



**Presentation  
On  
Public Issue of Securities**



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# **Farhad Ahmed**

Executive Director

Securities & Exchange Commission

Telephone: 88-02-9568101

Fax:88-02-9563721

Email:



# Public Issue of Securities

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- **“Public Issue”** means public issue of security through initial public offering and repeat public offering;
- **“Initial Public Offering (IPO)”** means first offering of security by an issuer to the general public;
- **“Repeat Public Offering”** means further issuance of security through public offering by an issuer which has raised capital through initial public offering earlier;
- **“Prospectus”** means any document prepared for the purpose of communicating to the general public a company’s plan to offer for sale of its securities under these Rules.



# SEC (Public Issue) Rules, 2006

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Under the said Rules the Commission accords consent to the issuer to issue securities to the general public through publication of prospectus.



# Parties Involved

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- **Issuer;**
- **Investors**- Local, NRB, Foreign;
- Issue Manager, Underwriter, Auditor, Banker, Trustee, Custodian;
- Credit Rating Company;
- Depository Company.



# Parties Involved Contd.

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- Stock Exchange;
- Bangladesh Bank;
- Securities & Exchange Commission



# General requirements for filing application

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- Ten copies of draft prospectus
- Any amendment to the prospectus
- All stock exchanges shall be supplied simultaneously by the issuer
- The audited financial statements of the issuer must be submitted to the Commission along with the prospectus and that the said statements shall not be older than 120 days of the end of the period for which the said financial statements is prepared.



# Format and contents of the prospectus

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- A. Material Information
  1. Financial statement of the company
    - Assets & Liabilities (Balance sheet)
    - Cash flow statement
    - Profit & Loss Account
  2. Additional disclosures.



## Information to be contained in the Prospectus

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- Name of the issuer company;
- Amount and type of securities being issued;
- Offering price of the securities on a per unit and aggregate basis;
- Opening and closing date of subscription including for NRBs;
- Names and address of the underwriter (s);
- Issue date of the prospectus;



## Information to be contained in the Prospectus (contd.)

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- The statement “If you have any queries about this document you may consult issuer, issue manager and underwriter”



# The following statements about the Commission's Role to be included in bold type face

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- **The following statement in bold type face:**

**"CONSENT OF THE SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE ISSUE/OFFER OF THESE SECURITIES UNDER THE SECURITIES AND EXCHANGE ORDINANCE, 1969, AND THE SECURITIES AND EXCHANGE COMMISSION (PUBLIC ISSUANCE) RULES, 2006. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS CONSENT THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUING COMPANY, ANY OF ITS PROJECTS OR THE ISSUE PRICE OF ITS SECURITIES OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THEM. SUCH RESPONSIBILITY LIES WITH THE ISSUER, ITS DIRECTORS, CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER, ISSUE MANAGER, UNDERWRITER AND/OR AUDITOR."**



# Risk factors as per SEC (Public Issue) Rules, 2006

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- Immediately following the cover page of the prospectus, all risk factors and management's perception about the same are to be clearly stated which may include, among others,:-
  - (a) interest rate risks;
  - (b) exchange rate risks;
  - (c) industry risks;
  - (d) market and technology-related risks
  - (e) potential or existing government regulations;
  - (f) potential changes in global or national policies;
  - (g) history of non operation, if any; and
  - (h) Operational risks.



# Other pertinent information

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- (1) Use of Proceeds
- (2) Description of business
- (3) Description of property
- (4) Plan of operation and discussion of financial condition
- (5) Directors and Officers
- (6) Involvement of Directors and Officers in certain legal proceedings



# Other pertinent information (contd.)

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- (7) Certain Relationships and Related Transactions
- (8) Executive compensation
- (9) Options granted to Officers, Directors and Employee
- (10) Transaction with the Directors and Subscribers to the Memorandum
- (11) Ownership of the Company's securities



# Other pertinent information (Contd.)

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- (12) Determination of Offering Price
- (13) Market for the Securities being offered
- (14) Description of Securities outstanding being offered
- (15) Debt Securities
- (16) Financial statement requirements

# Lock-in Provision



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- All issued shares of the issuer at the time of according consent to public offering shall be subject to a lock-in period of three years from the date of issuance of prospectus or commercial operation, whichever comes later:
- Provided that the persons, other than directors and those who hold 5% or more, who have subscribed to the shares of the company within immediately preceding two years of according consent, shall be subject to a lock-in period of one year from the date of issuance of prospectus or commercial operation, whichever comes later.



# Refund of Subscription money

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In the case of non-allotment of securities, refund of subscription money of applicants resident in Bangladesh shall be made by account payee cheque/warrant payable to applicant. For this purpose the number of the bank account along-with name of bank and branch shall be indicated in the securities application form.



# Subscription by and refund to non-resident Bangladeshi (NRB).

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- (1) A non-resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking "Account Payee only".
- (2) The value of securities applied for by such person may be paid in Taka or US Dollar or UK Pound Sterling or Euro at the rate of exchange mentioned in the securities application form.
- (3) Refund against over subscription shall be made in the currency in which the value of securities was paid for by the applicant through Account Payee bank cheque payable at Dhaka with bank account number, Bank's name and Branch as indicated in the securities application form.



# Availability of Securities

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- (1) 10% of total public offering shall be reserved for non-resident Bangladeshi (NRB) and 10% for mutual funds and collective investment schemes registered with the Commission, and the remaining 80% shall be open for subscription by the general public.
- (2) In case of over-subscription under any of the categories, the issue manager shall conduct an open lottery of all the applications received under each category separately in accordance with the letter of consent issued by the Securities and Exchange Commission.



# Availability of Securities (contd.)

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- (4) In case of under-subscription under any of the 10% categories, the unsubscribed portion shall be added to the general public category and, if after such addition, there is over subscription in the general public category, the issuer and the issue manager shall jointly conduct an open lottery of all the applicants added together.
- (5) In case of under-subscription of the public offering, the unsubscribed portion of securities shall be taken up by the underwriter(s).
- (6) The lottery shall be conducted in presence of representatives from the issuer, the stock exchanges, and the applicants, if there be any.



# Debenture trustee

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- (1) The public company issuing debenture shall appoint a debenture trustee to protect the interests of debenture holders.
- (2) The debenture trustee shall be a bank, a financial institution, an insurance company, or any other entity registered by the Commission to act as trustee.

# Fees for public offering and listing of security

- The following fees shall be applicable for payment by the issuer company:
- Issue management fee: maximum 1% on the public offering amount or Tk. 20 lac whichever is lower.
- Underwriting fee shall be calculated on 50% of initial public offer amount and the said amount shall not exceed 1% on the amount underwritten.
- Bankers to the issue fee: maximum 0.1% on the amount collected against public offering applications.
- Fees to be paid to the each stock exchange:
  - **Listing fee for ordinary shares:**
    - i. Up to Taka 10 crore of paid-up capital @ 0.25%.
    - ii. Above Taka 10 crore of paid-up capital @ 0.15%.
  - **Listing fee for preferred shares and fixed income securities:**
    - i. Up to Taka 10 crore of size of the issue @ 0.25%.
    - ii. Above Taka 10 crore of size of the issue @ 0.15%.



# Fees for public offering and listing of security (contd.)

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- However, the total listing fee shall be minimum of Taka 10,000 (ten thousand) and maximum of Taka 20 lac for each of the categories
- Fees to SEC:
- (a) The issuer company shall pay Taka 10,000 (non-refundable) as application fee along with the application for consent of the Commission to issue or offer of securities, by way of a pay order or demand draft issued in favor of the "Securities and Exchange Commission"; and
- (b) Upon according of consent by the Commission to issue prospectus, the issuer company shall pay consent fee @ 0.15%, by way of a pay order or demand draft issued in favor of the "Securities and Exchange Commission", on the amount of public offering.
- No seal commission shall be paid to any person, including the members of the stock exchanges.



# Preconditions for making repeat public offering

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- An issuer of a listed security may make repeat public offering, subject to compliance with the following:-
- Information concerning the repeat public offering shall be disseminated as a price sensitive information immediately upon Board decision as well as upon approval at the general meeting and approval of the Commission, in accordance with the relevant notifications issued by the Commission.
- There should be an explicit announcement while disseminating the information that the repeat public offering shall be subject to approval of the Commission.
- Such offering and price thereof have been approved by the Board, the shareholders in a general meeting, and the consent to which is obtained from the Commission.



# Preconditions for making repeat public offering (contd.)

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- The proceeds of either initial public offering or previous rights issue, as the case may be, has been utilized fully and relevant reports were duly submitted to the Commission.
- Annual general meeting has been held regularly.
- The issue has been fully underwritten on a firm commitment basis by the underwriter.
- The financial statements of the issuer is prepared as per International Accounting Standards (IAS) as applicable in Bangladesh, and audited as per International Standards on Auditing (ISA) as applicable in Bangladesh.
- The issuer or any of its directors is not a bank defaulter.



# Due Diligence Certificate

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Due Diligence Certificate is provided by the issue manager, underwriter to the effect that:

- [i] while finalizing the draft prospectus pertaining the said issue they have examined the various documents and other materials as relevant for adequate disclosure to the investor;
- [ii] on the basis of such examination; and the discussions with the company, its directors and other officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the company they confirm that:



# Due Diligence Certificate [contd]

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- [a] the draft prospectus forwarded to the Commission is in conformity with the documents, materials and papers to the issue;
- [b] all the legal requirements connected with the said issue have been duly complied with;
- [c] the disclosures made in the draft prospectus are true, fair and adequate to enable the investors to make a well-informed decision as to investment in the proposed issue.



# Due Diligence by Issue Manager & Underwriters

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- Before filing prospectus and other documents to the Commission the issue managers and underwriters have to make due diligence for their safeguard against potential litigation and to ensure themselves to the effect that information contained in the prospectus is true and objective and has no material deficiency.



# Due Diligence Actions

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- Examination of audited financial statements of past few years;
- Half-yearly and quarterly financial statements;
- Material contracts/ documents;
- Minutes of the general meetings;
- Minutes of the Board of Directors;



# Due Diligence Actions

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- Interviewing company officials, exploring all aspects of the company's business.
- Contacting major customers to verify management's representations.
- Contacting the distributors of the company's products to verify management's representations.



# Due Diligence Actions (Contd.)

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- Contacting major developers or licenses to verify management's representations.
- Contacting an industry organization regarding the health of the company's market.
- Contacting customers of the company's subsidiary to verify management's representations.
- Reviewing trade journals and other industry-related publications to ascertain industry trends, market trends and competitive information.



# Due Diligence Actions (Contd.)

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- Inspecting the factory where the company's product was being manufactured.
- Questioning company personnel about the development and scheduled availability of products.
- Subjecting the company's annual budget to line-by-line scrutiny



# SEC Functions - IPO

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## Ensures that:

- Financial statements have been drawn up in conformity with the securities law, company act, IAS and auditing is done adhering to IAS;
- Ensures that information have been disclosed as per the Securities and Exchange Commission (Public Issue) Rules, 2006
- Ensures holding of lottery for allotment of shares, issuance of shares and on time issuance of refund warrants;
- Monitors utilization of IPO proceeds



**THANK YOU**