offer of shares.

- 3.8 The electronic system/software used by BR in the book building process may be subject to audit/examination by the Commission directly, through other persons appointed by the Commission for this purpose or through an external auditor appointed by the stock exchange on the directions of the Commission.
- 3.9 LM and BR shall be entitled to remuneration for arranging and conducting the Book Building process and all the expenses including remuneration of LM and BR shall be disclosed in the preliminary prospectus; and
- 3.10 In case the Issuer/Offerer does not receive bids for the minimum number of shares offered at floor price or in the absence of the floor price, at any other price acceptable to the Issuer/Offerer, it may withdraw the offer. The decision of withdrawal shall be taken within a period not more than three working days of the closing of the bidding period. The withdrawal shall be immediately intimated to the Commission and the Exchange.

In such a case the Issuer/Offerer shall refund the margin money to the bidders within three working days of the decision of withdrawal.

- 3.11 An associated person or any other related person or party of the Issuer / Offerer, as the case may be, shall not make bid(s) for shares in excess of 5% of the book building portion of the issue/offer.

#### **4. Main Parties to the Issue/Offer and their role & responsibilities:**

##### **4.1 The Issuer/Offeror:**

The Issuer/Offeror shall be responsible to;

- (i) appoint LM, save as provided in para 3.1, and BR;
- (ii) ensure that BR has adequate infrastructure to properly undertake and perform book building process on its behalf;
- (iii) obtain all approvals/consents/NOCs/clearance relating to the issue/offer;
- (iv) ensure that all disclosures as required under the Companies Ordinance, 1984 and this appendix of the Regulations have been made in the prospectus;

- (v) ensure that all the documents required by the Commission to be submitted along with the application under Section 57 or 62, as the case may be, have been provided. In case certain documents are to be provided later on, list of all such documents and reason for its late submission should be provided in the application under Section 57 or 62 as the case may be;
- (vi) ensure that whatever stated in the prospectus and the supporting documents is true and correct to the best of their knowledge and belief and that nothing has been concealed;
- (vii) submit final report about issue/circulation/publication of the prospectus, subscription received, strike price discovered, basis of allotment, refund made and related matters within 30 days of the last date for public subscription to the Commission; and
- (viii) maintain record of the issue/offer, based on book building process, for a period of at least three years from the date of closing of book building process.

#### 4.2 The Lead Manager:

The Lead Manager to the issue/offer shall be responsible to;

- (i) conduct awareness campaigns like presentations, meetings, road shows etc jointly with BR;
- (ii) ensure that all disclosures as required under the Companies Ordinance, 1984 and this appendix of the Regulations have been made in the prospectus;
- (iii) ensure that necessary infrastructure and electronic system/software is available to collect bids and to carry out book building process in a fair, efficient and transparent manner;
- (iv) obtain, on behalf of the Issuer/Offerer, all approvals/consents/NOCs relating to the issue/offer;

#### 4.3 The Book Runner:

The Book Runner to the issue/offer shall be responsible to;

- (i) conduct awareness campaigns like presentations, meetings, road shows etc. jointly with LM;
- (ii) arrange and ensure that necessary infrastructure and electronic system/software is available to collect bids and to carry out book building process in a fair, efficient and transparent manner;
- (iii) collect bid applications and applications' money, security, margin as the case may be from the Institutional Investors and HNWI in the manner as mentioned in this appendix of the Regulations.
- (iv) put serial number, date and time on each bidding form at the time of collection of the same from the bidders;
- (v) vet the bidding applications;
- (vi) build an order book showing demand for the shares at various prices;
- (vii) discover the strike price at the close of the bidding period;
- (viii) enter into underwriting agreement with the Issuer/Offerer; and
- (ix) maintain record of the bids received for subscription of the shares.
- (x) The Book Runner to the issue / offer shall be required to use the software for Book Building Process provided by the Exchange, which is based on Dutch Auction Methodology for display of the order book and determination of the strike price, on the terms and conditions as may be agreed in writing between the Exchange and the Book Runner.
- (xi) The Book Runner to an issue / offer for information of the investors shall, in addition to live display of the order book on the website of the Exchange, also live display the same order book simultaneously on its own website till closing of the bidding period."

### 5. Underwriting:

The offering of shares through book building should be compulsorily underwritten in the following manner:

- (a) BR shall enter into an underwriting agreement with the Issuer/Offerer stating that BR has underwritten the entire Book Building portion at the Strike price. The Underwriting Agreement should also disclose the number of shares underwritten, the rate and amount of the underwriting Commission/Fee to be paid to BR;

- (b) the Book Building Offer shall be underwritten within 2 working days of the closing of bidding period; and
- (c) In the event, a bidder backs out of his commitment, BR shall, save as provided in para 3.10, be responsible for subscribing to the amount involved.

**6. Publication of the Final Prospectus:**

On finalization of the underwriting arrangement LM shall, within ten working days of the closing of bidding period, shall submit application to the Stock Exchange(s) concerned for allocation of dates for publication of the final prospectus and subscription of shares by the general public.

The final prospectus in full or in abridged form must be published within seventeen working days of the closing of the bidding period in the manner as specified in Section 53 of the Companies Ordinance, 1984.

Public subscription for the shares shall be held at any date(s) within thirty days of the publication of the final prospectus but not earlier than seven days of such publication.

**7. Bidding Form:**

- 7.1 Standardized bidding forms shall be prescribed by the BR;
- 7.2 Bids shall be submitted through the Bid Collection Centres on the standard bidding form duly filled in and signed in duplicate;
- 7.3 The bidding form shall be serially numbered at the bid collection centres and date and time stamped, at the time of collection of the same from the bidders;
- 7.4 The serial number may be system generated or stamped with an automatic numbering machine;
- 7.5 The bidding form shall be issued in duplicate signed by the investor and countersigned by the BR, with first copy for BR, and the second copy for the investor;
- 7.6 The identities of the investors participating in the bidding process shall not be made public;

**8. Procedure for bidding:**

- 8.1 The method and process of bidding shall be subject to the following:
  - 8.1.1 Bids can be at a 'limit price' or at 'strike order' or can be a 'step bid'.

Provided that the minimum size of a limit bid shall be Rs. 1,000,000 and in case of a step bid, the amount of any step shall not be less than Rs. 250,000/-.
  - 8.1.2 The institutional investors and HNWI shall place their bids through BR who shall vet the bid forms;
  - 8.1.3 The institutional investors and HNWI shall have the right to revise or withdraw their bids during the bidding period.
  - 8.1.4 The institutional investors and HNWI shall not make more than one bids.
- 8.2 The BR shall collect an amount to the extent of 100% of the application money as margin money in respect of bids placed by HNWI;
- 8.3 The BR shall collect an amount of not less than 25% of the application money as margin money in respect of bids placed by institutional investors;
- 8.4 BR may reject a bid placed by an institutional investors and/or HNWI for reasons to be recorded in writing and the reasons should be disclosed to such bidder forthwith. Decision of BR shall not be challengeable by the bidder or its associates;
- 8.5 BR shall maintain record of the bids received for bidding of the shares;

- 8.6 BR shall ensure that all the bids received by the bid collection centers are entered into the system developed by the Exchange for the purpose of book building. BR shall not accept any bid after 5:00 p.m. during the days of the bidding period, except the last day when no fresh bid(s) shall be collected after 5:00 p.m. and the bid(s) collected thus far, shall be required to be entered into the System by 7:00 p.m. on the same day and thereafter no bid shall be entered into the system or be revised in any way and for any reason even if the bid application has been received from the investors. Online revision of the bids shall be allowed to the bidders through system software. This will however be subject to the condition that the bidder shall comply with the requirements of bidding as disclosed under Clause 8 of this Appendix and / or any other condition / procedure disclosed in the offering document. The Exchange shall display live an order book showing the demand for shares at various prices and the accumulated number of shares bid for along-with percentage of the total shares offered. The order book should also show the revised bids and the bids withdrawn;
- 8.7 No extension shall be allowed in book building period, except under the extra ordinary circumstances like law and order situation resulting closure of banks etc. Such extension shall be allowed by the Exchange with the prior written approval of the Commission;
- 8.8 BR shall approach and circulate the preliminary prospectus to a maximum number of the institutional investors and HNWI, but not less than ten in each category, inviting them for participation in the bidding process;
- 8.9 At the close of the bidding period, the Issuer/Offeror, in consultation with LM, if any, and BR shall determine the strike price on the basis of "Dutch Auction Method". Under this Methodology, the strike price is determined by lowering the price to the extent that the total number of shares that the Issuer/Offeror intends to issue or to divest through the Book Building process is subscribed. While determining the strike price, the bids placed through strike order(s) shall not be taken into consideration.

The order book shall display the bid prices in a descending order along with the quantity for each price level as well as the cumulative quantity at each price level. The strike orders shall be displayed in the order book in the following manner:

- (a) after the lowest limit bid, in case the limit bids placed are not sufficient for full allotment of the shares offered; or
- (b) after the limit bid at which all the shares offered can be allotted, in case the limit bids placed are sufficient for full allotment of the shares offered.

For the purpose of allotment of shares, the limit bid(s) entered at the price determined/discovered as Strike Price through book building process, and the bids placed as strike order shall be ranked equally and preference will be given to the bidder who has made the bid earlier.

Once the strike price is determined all those bidders whose bids have been found successful shall become entitled for allotment of shares. The bidders, who have made bids at prices above the strike price, will be issued shares at the strike price and the differential will be refunded. The bidders, who have made bids below the strike price, shall not qualify for allotment of shares and their margin money will be refunded;

- 8.10 The offer price to general public shall be equal to or at a discount to the strike price;
- 8.11 Successful bidders shall be intimated, within two working days of the closing of the bidding period, the strike price and the number of shares provisionally allotted to each of them. The successful institutional bidders shall, within seven working days of the closing of the bidding period, deposit the balance amount as consideration against allotment of shares. Where a successful bidder defaults in payment of shares allotted to him, the margin money deposited by such bidder shall be forfeited to the BR;
- 8.12 Margin money of the unsuccessful bidders shall be refunded within three working days of the close of the bidding period;

- 8.13 The Issuer/Offeror shall open two separate bank accounts for collection of applications' money, one each for both the Book Building offer and the Public Issue/ offer;
- 8.14 Final allotment of shares out of the Book Building Offer shall be made after receipt of full subscription money from the successful bidders; however, shares to such bidders shall be issued/ transferred at the time of issuance/transfer of shares out of the Public Issue/ Offer to the successful applicants;
- 8.15 The Book Building process will be considered as withdrawn if the total number of bids received is less than 15;
- 8.16 The successful bidders shall be issued shares, which are allocated to them as a result of book-building process, in the form of book-entry securities to be credited in their CDS accounts. All the institutional investors and HNWI shall, therefore, provide their CDC account numbers in the bid application.

**9. Provisional listing:**

The company whose shares are issued/offered may in accordance with the "Regulations for Future Trading in Provisionally Listed Companies", of the Stock Exchange(s) concerned be provisionally listed for futures trading and for quotation of its shares from the date of publication of the final prospectus in the Newspapers.

**10. Maintenance of Books and Record:**

- 10.1 The Issuer/Offeror, LM, BR and other intermediaries associated with the issue/offer of shares shall maintain record of the issue/offer for a period of at least three years from the closing of the public subscription list; and
- 10.2 The Commission shall have the right to call such information/documents as it deems fit from the Issuer/Offeror, LM, BR and other intermediaries associated with the issue/offer. The Commission may also inspect such records and books which are maintained by the Issuer/Offeror, LM, BR and other intermediaries involved in the issue/offer.

**11. Relaxation:**

Where the Exchange is satisfied that it is not practicable to comply with any of the requirement(s) specified in this appendix of the Regulations, in a particular case or class of cases, the Exchange may, for reason(s) to be recorded, relax such requirement(s) subject to such conditions as it may deem fit, with the approval of the Commission.