



SECP

SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN

# CONSULTATION PAPER IMPROVEMENTS IN PUBLIC OFFERING REGIME

September, 2024



## CONTENTS

<b>Executive Summary .....</b>	<b>iii</b>
<b>A. Introduction .....</b>	<b>1</b>
<b>B. Potential Areas for Improvement .....</b>	<b>1</b>
(i) Consultant to the Issue (CTI) and its Role .....	1
(ii) IPO Pricing .....	3
(iii) Public Offering and Listing Conditions .....	4
(iv) New Product for Capital Formation .....	5
(v) IPO Approval Timelines and Documentation Requirements .....	5
(vi) Disclosure Requirements .....	6
(vii) Post IPO matters .....	9
(viii) Digitization and IPO Outreach .....	10
(ix) Public Offering Regime for GEM Board .....	11
<b>C. Jurisdictional Analysis .....</b>	<b>11</b>
<b>D. Format for sharing feedback/comments .....</b>	<b>11</b>
<b>E. Indicative Timeline .....</b>	<b>12</b>

## EXECUTIVE SUMMARY

1. This consultation paper is published for eliciting feedback/suggestions on potential areas of improvement in the Public Offering (PO) regime including the Public Offering Regulations, 2017 (PO Regulations), Public Offering (Regulated Securities Activities Licensing) Regulations, 2017 and Chapter 5, 5A and 5B of the Pakistan Stock Exchange Limited (PSX) Rulebook.
2. The Securities and Exchange Commission of Pakistan (SECP) as the apex regulator of the capital markets is committed towards developing an efficient, convenient and sustainable environment for capital formation within the country. Improving the role of PSX as a fund-raising platform remains a topmost priority of SECP. A vibrant and dynamic capital formation segment can provide much-needed growth capital to businesses by channelizing savings and investment into the real economy in a transparent manner.
3. This paper examines both supply and demand side aspects for energizing the capital formation ecosystem in Pakistan. Supply-side measures focus on enabling a conducive regulatory environment for businesses/issuers to raise funds in a smooth and cost-effective manner within minimum time. Digital solutions are also proposed for embracing technology while remaining consistent with requirements of the parent law i.e. the Securities Act, 2015.
4. On the demand side, the paper suggests measures that can improve the overall investor journey by enabling better-informed decision making through enhanced disclosures and increased transparency; facilitate more efficient price discovery; and enhance existing investor protection measures.
5. The suggested improvements can be categorized into the following areas:
  - (i) Consultant to the Issue and its Role
  - (ii) IPO Pricing
  - (iii) Public Offering and Listing Conditions
  - (iv) New Product for Capital Formation
  - (v) IPO Approval Timelines and Documentation Requirements
  - (vi) Disclosure Requirements
  - (vii) Post IPO matters
  - (viii) Digitization and IPO Outreach
  - (ix) Public Offering Regime for GEM Board
6. It is envisaged that addressing the above areas can bring greater transparency, efficiency and vibrancy in the primary market; thereby benefiting issuers, investors and the overall economy of the country.

## A. Introduction

1. The SECP has identified various improvements in the public offering regime in light of initial consultations with stakeholders, key learnings emanating from applications processed in the past few years and the evolving trends and practices for optimizing primary market processes in other jurisdictions.
2. SECP had earlier constituted a Committee having representation of PSX and Consultants to the Issue (CTIs) to suggest measures for streamlining and simplifying the IPO process. Major recommendations of the Committee have already been implemented through issuance of SECP Circular No. 16 of 2023 whereby the revised regulatory approval process, procedure and timelines for IPO and Listing of Securities were notified.
3. Consultation sessions have been conducted with key stakeholders including PSX, CDC, NCCPL, CTIs, Banks, Development Finance Institutions (DFIs), listed companies and potential issuers. The SECP also extracted some key recommendations through engagements with the Ministry of Finance and the Privatization Commission on various other workstreams in context of listing of state-owned public sector companies.
4. Key improvement areas being contemplated by the SECP are aimed at addressing both supply and demand side aspects for energizing capital formation in Pakistan. The supply-side measures focus on a conducive regulatory environment for issuers to raise funds in a smooth and cost-effective manner within minimum time and through adoption of digital solutions.
5. On the demand side, measures are suggested for improving the overall investor journey by enabling better-informed decision making through enhanced disclosures, increased transparency, efficient price discovery, and additional measures for augmenting the existing investor protection mechanisms.

## B. Potential Areas for Improvement

### (i) Consultant to the Issue (CTI) and its Role

#### (a) Enhancing the Universe of the CTI:

At present, only securities brokers and other companies having CTI license can act as advisor for all types of primary market transactions (equity, debt and GEM Board listings). Banks, DFIs and Investment Finance Services Companies can obtain a CTI license, however, their role is limited to only debt IPOs and GEM Board listings. There is a growing realisation that universe of CTI needs to be enhanced, allowing other players to provide advisory services, for improved outreach and competition. SECP has also carried out preliminary discussions on subject area with various financial institutions including brokerage houses, commercial banks, and development finance institutions.

#### Potential Solutions:

- i. Banks be allowed to act as CTI for all types of primary market transactions including equity IPOs, with a condition that a separate subsidiary for this function shall be setup within 5 years from the date of obtaining license.
- ii. PSX to develop a rating methodology for ranking CTIs and issue a rating report on half yearly basis.

### (b) Target based licensing regime for CTIs:

CTIs play the crucial function of bringing new listings to the market by acting as a bridge between the capital market and the issuers. Although there are currently 33 licensed CTIs, only 4-5 CTIs are actively involved in bringing new IPO transactions in the past few years. Consequently, a limited number of IPO transactions have been concluded despite a vast potential listing universe. There is an imminent need to ensure that CTIs, as key licensed players, actively contribute in primary market activities. Outreach efforts are required for bringing fresh issues to the market and for familiarizing the corporate sector with the uses and benefits of capital market.

#### Potential Solutions:

Target based licensing regime be introduced for the CTIs whereby license of dormant CTIs may be cancelled after a specified period.

### (c) Standard format of Due Diligence Certificate by CTI:

CTIs play a crucial role in the entire IPO transaction as they provide much-needed guidance to the companies during the IPO journey. CTIs are responsible to disclose relevant information regarding the securities, issue and the issuer in the Prospectus, and ensure that the company is compliant with the requirements of the public offering regime. CTI also assist in analysis of the business model and financials of the company; preparation of listing application; determination of floor price/offer price; appointment of intermediaries; submission of prospectus, listing application and securing approval for the same on the behalf of the Company; conducting road shows to garner investor interest in the IPO etc.

Considering the role of CTI in an IPO transaction, Circular 16. of 2023 (revised approval process, procedure and timelines for IPO) requires the CTI to furnish a due diligence certificate confirming that the required documents and disclosures are in order. There is a need to provide a standard format for such certificate.

Potential Solution: A standard format of the due-diligence certificate attached as Annexure-A is being considered to be made part of the regulatory framework.

### (d) Voluntary appointment of CTI:

Currently, the appointment of CTI is mandatory for all transactions except initial public offering of other class of shares by listed companies. The cost of CTI accounts for approximately 50% of the total cost of the public offering transaction.

Potential Solutions: To facilitate Issuers and reduce the cost of IPO transactions, the appointment of CTI can be made voluntary for the following transactions:

- i. secondary public offering by listed companies.
- ii. initial public offering of debt securities by listed and unlisted companies.

## (ii) IPO Pricing

### (a) Issuance of shares at a certain discount to the Strike Price for Retail Investors:

In case of book building method, issuer provides a floor price and the IPO price is accordingly determined by the accredited investors (institutional investors and high-net worth individuals) through competitive auction process. The price discovered through such process is called "strike price". Under the existing framework, an issuer has the option of offering retail investors a discounted price as compared to the strike price.

SECP has received suggestions that in order to create value for retail investors and to restore investor confidence in IPOs, it may be made mandatory for the issuer to offer shares to the retail investors at a certain discount.

Potential Solutions: It is suggested that shares may be issued to retail investors having small application sizes (such as 500 shares, 1000 shares, 1500 shares), at:

- i. A mandatory discount of 10% to the strike price. However, such discount may be provided only in case the discounted price does not fall below the floor price; or
- ii. Floor price of the Issue.

### (b) Reduction in Price Band for Book Building Transactions:

Currently, a price band of 40% is applicable on the floor price in book building method. The price band was introduced to curtail overpricing of IPOs through book building given possibility that a limited number of investors may influence price discovery through herd behaviour.

IPO pricing is a highly sensitive component of the IPO transaction with far reaching implications, including direct impact on investor returns. Multiple stakeholders have voiced concerns that majority IPO transactions are overvalued, resulting in significant drop in prices of shares immediately after listing.

Analysis of IPO transactions since 2010 onwards indicates that secondary market price of approximately 42% of the companies decreased in the 180 days following listing. Price variation/analysis of IPO transactions conducted through book building is attached as Annexure-B.

Such trends raise concerns amongst investors regarding IPO pricing and returns. On the other hand, in India, no company opted to utilize the entire upper limit of 20% and price bands usually ranged between 5% - 9.9% of the floor price.

Potential Solution: It is proposed that the price band may be reduced from 40% to 20% and the CTI may be required to conduct more detailed evaluation in determining the Floor Price.

### (c) Appointment of Underwriter for Book Building Portion:

In case of book building method, there is no underwriter and if bids against the required amount are not received from investors, the entire issue is cancelled. The principle is that market forces should determine the failure or success of an IPO transaction. Multiple CTIs and potential issuers have conveyed that certain circumstances beyond their control can adversely affect the bidding results. There is probability that due to a particular economic or political situation on bidding day, a good issue may not be fully subscribed.

Potential Solution: Mandatory underwriting of book building portion at floor price can be introduced to allow underwriter to subscribe the unsubscribed portion at the floor price. CTI may be made responsible for arranging underwriter(s).

The floor price would automatically become the strike price in such instances. This would eliminate chances of failure of an issue by providing valuable hedge against such risk, thereby developing confidence in the book building method. Mandatory underwriting would also support fairer valuations by the Issuer and CTI, as a third party would conduct proper evaluation before underwriting the issue at floor price.

**(d) Price Discovery Mechanism for discounted debt instruments:**

Public offering regime provides a price discovery mechanism for floating rate and fixed rate debt instruments through book building. Mechanism for price discovery of short-term discounted instruments/commercial paper is not provided.

It is pertinent to mention that SECP in coordination with the capital market institutions has provided an additional platform to the Government of Pakistan (GoP) for auction, price discovery, issuance and trading of different types of Government Debt Securities (GDS), including discounted instruments.

Potential Solution: Price discovery mechanism may be introduced for the discounted instruments/commercial paper, similar to the mechanism adopted for discounted GDS.

**(iii) Public Offering and Listing Conditions**

**(a) Profitable Track Record:**

The requirement relating to profitable track record of two preceding financial years is designed keeping in view the structure and risks of equity securities. This requirement is however also applicable on REIT units, even though these securities are structured differently and have distinct underlying risks.

Potential Solution: The requirement of profitable track record may not be applied for listing of Developmental and Hybrid REIT Schemes. Similarly, rental and Investment-based REIT Schemes may be required to show profitability during whatever track record is available.

**(b) Ownership Continuity:**

In case of offer for sale IPO transaction, not less than 51% of the shares of the issuer must be held by the same persons for at least 2 preceding financial years.

Potential Solution:

The management of a company is involved in handling its day-to-day affairs and is therefore being perceived as a better measure for ascertaining consistency in policies and overall business direction of a company. The requirement of ownership continuity may be replaced with the requirement of management continuity and same may be made applicable for all IPO transactions (excluding REIT Schemes) in place of only offer for sale transactions.

*“Management continuity may be assessed on the basis of at least 2/3rd of the board positions being held by the same directors for at least the last one preceding financial year”.*

## (iv) New Product for Capital Formation

### (a) Separate Chapter for Public Offering and Listing of REIT units:

REITs are a specialized product being governed under specialized set of regulations i.e. the REIT Regulations, 2022. The public offering regime is designed specifically for equity and debt securities and does not sufficiently cover REIT Schemes, which makes it challenging to apply public offering and listing requirements for REIT Schemes. SECP has already advised PSX to develop dedicated chapter for listing of REIT units, so that specific requirements for free float, paid-up capital etc. are made clearly applicable on the REIT Scheme instead of the REIT Management Company (RMC).

Potential Solution: In addition to a separate chapter in the PSX Rulebook, it is envisaged that new chapter may also be added for public offering of units of REIT scheme in the Public Offering Regulations, 2017 with the following key areas in mind:

- i. Requirements relating to board and management of the Issuer shall be made applicable on the RMC, whereas requirements relating to fund raising may be applicable on the REIT Scheme.
- ii. In line with above, the RMC/REIT Scheme must be compliant with all applicable requirements as specified in the Real Estate Investment Trust Regulations, 2022 for launch of a REIT Scheme and requirements for public offering/listing of a REIT Scheme.
- iii. Inconsistencies in the Public Offering Regime and the REIT Regulations to be addressed to minimize use of the overriding clauses of REIT Regulations during the public offering process such as, lock-in period on unitholders, listing timeline, track record etc.
- iv. Authorize RMC to specify the names of Sponsors of the REIT Scheme in the Prospectus.

## (v) IPO Approval Timelines and Documentation Requirements:

### (a) Revised process flow for approval of Prospectus and Listing Application:

To enable companies to raise funds in a timely and efficient manner, SECP vide Circular No. 16 of 2023 introduced revised approval process, procedure and timelines for processing of IPO and listing application. As per the revised timelines, regulatory approvals are to be processed within fourteen (14) working days whereas, procedures for listing/fund-raising are concluded within fifteen (15) working days; making it possible for a company to raise funds and get listed at PSX within twenty-nine (29) working days.

The SECP is also working on end-to-end automation of the entire IPO process, including book building and public subscription. This requires ensuring that all payments relating to IPO applications are processed through electronic banking channels. Currently, banks have imposed certain transaction limits, which restrict use of electronic banking channels for IPO transactions.

Potential Solution: The overall IPO processing timelines can be reduced by a further five (05) working days to a total of twenty-four (24) working days from date of submission of application to PSX and SECP as per following proposals:

- i. Upon enhancement in transaction limits for e-IPO applications, physical applications can be discontinued in phased manner.
- ii. Period of five (5) working days for credit of securities and processing of refund applications can be reduced to three (3) working days. Such change is not possible as of now due to additional time required in processing physical IPO applications.



- iii. The gap between publication of prospectus and public subscription can be reduced to two (2) days given increased digitalization and ease of access. Section 88(4) of the Securities Act, 2015 however requires a gap of at least seven (7) days between the publication of Prospectus and the public subscription date. The envisaged reduction would require amendments in the primary law.

**(b) Streamline submission of documents and introduce standardized disclosures:**

SECP and PSX have launched an online portal “Public Offerings Revolutionized Through an Integrated and Digitized Experience” (PRIDE) for processing of IPO applications. PRIDE allows CTIs/company to simultaneously submit listing and prospectus applications to the PSX and SECP. There are few duplications in the documents that are submitted to PSX and SECP.

Potential Solutions: To further streamline the IPO journey for issuers:

- i. Corresponding changes may be introduced in the relevant regulations to remove duplications in submission of documents to PSX and SECP. Duplications in IPO and Listing applications are attached as **Annexure-C**.
- ii. Standard template of the prospectus may be made part of the PRIDE.

**(c) Handholding of potential IPO companies and newly listed companies on regulatory requirements and Governance Matters:**

Potential IPO companies and newly listed companies often find it difficult to identify additional regulatory and governance requirements applicable on listed company. Also, there is a perception that regulatory/governance requirements for listed companies are stringent and involve high compliance costs.

Potential Solution: To help companies identify and evaluate additional requirements and costs, Pakistan Institute of Corporate Governance to provide handholding to potential IPO companies and newly listed companies on governance matters and regulatory requirements.

**(d) Removal of technical documents from the PSX Listing Application:**

The PSX Rulebook currently requires the CTI and the company to share material contracts with the PSX. Material contracts are usually sensitive and confidential in nature and evaluation of the same requires sector specific technical expertise.

Potential Solution: It is proposed that the current requirement of submission of material contracts to PSX along with listing application may be discontinued. The CTI may be made responsible to evaluate material contracts and disclose any risks emanating from the same in the Prospectus. Also, material contracts mentioned in the prospectus should be readily available for public inspection at registered office of the Company.

**(vi) Disclosure Requirements**

**(a) Disclosure of Audited Accounts in the Prospectus:**

Regulation 5.5.6 of the PSX Rule Book requires that audited accounts disclosed in the prospectus must not be older than eight months. Companies have regularly faced issues in complying with this requirement during the listing process. In order to facilitate issuers, SECP on recommendation of PSX has, in the past granted relaxations enabling companies to publish prospectus with audited accounts older than eight months.

**Potential Solution:** Instead of specifying timeline for validity of accounts, it is proposed that if a company is compliant with the audited accounts requirements as specified in the Companies Act, 2017 it may be allowed to publish prospectus with such audited accounts.

In case, a company is compliant with audit requirements of the Companies Act, 2017 but the audited accounts are older than twelve (12) months, in this case, the company shall incorporate latest management accounts in the Prospectus and board of directors of the company must certify that management accounts reflect true and fair view of the financial position of the company and there are no major developments impacting financial position of the Company post the latest annual audit. Any significant developments post the annual audit should be duly disclosed in the Prospectus and adequately covered in the risk disclosures.

In future, no relaxation should be provided for non-compliance with the above-proposed requirements relating to validity of audited accounts.

### **(b) Simplified Prospectus for Listed Companies:**

A listed company is required to share all requisite/material information relating to the company with the general public on timely basis. Since, extensive information regarding a listed company is already publicly available, reproducing the same in the prospectus for another transaction by the same company does not seem practical.

Possible cases of public offering by listed companies include; Public offering of debt securities by listed company, initial public offering of other class of shares by listed company, and secondary public offering by listed company.

**Potential Solution:** An already listed company compliant with the financial statement requirements of the Companies Act, 2017 and Code of Corporate Governance may be allowed to make public offering with reduced disclosure requirements and issuance of simplified version of prospectus. Sample format for reduced disclosure requirements is attached as **Annexure-D**.

### **(c) Inclusion of forward-looking statements and financial projections in the Prospectus:**

SECP has received a number of suggestions from stakeholders that forward-looking statements including financial projections may be allowed to be included in the prospectus to better equip prospective investors in understating future plans of the company and for making informed investment decision.

**Potential Solution:** Forward looking statements including financial projections may be allowed subject to following conditions:

- ✓ Forward looking statements and financial projections must be based on reasonable basis.
- ✓ Financial projections should be supported by statement from auditor or CTI that the same are based on reasonable assumptions.
- ✓ Cautionary language and disclaimer should be displayed together with any forward-looking statements and financial projections.
- ✓ Following disclosure to be made in case of forward-looking statements/financial projections on front page of the Prospectus:

**“Note regarding forward looking statements:**

*This prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding future results of operations and financial position, business strategy and plans and objectives of management for future operations, timelines relating to implementation plan, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.*

*Investors are advised to conduct detailed due diligence before making any investment and should not make their investment decision solely on the basis of forward-looking statements including financial projections.”*

**(d) Instructions for Drafting Prospectus:**

There is need to further standardize the prospectus and to improve the quality of submissions by providing enhanced guidance to facilitate CTIs and Issuers regarding preparation of prospectus.

Potential Solution: A set of instructions may be introduced to give guidance to companies and CTIs in drafting the prospectus, so that information presented in the prospectus is easily understandable, specific and supported by valid sources. Proposed instructions are attached as **Annexure-E**.

**(e) Enhanced Risk Disclosures:**

SECP has specified few standard risk areas to be evaluated by CTIs/Issuers based on the company’s business model/financials and customized risk factors are required to be disclosed in the Prospectus based on the same. Risk factors and disclosures are extremely vital for enabling investors to make informed investment decisions.

Potential Solution: Certain additional risk areas that can be specified under PO Regulations for coverage in the prospectus based on common risk factors in past IPO transactions are attached as **Annexure-F**.

**(f) Disclosure of Tentative Dividend Pay-out ratio or Plans relating to Dividend:**

Companies are currently required to disclose the dividend policy in the prospectus, which is usually generic in nature and does not provide any tentative dividend payout ratios or dividend payment plans. Providing tentative dividend payout ratios in prospectus can increase attractiveness of the issue for investors.

Potential Solution: A company’s future plans relating to dividend payment or a non-binding tentative dividend payout ratio may be disclosed in the prospectus, specifically highlighting tentative percentage of earnings to be distributed to the shareholders as dividend in case the company is profitable, has cash and does not intend to pursue any expansion opportunities.

**(vii) Post IPO matters**

**(a) Circuit Breakers on First Day of Trading:**

For newly listed company, on first day of trading, following circuit breakers are applicable:

Company listed through Book Building Method	10% or Rs. 1 whichever is higher
Company listed through Fixed Price Method	50% or Rs. 5 whichever is higher

Circuit breakers are applicable in case of both upward and downward movement for a newly listed company on first day of trading. On one hand circuit breakers restrict upward movement, while on the other hand the mechanism provides protection to investors against substantial drop in share price. While circuit breakers can be perceived as artificial mechanisms that curtail efficient price discovery, they are also vital risk mitigants, especially for a fresh listing.

Various stakeholders have suggested there should be no circuit breakers on the first day of trading of a newly listed company to enable the market to properly price the security. It is being considered that existing practice of first day circuit breakers through Fixed Price or Book Building Method should be continued.

**(b) Post IPO coverage/Research reports:**

There is lack of coverage of an IPO company at post IPO stage by the CTI or other research houses. Ideally, a newly listed company should be extensively covered by research houses and analysts to help investors track performance of the company for informed decision making in the short, medium and long term.

Potential Solution: The CTI or other research houses should be required to publish research reports as per attached minimum requirements (Annexure-G) on a newly listed company on quarterly or half yearly basis for at least one year.

**(c) Concept of Monitoring Agent:**

Third-party verification with respect to implementation of the expansion projects executed through IPO proceeds is crucial for ensuring transparency and maintaining investor confidence.

Potential Solution: In order to ensure that appropriate information on implementation of the expansion project is shared with the investors in timely manner and IPO proceeds are utilized as disclosed in the Prospectus, the concept of Monitoring Agent may be introduced. This Monitoring Agent would monitor and submit report on utilization of proceeds as an independent third party. Detailed Mechanism for Monitoring Agent is attached as Annexure-H.

**(d) Block Sale of shares by the Sponsors during the lock in period:**

Sponsors of a newly listed company cannot sell their entire shareholding for one year and their shareholding is kept in blocked account with CDC as per regulation 5 of the PO Regulations. After one-year, sponsors have to hold at least 25% of the post-issue paid up capital of the company for next two years.

The regulations permit sponsors to sell their stake during lock in period only through block sale, with approval of the securities exchange, to any other person who shall be deemed sponsor. There is, however, ambiguity regarding the thresholds that constitute a block-sale as the same are defined.

Potential Solution: It is being considered that a sale of 5% of the post issue paid up capital or Rs. 50 million whichever is lower, may constitute a block sale during the lock-in period.

## **(viii) Digitization and IPO Outreach**

### **(a) Concept of QR code for Abridged Prospectus and Advertisement:**

Companies are required to publish the abridged prospectus and advertisement in English and Urdu daily newspapers. The cost of publication is very high and efficacy of publishing the Abridged Prospectus in newspapers is reducing with newspapers being replaced by digital content.

Potential Solution: Companies may be allowed to meet requirements for publication of abridged prospectus in at least one Urdu and English daily newspaper by making such publication in electronic mode in digital newspapers and placing the same on the company website and website of PSX.

The contents of abridged prospectus and advertisement are proposed to be limited to only salient features of the issue, purpose of the issue, name of intermediaries, mailing address from where copies of the prospectus and audited accounts can be obtained and QR code through which complete information and relevant documents relating to the issue can be accessed.

### **(b) Electronic Signatures of directors on last page of prospectus:**

Issuer is required to submit last page of Prospectus signed in original by every director of the Company. Companies having foreign sponsors/directors find it difficult to get the last page of the prospectus signed in original by the foreign directors. Similarly, instances are common where one or more of the directors are travelling or residing in different countries.

Potential Solution: The provision of electronic signature on last page of prospectus may be added to facilitate issuers.

### **(c) Introduce the concept of eligible participants instead of Book Runner:**

Under the prevailing framework, an issuer is required to appoint Book Runner or Joint Book Runners in case of opting for book building method. Book runner or Joint Bookrunners usually charge 1%-1.5% of the funds raised depending upon Issue Size.

Potential Solution: It is suggested that similar concept of eligible participants as used in auction of Government Debt Securities may be introduced for book building. All securities brokers, banks and mutual funds may be allowed to act as eligible participants with all eligible participants allowed to submit list of interested bidders, including proprietary bids and client bids, to PSX. Based on shared information, User IDs may be created for interested bidders and interested bidders may be allowed to submit bids directly or through eligible participants into the book building system on date of bidding.

- ✓ Brokers and their clients may place bids with 25% margin money.
- ✓ Banks and their clients may place bids with 0% margin money based on standing instruction provided by the banks.
- ✓ Mutual funds to provide irrevocable undertaking by the trustee to avail facility of 0% margin money.
- ✓ Eligible participants shall be responsible for providing payments in lieu of accepted bids for their proprietary and client's accounts.

## (ix) Public Offering Regime for GEM Board

### (a) Relaxed Public Offering Regime for GEM Board:

GEM is a second-tier PSX board that allows growth companies to raise capital from accredited investors. As of today, it has only four (4) listings. There are serious liquidity issues in secondary GEM Board trading. As a result, new companies are hesitant to pursue GEM listing. Stakeholders have been deliberating options to open the GEM board for general public to address liquidity issues.

Potential Solution: GEM board can be opened for the general public as per following arrangement:

- i. Two categories of GEM Board may be introduced. One involving only accredited investors and other category involving public investors.
- ii. For GEM listings involving accredited investors, existing requirements would be applicable including Information Memorandum, existing migration criteria etc.
- iii. For GEM listings involving general public following is being considered:
  - a. Introduction of relaxed public offering regime including simplified prospectus requirements. Relaxed public offering regime to have less stringent requirements and reduced costs as compared to main board public listing.
  - b. Approval of Prospectus by PSX and the Commission (Prospectus approval timelines have already been reduced to 14 working days).
  - c. Mandatory migration of GEM Board company to Main Board without any further public offer, once the company fulfils the migration criteria.
- iv. GEM listings may be restricted to only those companies having post issue paid-up capital of less than Rs. 200 million (currently there is no upper limit for post issue paid up capital for GEM Listing).
- v. Market Making regime for GEM board is also being explored to enhance liquidity while weighing both sides of the argument i.e. market making can only work in liquid market vs. market making is the missing ingredient for bringing liquidity.

## C. Jurisdictional Analysis

Detailed jurisdictional analysis regarding the potential improvement areas is attached as Annexure-I. Prevalent regulatory frameworks and market practices in jurisdictions having vibrant IPO markets, including India, USA, Hong Kong, Australia, Singapore, Malaysia etc. have been analysed to assess gaps and identify improvements.

## D. Format for sharing feedback/comments

Feedback on the proposed areas for improvement along with any other suggestions on the Public Offering Regime may be sent via email to Primary Market Approvals and Development Department (PMADD) at [IPO.Feedback@secp.gov.pk](mailto:IPO.Feedback@secp.gov.pk) as per below format:

Name			
Name of the related Entity			
Sr. No.	Regulation/ Section No.	Views/Proposed Changes	Rationale
<b>Confidentiality</b>			
<i>If you wish to keep all or any part of your submissions and your identity confidential, please indicate the same. In all other cases, your provided comments can be made public, except your contact information.</i>			

## E. Indicative Timeline

Stage	Date/Timeline	Detail
1	dd-mm-yy	Publication of Consultation Paper
2	Within 15 days of publication of Consultation Paper and placement of same on SECP website	Public comments period
3	Within 30 days of receipt of comments on the Consultation Paper	Consultation sessions
4	Within 30 days of conclusion of consultations	Notification of draft amendments to the Public Offering Regime

## Annexure-A

### Format of Due Diligence Certificate

Being mandated as Consultant to the Issue/ Lead Manager to Initial/Secondary Public Offering of (Name of Company) through the (Method of Offering), we hereby confirm that:

- (1) The issuer is compliant with the conditions/requirements for public offering of securities and material information/disclosure(s) as required under the Securities Act, 2015, Chapter 5 of PSX Rule Book: The Listing of Companies and Securities Regulations, Public Offering Regulations, 2017 and Real Estate Investment Trust Regulations, 2022 (where applicable) have been incorporated in the Prospectus.
- (2) The contents of the Prospectus and the supporting document(s) are true and correct to the best of our knowledge.
- (3) We have incorporated appropriate risk factors in the Prospectus that can have impact on performance of the Company.
- (4) We have reviewed the material contracts in relation to the subject public offer and material contracts executed by the Company in normal course of business.
- (5) We have visited the infrastructure facilities, manufacturing facilities, business premises of the Issuer, where applicable.
- (6) We have analysed all related factors (such as relative valuation, financial performance, management quality, past track record, demand and supply of product portfolio, industry trends, macro conditions, regulatory/tax advantage etc.) affecting price of the issue and based on same justifiable price (Offer price/floor price) is suggested to the Issuer.
- (7) All comments of the securities exchange, Commission and the public are duly addressed and incorporated in the prospectus, where required. The comments not addressed/incorporated in the Prospectus along with rationale are given below:

Signature of CEO of CTI



### Price Variance Analysis

IPO pricing is a highly sensitive component of the IPO transaction with far reaching implications, including direct impact on investor returns. Multiple stakeholders have voiced concerns that majority IPO transactions are overvalued, resulting in significant drop in prices of shares immediately after listing.

Instances have been observed where share price of few IPO companies has not recovered from this drop. Analysis of IPO transactions since 2010 onwards indicates that secondary market price (weighted average price) of approximately 42% of the companies has decreased in the 180 days following its listing. Below is the price analysis of IPOs conducted through book building.

Green Colour represents an increase in price in relation to the IPO price
Orange Colour represents a decrease in price in relation to the IPO price

Sr.	Name of the Company	IPO/Strike Price (PKR)	Closing price on 1 <sup>st</sup> day of listing	Weighted average price of 7 days from the Date of Listing	Weighted average price of 30 days from the Date of Listing	Weighted average price of 180 days from the Date of Listing
1.	Ghani Gases Limited	14.00	21.90	19.75	19.09	17.80
2.	Fatima Fertilizers Limited	13.50	13.34	13.05	12.90	12.17
3.	Amtex Limited	13.00	12.31	12.54	12.75	12.48
4.	International Steels Limited	14.06	14.84	14.83	14.72	14.00
5.	TPL Direct Insurance Limited	10.00	9.96	9.94	9.94	10.62
6.	Next Capital Limited	10.00	10.01	9.28	9.24	8.08
7.	TPL Trakker Limited	10.00	9.42	9.37	9.16	8.21
8.	Lalpir Power Limited	22.00	23.10	23.49	22.64	21.23
9.	Engro Fertilizers Limited	28.25	29.66	39.53	53.49	59.01
10.	Avanceon Limited	14.00	15.00	18.40	19.66	26.69
11.	Hascol Petroleum Limited	56.50	59.32	66.63	72.72	76.80
12.	Saif Power Limited	30.00	31.50	34.81	36.86	37.90
13.	Systems Limited	40.00	41.99	56.17	54.98	58.60
14.	Synthetic Products Enterprises Limited	30.00	31.49	36.40	46.53	48.89
15.	Mughal Iron & Steel Industries Limited	34.00	35.70	44.51	46.97	57.94
16.	Dolmen City REIT	11.00	11.15	11.08	11.00	10.67

Sr.	Name of the Company	IPO/Strike Price (PKR)	Closing price on 1 <sup>st</sup> day of listing	Weighted average price of 7 days from the Date of Listing	Weighted average price of 30 days from the Date of Listing	Weighted average price of 180 days from the Date of Listing
17.	Al Shaheer Corporation Limited	95.00	90.25	84.53	85.89	83.16
18.	Amreli Steels Limited	51.00	53.55	60.74	60.59	55.91
19.	Hi-Tech Lubricants Limited	62.50	59.38	59.17	58.66	74.75
20.	TPL Properties Limited	12.50	10.50	-	-	-
21.	Loads Limited	34.00	35.70	39.62	49.71	52.55
22.	Roshan Packages Limited	86.25	81.94	81.85	78.20	69.94
23.	Pakistan Stock Exchange Limited	28.00	26.60	25.78	24.17	22.12
24.	Ittefaq Iron Industries Limited	30.20	28.76	30.96	32.22	29.94
25.	Matco Foods Limited	26.00	27.30	27.59	31.51	36.44
26.	AGP Limited	80.00	84.00	95.26	93.66	95.38
27.	At-Tahur Limited	21.00	22.05	25.40	29.47	26.62
28.	Interloop Limited	46.10	46.15	46.35	45.47	44.18
29.	The Organic Meat Company Limited	20.00	21.50	22.88	25.02	29.90
30.	Agha Steel Industries Limited	32.00	34.40	33.92	33.66	35.23
31.	Panther Tyres Limited	65.80	70.73	72.80	69.12	70.83
32.	Service Global Footwear Limited	53.20	55.12	55.10	55.78	55.74
33.	Citi Pharma Limited	32.00	34.40	36.57	43.55	43.12
34.	Pakistan Aluminium Beverage Cans Limited	49.00	50.65	51.23	49.04	42.95
35.	Air Link Communication Limited	71.50	76.86	75.76	71.95	66.85
36.	Octopus Digital Limited	40.60	43.64	62.60	74.38	86.84
37.	Adamjee Life Assurance Company Limited	28.00	25.90	26.76	24.23	23.00
38.	Symmetry Group Limited	4.30	4.15	4.07	3.87	3.86

## **Duplications in the IPO and Listing Application**

- i. Board Resolution for public offering and listing of securities.
- ii. Memorandum and Articles of Association of the company.
- iii. Last page of the full prospectus and abridged prospectus (signed by the directors and offerors, if any).
- iv. No Objection Certificates from the Underwriter(s) to the Issue/Offer.
- v. Letter jointly signed by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) regarding disclosure of complete and true information in the Prospectus.
- vi. Consent Letters from the Intermediaries.
- vii. Power of attorney in favour of the Consultant to the Issue.
- viii. Copy of Trust Deed or Issuance Agreement.
- ix. Shariah Pronouncement Letter.
- x. Credit rating reports from credit rating company.

## Annexure-D

### FORMAT OF THE PROSPECTUS AND DISCLOSURE REQUIREMENTS

- i. Initial Public Offering of debt securities by listed company; or
- ii. Initial Public Offering of other class of shares by listed company; or
- iii. Secondary Public Offering by listed company.

#### 1. Cover Page:

- i The following statement should appear on the upper most top in bold capital letters: -  
**“ADVICE FOR INVESTORS**  
 INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS, ESPECIALLY THE RISK FACTORS GIVEN AT PARA --- BEFORE MAKING ANY INVESTMENT DECISION.  
 SUBMISSION OF FALSE & FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS’ MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015.”
- ii The following additional statement should appear in case of offering of equity securities: -  
*“INVESTMENT IN EQUITY SECURITIES INVOLVES A DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFER UNLESS THEY CAN AFFORD TO TAKE THE RISK OF LOSING THEIR INVESTMENT. INVESTORS ARE ADVISED TO READ THE RISK FACTORS CAREFULLY BEFORE TAKING AN INVESTMENT DECISION IN THIS OFFERING. FOR TAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THE EXAMINATION OF THE ISSUER AND THE OFFER INCLUDING THE RISKS INVOLVED AS DISCLOSED AT PARA ..... OF THE PROSPECTUS*
- iii Full name of the Issuer (including previous name, if any) along with logo/monogram, if any, date and place of its incorporation, incorporation number, date of listing, name of securities exchange where issuer is listed, address of its registered and corporate offices, telephone number, contact person, website address and e-mail address.
- iv In case of **offer for sale**, full Name of the Offeror and the following statement:  
*“THIS IS NOT A PROSPECTUS BY [... NAME OF THE ISSUER ...] (THE “COMPANY”) BUT AN OFFER FOR SALE BY [... NAME OF THE OFFEROR ...] (THE “OFFEROR”) FOR OFFER FOR SALE OF SHARES HELD IN THE COMPANY.”*
- v Total issue size, method of offering, issue price, profit rate (in case of debt securities).
- vi In case of debt securities, credit rating of issue and issuer (where required), name of credit rating agency, structure adopted by the Issuer i.e. issuance agreement or trust structure etc., maturity, call option (if any), put option (if any).
- vii In case of book building, Floor Price (where applicable), Price Band (where applicable), dates for registration of the bidders; dates of bidding i.e the bidding period along with timing; Allocation of securities to book building and retail portion.
- viii Date(s) of public subscription along with timing in bold letters.
- ix Name of the Consultant(s) to the issue, if any, book runner in case of book building, bankers to an issue; Underwriters (if required), Investment Agent (where applicable), Debt Securities Trustee (where applicable), Issuing and paying agent (where applicable), Shariah Advisor (where applicable)

- x Modes of submitting IPO application and making payment (Physical and Electronic)
- xi Disclosure regarding availability of E-IPO platforms.
- xii Contact details of at least two relevant persons of the Issuer, consultant to the issue (if any), Book Runner (if any), Investment Agent/Debt Securities Trustee/Issuing and Paying agent (where applicable), shariah advisor (where applicable) and Underwriter, if any, well conversant with the issue who could be contacted by the investors, if needed.
- xiii Address/website address from where the prospectus, application and bidding forms can be obtained/downloaded.
- xiv Date of publication of the prospectus.
- xv Name of the securities exchange where the specified securities are proposed to be listed.

**2. Inside Cover Page:**

- i The following undertaking by the Issuer:  
 “WE ..... THE CHIEF EXECUTIVE OFFICER AND..... CHIEF FINANCIAL OFFICER .....CERTIFY THAT;
  - a. THE PROSPECTUS CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
  - b. THE INFORMATION CONTAINED IN THE PROSPECTUS IS TRUE AND CORRECT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF;
  - c. THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
  - d. THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE PROSPECTUS AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
  - e. ALL REQUIREMENTS OF THE SECURITIES ACT, 2015; THE DISCLOSURES IN PUBLIC OFFERING REGULATIONS, 2017 FOR PREPARATION OF PROSPECTUS, RELATING TO APPROVAL AND DISCLOSURES HAVE BEEN FULFILLED.”
  - f. NO CHARGES, FEE, EXPENSES, PAYMENTS ETC. HAVE BEEN COMMITTED TO BE PAID TO ANY PERSON IN RELATION TO THIS PUBLIC OFFERING EXCEPT FOR THOSE AS DISCLOSED IN THIS PROSPECTUS.

**For and on behalf of (... Name of the Issuer...and in case of an offer for sale ... name of the offeror...)**

.....Sd- .....	.....Sd- .....
<b>Name of the Chief Executive Officer</b>	<b>Name of the Chief Financial Officer</b>

**3. Glossary of Technical Terms:** All the technical terms and abbreviations used in prospectus must be defined in the glossary.

**4. Definitions**

**5. Table of Content**

**6. Approvals, Consents and Listing on the Securities Exchange:**

- (i) Approval of the Securities Exchange and Commission: Detail of approvals obtained from the Securities Exchange and Commission with respect to the issue. The detail must contain nature of approval, date of approval and relevant law. The following disclaimer must also be disclosed:

**“DISCLAIMER:**

- (a) *The Securities Exchange and Commission has not evaluated the quality of the issue and its approval should not be construed as any commitment of the same. The public/investors should conduct their own independent investigation and analysis regarding the quality of the issue before subscribing.*
- (b) *The publication of this document does not represent solicitation by the Securities Exchange and Commission.*
- (c) *The contents of this document do not constitute an invitation to invest in shares or subscribe for any securities or other financial instrument by the Securities Exchange and Commission, nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever of the Exchange and Commission.*
- (d) *It is clarified that information in this Prospectus should not be construed as advice on any particular matter by the Securities Exchange and Commission and must not be treated as a substitute for specific advice.*
- (e) *The Securities Exchange and Commission disclaims any liability whatsoever for any loss however arising from or in reliance upon this document to any one, arising from any reason, including, but not limited to, inaccuracies, incompleteness and/or mistakes, for decisions and/or actions taken, based on this document.*
- (f) *Securities Exchange and Commission does not take any responsibility for the financial soundness of the Company and any of its schemes stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the Company in this Prospectus.*
- (g) *Advice from a suitably qualified professional should always be sought by investors in relation to any particular investment.”*
- (ii) *Statement on filing of the Prospectus and other documents like experts’ reports and contracts mentioned in the Prospectus, with the registrar of companies.*

## **7. Overview of the Issuer:**

- i Background and history of the company including its name, registration number, date of incorporation, date of commencement of business, date of conversion into public limited company, date of listing and name of securities exchange, organizational structure, description of the business including core and others, if any
- ii Share Capital in tabular form along-with necessary notes relating to the issued and allocated shares, if any.
- iii Pattern of shareholding of the issuer in both relative and absolute terms.
- iv Products and services
- v Customers and suppliers
- vi Capacity and Capacity utilization

## **8. Principal Purpose of the Issue and funding arrangements:**

- i Principal purpose of the issue.
- ii Detailed breakup of Utilization of IPO proceeds.
- iii Name of relevant parties and their role in implementation of Project
- iv Implementation schedule.
- v Utilization of excess IPO funds, in case the strike price is determined above the floor price.
- vi Pre and post expansion production capacity of the Issuer, if applicable.

## **9. Valuation Section (Only in case of equity securities)**

- i Justifications given by the Consultant to the Issue, if any or the issuer in support of the Offer/ Floor Price set by the Issuer.
- ii Disclosure of Post issue Free Float both in terms of the number of shares and percentage.
- iii Disclosure of Peer group comparison with respect to the following:
  - a) Earnings per share;
  - b) Book value per share;
  - c) Market value per share;
  - d) P/E multiple;
  - e) P/B multiple;
  - f) Return on Equity;
  - g) Return on Assets; and
  - h) Free Float as number of shares as well as in percentage

**10. Additional Information in case of debt securities (Islamic and conventional):** In case of issue of debt securities, the following shall be disclosed, inter-alia,-

- i Issue size with breakup of pre-IPO placement, if any, preferential allocation, if any, allocation to general public.
- ii Salient features of the issue including its tenor, rate of return, denomination of the certificate, market lot, secured/unsecured, credit rating details, brief security arrangement with reference to main part on security in case of secured instrument, restrictions and covenants, if any, Options like conversion option, put options, call option etc.
- iii In case of issue of Shariah compliant securities, structure of the instrument, Shariah principle based on which the instrument is structured; name and profile of the Shariah advisor; Shariah Certificate by the Shariah advisor.
- iv Structure adopted for issuance of debt securities:

Trust Structure
<b>Trustee and Security (in case of debt securities, where trust structure is adopted)</b>
<ul style="list-style-type: none"> <li>a) Details of security and assets backing the instrument including nature of assets, book value of the assets as per the latest audited accounts; nature of charge established in favour of the Trustee, number and nature of charges on the said assets; names of the creditors having charge on these assets; and aggregate amount and type of such borrowing;</li> <li>b) Name of the Trustee, amount or rate of fee payable to the trustee;</li> <li>c) Event of defaults as mentioned in the Trust Deed;</li> <li>d) Circumstance under which security becomes enforceable;</li> <li>e) Mechanism for enforcement of security including authority by way of special resolution by the security holders; quorum of the meeting; authority for approval of resolution etc.</li> </ul>
Issuance Agreement
<b>Investment agent and Security (in case of debt securities where issuance agreement is used):</b>
<ul style="list-style-type: none"> <li>a) Details of security and assets backing the instrument including nature of assets, book value of the assets as per the latest audited accounts; nature of charge established in favor of the investment agent, number and nature of charges on the said assets; names of the creditors having charge on these assets; and aggregate amount and type of such borrowing;</li> <li>b) Name of the investment agent, amount or rate of fee payable to the investment agent;</li> <li>c) Event of defaults as mentioned in the issuance agreement;</li> <li>d) Circumstance under which security becomes enforceable;</li> <li>e) Mechanism for enforcement of security including authority by way of special resolution by the security holders; quorum of the meeting; authority for approval of resolution etc.</li> </ul>



## 11. Risk Factors:

- i. Risk factors shall be classified as internal and external risk factor.
- ii. Risk factors shall be disclosed in descending order of materiality.
- iii. All possible risk factors relating to business of the company, the project, technology, competition, suppliers, consumers, industry, liquidity, regulatory, changes in Govt. policies, law and order situation, capital market, pending litigations, defaults etc. shall be disclosed.
- iv. Additional risk factors relating to the following areas shall necessarily be disclosed in the prospectus, wherever applicable:
  - a) Approvals that are yet to be received by the issuer;
  - b) Seasonality of the business;
  - c) Risk associated with orders not having been placed for plant and machinery in relation to the principal purpose of the issue;
  - d) Lack of experience of the Management to run the business;
  - e) If the issuer has incurred losses in the last three financial years;
  - f) Dependence of the issuer or any of its business segments upon a single customer or a few customers
  - g) Loans, if any, taken by the issuer and its subsidiaries that can be recalled at any time.
  - h) In case of outstanding debt instruments, any default in compliance with the material covenants;
  - i) Default in repayment of loan by the issuer and associated group companies, if any.
  - j) Potential conflict of interest of the Sponsors, substantial shareholders or directors of the issuer if involved with one or more ventures which are in the same line of activity or business as that of the issuer.
  - k) Excessive dependence on any key managerial personnel for the project for which the issue is being made.
  - l) Any material investment in debt instruments by the issuer which are unsecured.
  - m) Pending legal Proceeding against the issuer and associated group companies, which could have material adverse comments.
  - n) Negative cashflow from operating activities in the last three preceding financial years.
  - o) Any restrictive covenant that could hamper the interest of the equity shareholders
  - p) Low credit rating of the Issuer.

**q) Financial Risks:**

- Qualified opinion issued by the auditor.
- Contingent liabilities as per the latest audited financial statements.
- Legal/Tax proceedings having possible material impact on the company.
- Overstated EPS due to non-recurring items.
- Bad debt and high receivable turnover ratio as compared to industry.
- Obsolete inventory or slow-moving inventory or high inventory turnover.
- Portfolio investment risk, if company is managing portfolio of financial assets.
- High debt to equity ratio or capital structure ratios.
- High cash conversion cycle.
- Presence of intangible assets on books of accounts, accounting for 30% or more of the total assets.

**r) Project Related Risks:**

- Financial close of the project not achieved.
- Suppliers of Plant and Machinery not yet identified.
- No agreement in place for purchase of land.
- Land for project not yet identified.
- Material Agreements not in place.
- Track record of the issuer, sponsors, directors and substantial shareholders with respect to project implementation.
- Order not been placed for Plant and Machinery.
- Regulatory approvals that are yet to be obtained for project implementation.
- High dependence on internal cash flows or contribution from third party for project implementation.
- Expected cost overruns in implementation of the project due to uncertain economic conditions.
- No EPC or Turnkey contractor appointed for implementation of the project.
- Cost of project based on management estimates instead of third-party feasibility report.
- Investment in Green field Project.

**s) Business Risk:**

- Monopoly due to some regulatory protection.
- High dependence on few customer/suppliers.
- Limited raw material suppliers.
- No agreement in place with major customers/suppliers.
- Short term agreements with major customers/suppliers.
- Unique and complex structure adopted for business operations.
- High dependence on associated companies for running business operations or generating revenue.
- High dependence on one product for revenue generation.
- Dependence on growth of other sectors for revenue generation.
- Insurance contract(s) not in place for running business operations.
- Higher dependence on non-core items as compared to core items for profit generation.

**t) Regulatory Risks:**

- Imposition of duties/taxes making the product unviable.
- Withdrawal of regulatory duties making the product unviable.

**u) Dependence on few customers/suppliers/products/technologies:**

- Dependence of Company on one or two major products or services.
- Customer Concentration risk: 50% or more of company's revenue is coming from one or two major customer.
- Supplier concentration risk: 50% or more of company's purchases is coming from one or two major suppliers.
- Dependence of company heavily on technology and is subject to risk of obsolescence impacting profitability.
- Majority of customers have not continued to purchase company's product during last couple of years.

**v) License/regulatory Approvals:**

- Necessary approvals are not in place and are required for continuity or initiation of the business/project.

**w) Regulatory duties:**

- Business continuity/profitability is highly dependent on the regulatory protection provided by the Government in form of duties or anti-dumping duties.

**x) Financial performance:**

- Company is not profitable during the last two years – incorporation of loss-making disclosure as specified in the Public Offering Regulations, 2017.
- Cash flow from operations is negative.
- Dividend Policy depicting inability of the company to pay dividend in coming years.
- Flexible credit sale policy and poor recovery mechanism – high receivable turnover (days) or high bad debts.
- Audited financial information of the entity formed as the result of merger or acquisition transaction is not available.
- Any financial covenant imposed by the financiers restricting distribution of dividend. Inability of the company to properly service its debt and financial commitment.

**y). Non-recurring items/transactions:**

- Exaggerated EPS or BVPS due to non-recurring items.

**Z) Capital Structure:**

- Low debt to equity ratio due to revaluation surplus.
- High Debt to equity ratio.

**Aa) Manufacturing process/Capacity Utilization:**

- Enhancement of production capacity of product that is currently underperforming.

**Ab) Supply Chain:**

- Majority of raw material is imported from other countries and is subject to supply chain risk.

**Ac) Agreements:**

- No agreement with major customers, suppliers and distribution partners or short-term agreement with major customers, suppliers and distribution partners.
- No agreement in place with suppliers of Plant and Machinery, which may cause delay in commissioning the project.
- No EPC/Turnkey contractor for implementation of the expansion project.

**Ad) Litigation:**

- No provisioning relating to different litigation amounts.
- Pending legal proceedings having substantial financial impact.

**Ae) Market conditions/Pandemic:**

- Delay in commissioning of the Project due to pandemic or unforeseen circumstances.
- Increase in market interest rates and underlying inflation impacting return and instrument value.

**Af) Transaction Structure:**

- Unique transaction structure involving utilization of IPO proceeds for investment in associated green field project.
- Unique transaction structure that involves raising funds, in addition to the IPO from associated concerns or related parties through right or other than right issue for investment in project.

**Ag) Experience:**

- Tapping new markets and segments without any past experience/expertise or formal commitment.

**Ah) Other Risks:**

- Political uncertainty impacting policies.
- Forward looking statements in the Prospectus.
- Special Purpose Acquisition Transactions and issuance of warrants.
- Pandemic or global outbreak of disease.
- Possible law and order situation impacting revenue and profits.
- Transfer pricing element, in case products/items are brought or sold from/to associated persons undertakings.

- v. A statement that to the best of our knowledge and belief all risk factors have been disclosed shall be given immediately after the risk factors.

**12. Financial Information:**

- i. Website address from where audited accounts of Company can be downloaded.
- ii. Summary of financial highlights of the Issuer along with key financial ratios for the last 3 years or for a shorter period if 3 years of commencement of business are not completed.

### **13. Management of the Company**

- i. Name of Board of Directors of the Company.
- ii. Statement on compliance with the code of corporate governance

### **14. Legal proceedings and overdue loans:**

- i. Legal proceedings:
  - a) Any outstanding legal proceeding other than the normal course of business involving the issuer, its sponsors, substantial shareholders, directors and associated companies, over which the Issuer has control, that could have material impact on the issuer.
  - b) Action taken by the securities exchange against the issuer during the last three years due to noncompliance of the its regulations.
- ii. Overdue loans: Details of overdue amount, if any appearing in the Credit information Bureau (CIB) report of the Issuer, its sponsors, promoters, substantial shareholders, directors and associated group companies over which the issuer has control.

### **15. Expenses to the Issue.**

### **16. Book Building Procedure/instructions for registration and bidding (where applicable)**

### **17. Application and Allotment instructions for retail portion (where applicable)**

### **18. Signatories to the Prospectus:**

- i. List of the signatories to the prospectus and their signatures in original duly dated and witnessed.

Provided that electronic signature shall also be acceptable.

- ii. The Prospectus should be signed by every director and CEO of the Issuer and shall be duly witnessed.

Provided that in case of offer for sale of shares the prospectus should also be signed by every Offeror or the persons authorized in writing by the Offerors

### **19. Application Form**

The application form both front and back containing instructions and other information

### **20. Bidding Form**

The bidding form both front and back containing bidding procedure, strike price/cutoff spread/profit rate determination mechanism and basis of allotment.

## Annexure-E

### Instructions for Drafting of Prospectus

While drafting Prospectus, following instructions must be followed:

- i. All disclosures must be made in plain language easily understandable to the general public.
- ii. Prospectus must be worded in a “clear, concise and effective” manner.
- iii. Prospectus must include all material information relating to the issue, issuer and the industry etc.
- iv. The source of information, where applicable must be properly disclosed.
- v. Claims relating to performance of the Issuer can only be included, if they can be substantiated.
- vi. Duplication must be avoided and information may be cross referenced where applicable.
- vii. Financial information must be provided in one standard financial unit (PKR/ PKR in million/ PKR in billion).
- viii. Scanned copy of undertakings on non-judicial stamp paper, where required must be incorporated in the Prospectus.
- ix. Contradictory statements must be avoided.
- x. Risk disclosures must be concise and specific to the issue, Issuer and matters that can impact future performance.
- xi. Risk factors must explicitly pronounce possible impact, if any.
- xii. Forward looking statements and financial projections must be based on valid rationale/assumptions.

Following additional disclosure shall be made on the front page of the Prospectus in case of forward-looking statements/Financial projections.

Note regarding forward

#### **Note regarding forward looking statements**

This prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding future results of operations and financial position, business strategy and plans and objectives of management for future operations, timelines relating to implementation plan are forward-looking statements.

These statements involve known and unknown risks, uncertainties and other important factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

### Enhanced Risk Factors

Additional Risk areas arising from following Scenarios:

Type of Risks	Scenarios
<b>Financial Risk</b>	<ul style="list-style-type: none"> <li>• Qualified opinion issued by the auditor.</li> <li>• Contingent liabilities as per the latest audited financial statements.</li> <li>• Legal/Tax proceedings having possible material impact on the company.</li> <li>• Overstated EPS due to non-recurring items.</li> <li>• Bad debt and high receivable turnover ratio as compared to industry.</li> <li>• Obsolete inventory or slow-moving inventory or high inventory turnover.</li> <li>• Portfolio investment risk, if company is managing portfolio of financial assets.</li> <li>• High debt to equity ratio or capital structure ratios.</li> <li>• High cash conversion cycle.</li> <li>• Presence of intangible assets on books of accounts, accounting for 30% or more of the total assets.</li> </ul>
<b>Project Related Risk</b>	<ul style="list-style-type: none"> <li>• Financial close of the project not achieved.</li> <li>• Suppliers of Plant and Machinery not yet identified.</li> <li>• No agreement in place for purchase of land.</li> <li>• Land for project not yet identified.</li> <li>• Material Agreements not in place.</li> <li>• Track record of the issuer, sponsors, directors and substantial shareholders with respect to project implementation.</li> <li>• Order not been placed for Plant and Machinery.</li> <li>• Regulatory approvals that are yet to be obtained for project implementation.</li> <li>• High dependence on internal cash flows or contribution from third party for project implementation.</li> <li>• Expected cost overruns in implementation of the project due to uncertain economic conditions.</li> <li>• No EPC or Turnkey contractor appointed for implementation of the project.</li> <li>• Cost of project based on management estimates instead of third-party feasibility report.</li> <li>• Investment in Green field Project.</li> </ul>

Type of Risks	Scenarios
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>• Monopoly due to some regulatory protection.</li> <li>• High dependence on few customer/suppliers.</li> <li>• Limited raw material suppliers.</li> <li>• No agreement in place with major customers/suppliers.</li> <li>• Short term agreements with major customers/suppliers.</li> <li>• Unique and complex structure adopted for business operations.</li> <li>• High dependence on associated companies for running business operations or generating revenue.</li> <li>• High dependence on one product for revenue generation.</li> <li>• Dependence on growth of other sectors for revenue generation.</li> <li>• Insurance contract(s) not in place for running business operations.</li> <li>• Higher dependence on non-core items as compared to core items for profit generation.</li> </ul>
<b>Regulatory Risk</b>	<ul style="list-style-type: none"> <li>• Imposition of duties/taxes making the product unviable.</li> <li>• Withdrawal of regulatory duties making the product unviable.</li> </ul>
<b>Risk relating to dependence on few customers/suppliers/products/technologies</b>	<ul style="list-style-type: none"> <li>• Dependence of Company on one or two major products or services.</li> <li>• Customer Concentration risk: 50% or more of company's revenue is coming from one or two major customer.</li> <li>• Supplier concentration risk: 50% or more of company's purchases is coming from one or two major suppliers.</li> <li>• Dependence of company heavily on technology and is subject to risk of obsolescence impacting profitability.</li> <li>• Majority of customers have not continued to purchase company's product during last couple of years.</li> </ul>
<b>Risk relating to License/regulatory Approvals</b>	<ul style="list-style-type: none"> <li>• Necessary approvals are not in place and are required for continuity or initiation of the business/project.</li> </ul>
<b>Risk relating to Regulatory duties</b>	<ul style="list-style-type: none"> <li>• Business continuity/profitability is highly dependent on the regulatory protection provided by the Government in form of duties or anti-dumping duties</li> </ul>
<b>Risk relating to Financial performance</b>	<ul style="list-style-type: none"> <li>• Company is not profitable during the last two years - incorporation of loss-making disclosure as specified in the Public Offering Regulations, 2017.</li> <li>• Cash flow from operations is negative.</li> <li>• Dividend Policy depicting inability of the company to pay dividend in coming years.</li> <li>• Flexible credit sale policy and poor recovery mechanism - high receivable turnover (days) or high bad debts.</li> <li>• Audited financial information of the entity formed as the result of merger or acquisition transaction is not available.</li> <li>• Any financial covenant imposed by the financiers restricting distribution of dividend. Inability of the company to properly service its debt and financial commitment.</li> </ul>



Type of Risks	Scenarios
<b>Risk due to Non-recurring items/transactions</b>	<ul style="list-style-type: none"> <li>Exaggerated EPS or BVPS due to non-recurring items.</li> </ul>
<b>Risk due to Capital Structure</b>	<ul style="list-style-type: none"> <li>Low debt to equity ratio due to revaluation surplus.</li> <li>High Debt to equity ratio.</li> </ul>
<b>Risk related to Manufacturing process/Capacity Utilization</b>	<ul style="list-style-type: none"> <li>Enhancement of production capacity of product that is currently underperforming.</li> </ul>
<b>Supply Chain Risk</b>	<ul style="list-style-type: none"> <li>Majority of raw material is imported from other countries and is subject to supply chain risk.</li> </ul>
<b>Risk relating to Agreements</b>	<ul style="list-style-type: none"> <li>No agreement with major customers, suppliers and distribution partners or short-term agreement with major customers, suppliers and distribution partners.</li> <li>No agreement in place with suppliers of Plant and Machinery, which may cause delay in commissioning the project.</li> <li>No EPC/Turnkey contractor for implementation of the expansion project.</li> </ul>
<b>Litigation Risk</b>	<ul style="list-style-type: none"> <li>No provisioning relating to different litigation amounts.</li> <li>Pending legal proceedings having substantial financial impact.</li> </ul>
<b>Risk related to Market conditions/ Pandemic</b>	<ul style="list-style-type: none"> <li>Delay in commissioning of the Project due to pandemic or unforeseen circumstances.</li> <li>Increase in market interest rates and underlying inflation impacting return and instrument value.</li> </ul>
<b>Transaction structure</b>	<ul style="list-style-type: none"> <li>Unique transaction structure involving utilization of IPO proceeds for investment in associated green field project.</li> <li>Unique transaction structure that involves raising funds, in addition to the IPO from associated concerns or related parties through right or other than right issue for investment in project.</li> </ul>
<b>Risk relating to Experience</b>	<ul style="list-style-type: none"> <li>Tapping new markets and segments without any past experience/expertise or formal commitment.</li> </ul>
<b>Other Risks:</b>	<ul style="list-style-type: none"> <li>Political uncertainty impacting policies.</li> <li>Forward looking statements in the Prospectus.</li> <li>Special Purpose Acquisition Transactions and issuance of warrants.</li> <li>Pandemic or global outbreak of disease.</li> <li>Possible law and order situation impacting revenue and profits.</li> <li>Transfer pricing element, in case products/items are brought or sold from/to associated persons undertakings.</li> </ul>

## **Annexure-G**

### **Minimum Requirements for Research Report**

The research report must meet with following minimum requirements:

- i. It must contain a brief summary of financial highlights such as revenue, gross profit, net profit, margin ratios, profitability ratios, EPS, BVPS, capital ratios etc.
- ii. It must be a true and fair evaluation of the company and reflect a fair independent view regarding the issuer and the industry.
- iii. All views expressed in the report should be sufficiently backed based on facts and proper analysis.

### Mechanism for Monitoring Agent



## Jurisdiction Analysis

### A. Role of Consultant to the Issue (CTI) – Para B(i) of the Consultation Paper

CTIs play the crucial function of bringing new listings to the market by acting as a bridge between the capital market and the issuers. Although there are currently 33 licensed CTIs, only 4-5 CTIs are actively involved in bringing new IPO transactions in the past few years. Consequently, a limited number of IPO transactions have been concluded despite a vast potential listing universe. There is an imminent need to ensure that CTIs, as key licensed players, actively contribute in primary market activities. Outreach efforts are required for bringing fresh issues to the market and for familiarizing the corporate sector with the uses and benefits of capital market.

Various jurisdictions having vibrant IPO markets such as India, USA, Singapore, Australia and Malaysia, allow banks to perform the role of CTI for all types of IPO transactions. Tabulated below is the eligibility criteria for CTIs across various jurisdictions.

Pakistan	India	USA	Hong Kong	Singapore	Australia	Malaysia
i. Securities Brokers (for both equity and debt). ii. Scheduled Bank, Development Finance Institution, Investment finance service license holder (for debt and GEM only) iii. Any other company meeting the fit and proper criteria. iv. Wholly owned subsidiary of Scheduled bank or Development finance institution or securities broker.	Merchant bank registered with board.  Definition of merchant bank: A person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management.  SEBI has prescribed criteria for registration of Merchant banks.	Investment Bank.	Corporate entity having, Type 6 license from SFC Hong Kong.	i. member company of the Singapore Exchange ii. bank iii. merchant or an investment bank iv. person who is acceptable to the SGX-ST.	i. investment bank ii. corporate adviser iii. stockbroker	Investment Bank

**B. Determination of Price: Book Building – Para B(ii) of the Consultation Paper**

Pricing and valuation of IPO transactions is examined carefully by the CTI. Floor price is determined by the CTI based on detailed due diligence. It is therefore expected that there should be minimum variance between the floor price and the strike price and the upper cap within which such price is discovered. Mentioned below are the international practices on book building price bands and category of investors that can participate in book building.

	Pakistan	India	Saudi Arabia	Australia	Hong Kong	Singapore
<b>Price Band/Cap</b>	40%	20% price band, however further increase of 20% is also allowed.  Note: There is no cap in alternate book building method (Allotment is done on price priority basis for the qualified institutional buyers. Allotment to the retail individual investors, non-institutional investors is done on a proportionate basis at floor price)	20% price band, however further increase of 20% is also allowed.	Price can be open or set within a range. Range is not defined.	Usually Price range. However, price range is not defined	Not Found.
<b>Type of Investors</b>	<ul style="list-style-type: none"> <li>• Institutional investors.</li> <li>• Individual Investors with minimum bid size of Rs. 1m</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Institutional Buyers.</li> <li>• Non-Institutional Investors.</li> <li>• Retail Investors</li> </ul> <p>Note: Retail subscription is part of the book building, however retail investors do not participate in price discovery and bid at cut-off price.</p>	<ul style="list-style-type: none"> <li>• Public and private funds.</li> <li>• Authorized persons licensed to deal as principal.</li> <li>• Clients of persons authorized by the authority to conduct managing activities.</li> <li>• Any legal person allowed to open an account.</li> <li>• Government entities, supranational authorities, Government owned companies, GCC companies and funds.</li> </ul>	<ul style="list-style-type: none"> <li>• Only Institutional Investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional Investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional Investors.</li> <li>• Accredited Investors.</li> </ul>

**Annexure-I**

**C. Price Band in Book Building – Para B(ii) of the Consultation Paper**

In jurisdictions with vibrant IPO markets such as India, a price band of up to 20% of the floor price is allowed. It is observed that in twenty-five IPO transactions studied, no company opted to utilize the entire upper limit of 20% and price bands usually ranged between 5% - 9.9% of the floor price. Summary of analysis done on India is as follows:

Sr.	Name of Company	Issue Price	Price Band	Range (%)	Listing Year
1.	Valiant Laboratories Limited	₹140	₹133 to ₹140 per share	5.26	2023
2.	Updater Services Limited	₹300	₹280 to ₹300 per share	7.1	2023
3.	JSW Infrastructure Limited	₹119	₹113 to ₹119 per share	5.3	2023
4.	Manoj Vaibhav Gems 'N' Jewellers Limited	₹215	₹204 to ₹215 per share	5.4	2023
5.	Sai Silks (Kalamandir) Limited	₹222	₹210 to ₹222 per share	5.7	2023
6.	Signatureglobal (India) Limited IPO	₹385	₹366 to ₹385 per share	5.2	2023
7.	Yatra Online Limited	₹142	₹135 to ₹142 per share	5.2	2023
8.	Zaggle Prepaid Ocean Services Limited	₹164	₹156 to ₹164 per share	5.1	2023
9.	SAMHI Hotels Limited	₹126	₹119 to ₹126 per share	5.9	2023
10.	R R Kabel Limited	₹1035	₹983 to ₹1035 per share	5.3	2023
11.	EMS Limited	₹211	₹200 to ₹211 per share	5.5	2023
12.	Jupiter Life Line Hospitals Limited	₹735	₹695 to ₹735 per share	5.8	2023
13.	Ratnaveer Precision Engineering Limited	₹98	₹93 to ₹98 per share	5.4	2023
14.	Rishabh Instruments Limited	₹441	₹418 to ₹441 per share	5.5	2023
15.	Vishnu Prakash R Punglia Limited	₹99	₹94 to ₹99 per share	5.3	2023
16.	Aeroflex Industries Limited	₹108	₹102 to ₹108 per share	5.9	2023
17.	Pyramid Technoplast Limited	₹166	₹151 to ₹166 per share	9.9	2023
18.	TVS Supply Chain Solutions Limited	₹197	₹187 to ₹197 per share	5.3	2023
19.	Concord Biotech Limited	₹741	₹705 to ₹741 per share	5.1	2023
20.	SBFC Finance Limited	₹57	₹54 to ₹57 per share	5.6	2023
21.	Yatharth Hospital and Trauma Care Services Limited	₹300	₹285 to ₹300 per share	5.3	2023
22.	Netweb Technologies India Limited	₹500	₹475 to ₹500 per share	5.3	2023
23.	Utkarsh Small Finance Bank Limited	₹25	₹23 to ₹25 per share	8.7	2023
24.	Senco Gold Limited	₹317	₹301 to ₹317 per share	5.3	2023
25.	Cyient DLM Limited	₹265	₹250 to ₹265 per share	6	2023

**D. Forward Looking Statements – Para B(vi)(c) of the Consultation Paper**

Jurisdictional analysis indicates that various countries such as Australia, Malaysia, Hong Kong, India and USA have allowed Issuers to make forward looking statements in the prospectus. All these jurisdictions apart from India also allow inclusion of financial projections. Australia, Malaysia and Hong Kong require third party verification of financial projections whereas other jurisdictions have specified cautionary language to be used in case of forward-looking statements.

	Australia	Malaysia	Hong Kong	United States	India	Pakistan
<b>Forward-looking statements/projections allowed or not?</b>	Yes.	Yes.	Yes.	Yes.	Yes (In India, forward looking statements excluding financial information are allowed)	Not clearly specified.
<b>Is it mandatory or optional to include financial projections in the Prospectus?</b>	Optional  Issuer to assess whether to include prospective financial information or not.	Optional  The issuer to decide in advance with its financial advisor	Optional  The issuer to decide in advance, with its financial advisor	Optional  Discretion of the Issuer.	Not Allowed	Not clearly specified.
<b>Disclosure in the Prospectus regarding forward looking statement/financial projections.</b>	Cautionary language	Confirmation by directors and promoters. "The directors and promoters of the corporation [and/or the offeror, (where appropriate)] confirm that the bases and assumptions relied on in the preparation of the future financial information are reasonable."  Confirmation by principal Advisor "[Name of principal advisor], being the Principal Advisor is satisfied that bases and assumptions relied on in the preparation of the future financial information are reasonable."	-	Cautionary language.	-	-

**Annexure-I**

	Australia	Malaysia	Hong Kong	United States	India	Pakistan
<b>Third Party Verification of financial projections</b>	Yes Investigating Accountant	Yes Principal Advisor	Yes Principal Advisor	-	-	-
<b>Time Period</b>	Forecast for 2 years without independent verification. Independent verification for forecast greater than 2 years.	-	-	-	-	-

**E. Disclosure of Tentative Dividend Pay-out ratio or Plans relating to Dividend – Para B(vi)(f) of the Consultation Paper**

Providing tentative dividend payout ratios in the prospectus can increase attractiveness of the issue for the investors. Issuers are, however, generally hesitant to provide such information in the prospectus, citing legal risks emanating from inability to comply with the tentative dividend payouts. A review of international practices for Hong Kong, Canada, Malaysia and USA reveals that there are no standard regulatory requirements with respect to disclosure of tentative dividend payouts in the prospectus. Hong Kong requires expected dividend payout ratio to be mandatorily disclosed in the prospectus, whereas the other countries only require disclosure of a dividend policy, similar to the existing practice in Pakistan.

	Canada	Malaysia	Hong Kong
<b>Dividend Policy/ Tentative Payout</b>	<ol style="list-style-type: none"> <li>1. The company is required to disclose the amount of cash dividends or distributions declared per security for each class of the issuer's securities for each of the three most recently completed financial years and its current financial year.</li> <li>2. The company is required to disclose any restrictions that could prevent the company from paying dividends or distributions.</li> <li>3. The company is required to disclose the issuer's dividend or distribution policy and any intended change in dividend or distribution policy.</li> </ol>	The issuer is required to disclose the corporation's dividend policy or, if it does not have a fixed policy, to state so.	The details regarding the expected dividend payout ratio is required to be disclosed in the prospectus.



Further review of practices relating to disclosure of dividend payouts also indicates no standard approach. Out of thirteen prospectuses from four different jurisdictions including prospectuses from leading companies such as Spotify Technology, Meta Platforms, Tesla Motors, Saudi Aramco, Microsoft, no standard approach can be inferred, although some companies have chosen to specifically disclose dividend payout ratios or the intention to retain earnings for a certain time period. For example, ASA International Group PLC disclosed in its Prospectus that the company intends to target an initial payout ratio of 30% of prior year at net income. Whereas, Meta Platforms Inc. disclosed in its Prospectus that the company do not intend to declare or pay any cash dividends in the foreseeable future and intends to retain any future earnings.

**F. Circuit Breakers for First Day of Trading – Para B(vii)(a) of the Consultation Paper**

Circuit Breakers are applicable in case of both upward and downward movement. It can be argued that on one hand circuit breakers restrict upward movement, while on the other hand the mechanism provides protection to the investors against substantial drop in share price. While circuit breakers can be perceived as artificial mechanisms that curtail efficient price discovery, they are also a vital risk mitigant against unbridled speculation.

Different jurisdictions have varying approaches with respect to application of circuit breakers on the first day of trading. Some countries such as Bangladesh (50%), Vietnam (20%), Japan (4 times of IPO price), UK (5%), Switzerland (5%) , Maldives (20%), USA (10%), Hong Kong (10%) have imposed first day circuit breakers within the range of 5% to 400%. Few countries such as Singapore, China and Taiwan have not imposed any first day circuit breakers.

Countries	Circuit Breakers
Bangladesh	Within 50% range of its issue price
Singapore	No limit – SGX-ST will exempt new listings from the circuit breaker on the first day of trading. This is because the offer price of a new listing may potentially differ significantly from market valuation. Applying the circuit breaker on the first day of trading may unnecessarily impede the price discovery process.
Vietnam	20%
Taiwan	No Limit
US	<b>NASDAQ</b> Within 10% range of its IPO price.
Hong Kong	Within 10% range of its IPO price.
China	Shanghai Stock Exchange – No limit. SSE allows for price discovery of securities after IPO for the first five days.
Japan	Within 10% range of its IPO price.
UK	Within 10% range of its IPO price.
Switzerland	Within 10% range of its IPO price.
Maldives	Within 20% range of its IPO price.



SECP

SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN

NIC Building, Jinnah Avenue, Blue Area, Islamabad.  
[www.secp.gov.pk](http://www.secp.gov.pk)