

NOTIFICATION

October 05, 2011

No. SEC/CMRRCD/2008/186/115/Admin/30- In exercise of power conferred by section 33 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), the Securities and Exchange Commission makes, after prior circulation, the following further amendments to the Securities and Exchange Commission (Public Issue) Rules, 2006, namely:-

1. In rule 8, in clause B, sub-clause (16), serial (3), the following new institutional investor in (aa) shall be added after the existing institutional investor in (a), namely:

“(aa) Asset Management Companies;”.

2. In rule 8, in clause B, sub-clause (16), the following new serial (3A) shall be added after the existing serial (3), namely:

“(3A) Any Ell where Directors/Promoters/Sponsors of Issuer Company have interest under related party definition of International Accounting Standard (IAS), shall not be eligible to participate in the bidding process.”.

3. In rule 8, in clause B, sub-clause (16), the following new serial (3AA) shall be added after the above new serial (3A), namely:

“(3AA) Issue manager in which sponsors/directors of Issuer Company have ownership interest can not be eligible to act as issue manager because of conflict of interest.”

4. In rule 8, in clause B, sub-clause (16), serial (4), the procedure (a) shall be replaced by the following new procedure (a), namely:

“(a) The issuer/issue manager shall issue invitation to the eligible institutional investors, both in writing and through publication in at least 5 (five) widely circulated national dailies, giving at least 10 (ten) working days time, to the road show/presentation/seminar indicating time and venue of such event. The invitation letter shall accompany an Information Memorandum (IM) containing all relevant information covering the proposed issue of the issuer and 5 (five) years audited financial statements of the issuer or such shorter period during which the issuer was in commercial operation. The eligible institutional investors shall submit indicative price to the issuer/issue manager, signed jointly by the Chief Executive Officer (CEO) and the Financial Analyst, highlighting the factors taken into consideration in support of the indicative price, within the next 3(three) working days of the said road show/presentation/seminar;”.

5. In rule 8, in clause B, sub-clause (16), serial (4), the following new procedure (aa) shall be added after the existing procedure (a), namely:

“(aa) Representatives from the stock exchanges shall participate in the road show as observers;”.

6. In rule 8, in clause B, sub-clause (16), serial (4), procedure (b) shall be replaced by the following new procedure (b), namely:

“(b) The issuer, in consultation with the issue manager, shall quote its own indicative price in the draft prospectus based on the indicative prices so obtained from the eligible institutional investors;

Provided that the issuer and the issue manager shall send the Information Memorandum to eligible institutional investors (Ells) **without mentioning the indicative price**. The Indicative Price should be disclosed by the Issuer and Issue Manager after the quotation received from the Ells. The said indicative price should be supported by at least 20 Ells including at least 3 (three) quotations from each of the following category:

- a. Merchant Bankers
- b. Commercial Banks
- c. Asset Management Companies
- d. Non-Banking Financial Institutions (NBFIs)
- e. Insurance Companies
- f. Stock Dealers

Ells who support the indicative price should participate in the electronic bidding process, at least with their intended quantity and indicative price. However, as long as the total intended quantity by the Ells, who support the indicative price, does not reach 10% of the total issue size, the indicative price shall not be treated as discovered.

Further provided that while submitting the indicative price the concerned Ells will also mention the number of shares they are willing to buy at that price.”.

7. In rule 8, in clause B, sub-clause (16), serial (4), procedures (c) and (d) shall be replaced by the following new procedures (c) and (d), namely:

“(c) The draft prospectus shall simultaneously be submitted to the Commission and the stock exchanges along with the due diligence statements issued by all concerned;

(d) Rationale for the indicative price must be included in the draft prospectus i.e. the issuer is required to disclose in detail about the qualitative and quantitative factors justifying the indicative price;”.

8. In rule 8, in clause B, sub-clause (16), serial (4), procedure (h), ‘;’ shall be replaced by ‘:’, then the following new proviso shall be added, namely:

“Provided that hard copy of Information memorandum **without mentioning the indicative price** shall physically be sent to the following institutions/associations at least 5 (five) working days prior to the Road Show:

- a. Stock Exchanges
- b. Bangladesh Merchant Bankers' Association (BMBA)
- c. Bangladesh Association of Banks (BAB)
- d. Bangladesh Leasing & Finance Companies Association (BLFCA)
- e. Bangladesh Insurance Association (BIA)
- f. Association of Asset Management Companies

Associations shall ensure dissemination of hard copy of draft prospectus among their respective members;”.

9. In rule 8, clause B, sub-clause (16), serial (4), existing procedure (i) shall be replaced by the following new procedure (i), namely:

“(i) No institutional investor shall be allowed to quote for more than 5% (five percent) of the total security offered for sale, subject to maximum of 5 (five) bids;”.

10. In rule 8, clause B, sub-clause (16), serial (4), existing procedure (j) shall be replaced by the following new procedure (j), namely:

“(j) Institutional bidding period will be 48 (forty eight) hours which may be changed with the approval of the Commission;”.

11. In rule 8, clause B, sub-clause (16), serial (4), the following new procedure (jj) shall be added after the procedure (j), namely:

“(jj) The Company and The Issue Manger shall submit the status of bidding and the Cut Off price along with the final draft prospectus, simultaneously to the Commission and the stock exchanges within 5 working days from the closing day of the bidding.”.

12. In rule 8, clause B, sub-clause (16), serial (4), existing procedure (q) shall be replaced by the following new procedure (q), namely:

“(q) There shall be a time gap of 15 (fifteen) working days or as may be determined by the Commission between closure of bidding by eligible institutional investors and subscription opening for general investors;”.

13. In rule 8, clause B, sub-clause (16), table of serial (5) shall be replaced by the following new table, namely:

Issue Size	Eligible	General Investors' Quota
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in Face Value	Institutional Investors' Quota	Mutual Fund Portion	NRB portion	Public Portion
Tk. 30 to Tk. 50 Crore	40%	15%	10%	35% or balance amount
Over Tk. 50 Crore to Tk. 100 Crore	50%	15%	10%	25% or balance amount
Over Tk. 100 Crore	60%	15%	10%	15% or balance amount

14. In rule 8, clause B, sub-clause (16), serial (6) shall be replaced by the following new serial (6), namely:

“(6) Lock-in.

There shall be lock-in of 4 (four) months from the first trading day on the security issued to the eligible institutional investors.”.

15. In rule 8, clause B, sub-clause (16), serial (20), requirement (c) the word “and” shall be deleted. The following new requirements (e), (f), (g), (h), (i) and (j) shall be added after the existing requirement (d), namely:

“(e) While preparing the financial statements International Accounting Standards and Bangladesh Accounting Standards should be followed. Earnings Per Share (EPS) should also be disclosed on fully diluted basis (with the total existing number of shares) in addition to the current practice of weighted average number of shares basis. Future projected Net Income should not be considered while calculating the weighted average EPS;

- (f) The company who intends to raise capital under Book Building Method, its financial statements shall be audited by the foreign affiliated audit firm;
- (g) All extra-ordinary income or non-recurring income coming from other than core operations should be shown separately while showing the Net Profit as well as the Earnings Per Share in Information Memorandum/draft prospectus;
- (h) Quarterly or Half yearly EPS should not be annualized while calculating the EPS for the purpose of presenting in the IM or prospectus;
- (i) Any issuer who has revalued its asset within 24 months preceding the IPO shall show the Net Asset Value (NAV) with revaluation reserve and without revaluation reserve; and
- (j) The Commission may re-audit the audited financial statements, if any deficiency/anomaly found in the financial statements. In such case cost of audit should be borne by the concerned company."

16. In rule 17, the following new sub-rule (7) shall be added after the existing sub-rule (6), namely:

"(7) The Commission reserves the right to review the IPO proposal and reject the same in its own discretion in the greater interest of the investors and the capital market as well."

By order of the Securities and Exchange Commission

Prof. Dr. M. Khairul Hossain
Chairman.