



SUMMARY
AMENDMENTS IN
THE LISTED COMPANIES
(BUY BACK OF SHARES)
REGULATIONS, 2019



DEFINITION OF BUYBACK

Buyback by a listed company means the process of purchasing its own securities from the market excluding sponsors/directors/officers/associated companies/major shareholders through securities exchange.

PURPOSE OF BUYBACK



For Cancellation

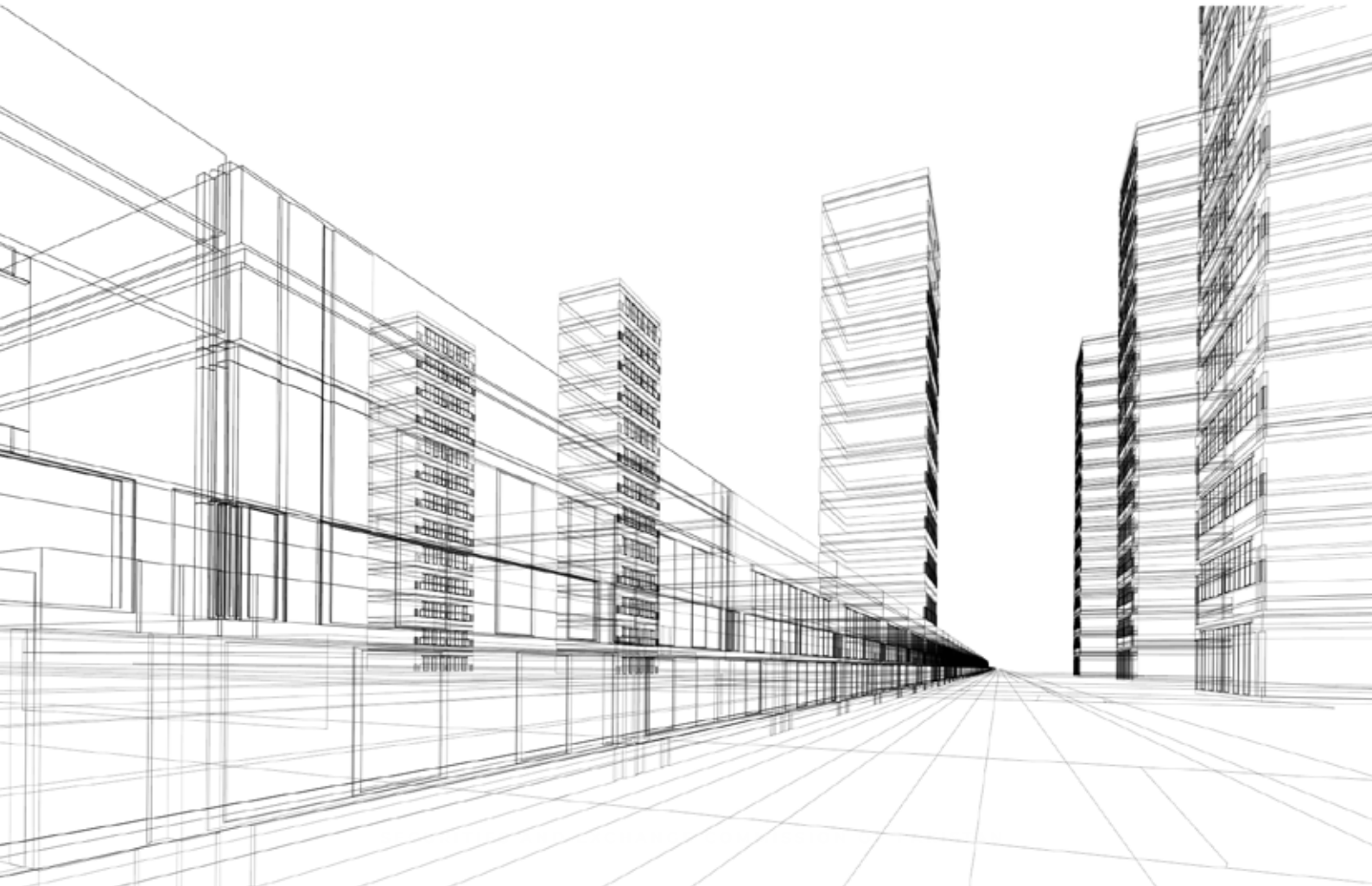


For holding as treasury shares

APPLICABLE REGULATORY FRAMEWORK

Section 88 of the
Companies Act, 2017

Listed Companies (Buyback
of Shares) Regulations, 2019



GLOBAL STUDY:

Comparison of different jurisdictions with our regulatory framework is as follows:

INDIA



Eligibility

*PC has not defaulted in repayment of its liabilities including deposits, dividends and debt instrument

Approving authority

BODs approval: upto 10% Shareholders' approval : upto 25%

Sources of funds for Buy-Back

Free Reserves, Securities Premium Account & Proceeds of Fresh Issue of Shares

Going concern

D/E ratio of the company should not exceed 2:1.

Withdrawal of buyback offer

Not allowed

Time in 2 buybacks

One year

Limit on buy back

up to 25% or less of the aggregate of paid-up share capital and free reserves

Limit on holding of treasury Shares

Buy back is only for cancellation

Purchase Procedure

Through Tender offer, open market (stock

exchange & book building process); and odd lots.

Buyback purpose

Cancellation

Restriction on Sponsors/related parties

Sponsors/directors/associated Co.s, major shareholders cannot participate in buyback

Price Limits

Through stock Exchange, the buyback shall be made only through the order matching mechanism except 'all or none' order matching system. Through Book building (Dutch auction)

Negotiated/Direct deals allowed

No

Purchase period

Through stock exchange the buy-back offer shall open not later than 7 working days from the date of public announcement and shall close within 6 months from the date of opening of offer.

Can buy back be for voluntary delisting

No

Number of buy backs (2018 till date)

700

MALAYSIA



Eligibility

No eligibility criteria

Approving authority

Shareholder Approval

Sources of funds for Buy-Back

Retained profits, share premium account or both or in case of borrowed funds, must be backed by an equivalent amount of retained profits or the share premium.

Going concern

Lodge a declaration of solvency, that it will remain solvent at the time of the relevant purchase and after.

Withdrawal of buyback offer

No restriction

Time in 2 buybacks

Not specified

Limit on buy back

Upto 10% of its issued & paid-up capital

Limit on holding of treasury Shares

Upto 10% of its issued & paid-up capital

Purchase Procedure

Through Securities Exchange.

Buyback purpose

Cancellation, Held In treasury

Restriction on Sponsors/related parties

No restriction

Price Limits

Price cannot be more than 15% above the weighted average market price of the shares for the 5 market days immediately before the purchase.

Indirectly spot price

Negotiated/Direct deals allowed

No

Purchase period

Not specifically pronounced

Can buy back be for voluntary delisting

Not specified

Number of buy backs (2018 till date)

Data not available

USA



Eligibility

No eligibility criteria

Approving authority

BODs approval

Sources of funds for Buy-Back

None

Going concern

None

Withdrawal of buyback offer

No restriction

Time in 2 buybacks

Not specified

Limit on buy back

Upto 25% of the average daily traded volume of the preceeding 4 weeks in which the purchase is to be executed.

Limit on holding of treasury Shares

No

Purchase Procedure

Through Securities Exchange

Buyback purpose

Cancellation, Held In treasury

Restriction on Sponsors/related parties

No restriction

Price Limits

repurchases to be made at a price not exceeding the highest independent bid or last transaction price, whichever is higher indirectly spot price

Negotiated/Direct deals allowed

yes

Purchase period

Not specifically pronounced

Can buy back be for voluntary delisting

Not specified

Number of buy backs (2018 till date)

20

UK



Eligibility

No eligibility criteria

Approving authority

Shareholder Approval

Sources of funds for Buy-Back

Distributable profits, reserves and proceeds of a fresh issue of shares made for the purpose of financing the purchase.

Going concern

No specific requirement

Withdrawal of buyback offer

No restriction

Time in 2 buybacks

Not specified

Limit on buy back

No limits but regulatory requirements differ if buyback exceeds 15% of any class of shares.

Limit on holding of treasury Shares

No

Purchase Procedure

Through Off market Purchase, on Market

(investment exchange), Through tender offer

Buyback purpose

Cancellation, Held In treasury

Restriction on Sponsors/related parties

No restriction

Price Limits

Not more than higher of: (i) 5% of avg. mkt value of PC's shares for 5 days prior to day, purchase is made; and (ii) price that is lower than highest price of last independent trade & highest current independent purchase bid on trading venue where purchase is made

Negotiated/Direct deals allowed

yes

Purchase period

Not specifically pronounced

Can buy back be for voluntary delisting

Not specified

Number of buy backs (2018 till date)

Data not available

PAKISTAN



Eligibility

- PC has to be listed for not less than 3 years.
- Complies with MCR, free float, licensing requirements.
- Not on default counter

Approving authority

shareholders approval

Sources of funds for Buy-Back

Distributable profits or reserves specifically maintained for the purpose.

Going concern

Board undertake that after purchase, PC will be able to meet its obligations for 12 months after buyback

Withdrawal of buyback offer

Not allowed

Time in 2 buybacks

One year

Limit on buy back

No limits defined

Limit on holding of treasury Shares

Upto 20% of the total paid-up share capital.

Purchase Procedure

Through Securities Exchange

Buyback purpose

Cancellation, Held In treasury

Restriction on Sponsors/related parties

Sponsors/directors/associated Co.s, major shareholders cannot participate in buyback

Price Limits

At spot price

Negotiated/Direct deals allowed

No

Purchase period

shall start not later than 7 days from the date of public announcement and shall close within 90 days from the date of special resolution

Can buy back be for voluntary delisting

No

Number of buy backs (2018 till date)

6

PROPOSED AMENDMENTS:

The study has revealed that our current regulatory regime pertaining to buybacks is in line with the global practices and as such no amendments are required except for the following:

- a. Consequential changes required pursuant to omission of buyback through tender offer;
- b. Clarity in terms of stepwise procedure for buyback through securities exchange has to be introduced; and
- c. Reference of the requirements pertaining to cancellation of shares has to be specified.

PROCESS FLOW:

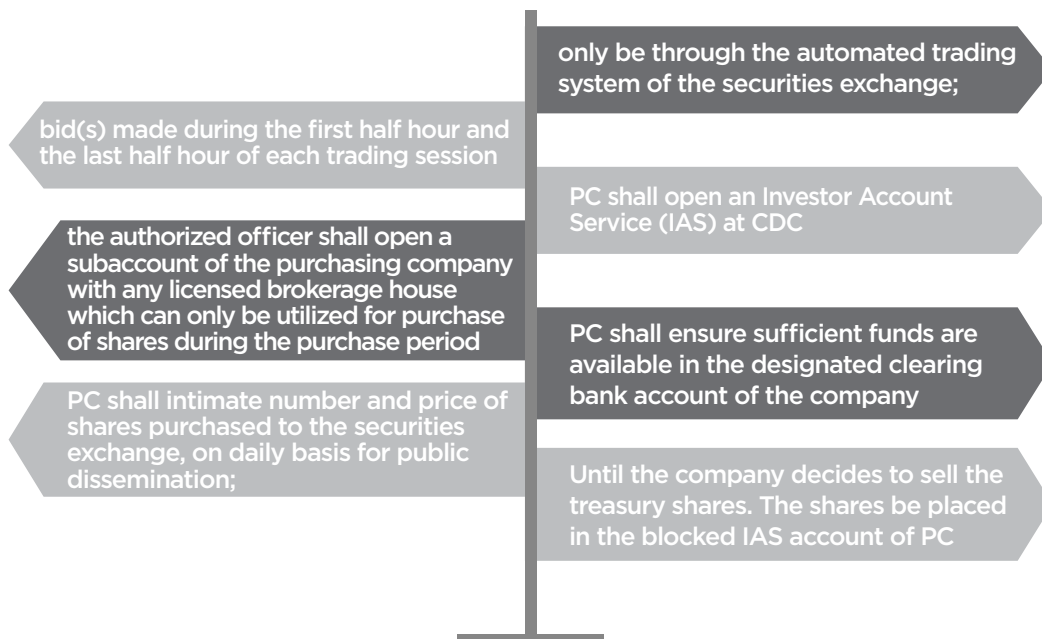
ELIGIBILITY CRITERIA FOR PURCHASING COMPANY(PC)

- PC has to be listed for not less than 3 years
- Complies with MCR, licensing requirements
- Not on default counter
- Has not defaulted on any debt instrument supported by auditors' certificate

FUNDS FOR BUYBACK

Distributable profits or reserves specifically maintained for the purpose

BUYBACK PROCEDURE



The draft amendments can be accessed through the weblink <https://www.secp.gov.pk/laws/regulations/> Comments/input/queries/can be emailed at the following address: buybackfeedback@secp.gov.pk till July 01, 2022.