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PART II

Statutory Notifications (S. R. O.)

GOVERNMENT OF PAKISTAN

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the 26th September, 2023

S. R. O. 1392(I)/2023.—The following draft amendments to the Companies (Further Issue of Shares) Regulations, 2020, proposed to be made by the Securities and Exchange Commission of Pakistan, in exercise of the powers conferred under section 512 read with sections 58, 82, 83 and 83 A of the Companies Act, 2017 (XIX of 2017), are hereby published, as required by proviso to the said section 512, for information of all the persons likely to be effected thereby and notice is hereby given that suggestions or objections, if any, received within a period of fourteen days from the date of its publication in the official Gazette, shall be taken into consideration by the Securities and Exchange Commission of Pakistan, namely:-

3101(1—7)

Price : Rs. 10. 00

[1911(2023)/Ex. Gaz.]

DRAFT AMENDMENTS

In the aforesaid Regulations, -

(1) in regulation 3, -

(a) in sub-regulation (1), for sub-clause (b) of clause (xiv), the following shall be substituted, namely: -

“(b) appropriate disclosures are made in line with the requirements of these Regulations;”;

(b) for sub-regulation (2), the following shall be substituted, namely: -

“(2) In addition to compliance with of the general conditions provided in sub-regulation (1), a listed company issuing right shares shall comply with the following additional requirements:

- (i) The board of directors of the issuing company shall, prior to announcement of the right issue, ensure that the issuing company, its sponsor(s), promoter(s), substantial shareholder(s) and directors shall not have overdue or defaults irrespective of the amount appearing in the report obtained from Credit Information Bureau;
- (ii) the company shall prepare and its board shall approve the draft offer document in easily understandable English and Urdu language;
- (iii) the offer document shall contain all disclosures, as referred to in Schedule I of these regulations and such disclosure should be true and adequate and enable the applicants to take an informed investment decision;
- (iv) the draft offer document shall be submitted to PSX within 45 days of the date of announcement. It shall be the discretion of the company to seek public comments on the offering document and in such case, the company shall simultaneously place the draft offer document on the PSX and company's website. The public can submit its comments within 7 days of placement;

- (v) PSX shall, within 15 days of the filing of draft offer document, share its observations and changes with the company, if any;
 - (vi) the board shall ensure that draft offer document is updated in light of the public comments, (if opted for), and PSX comments/observations, and shall submit final offer document to PSX and the Commission within 20 days from the date of comments/observations. Simultaneously, the Board shall also disclose in tabular form on PSX and company website as per the Schedule II, all the comments received along with the explanations as to how they are addressed;
 - (vii) the final offer document shall be placed on PSX website along with book closure dates, and relevant right issuance timelines in accordance with Section 83 of the Act; and
 - (viii) the sponsors shall retain their entire shareholding for one year or project completion whichever is later.
- (c) sub-regulation (3) shall be omitted;
- (d) in sub-regulation (5), the word “line” after the word “timeline”, shall be omitted;
- (e) in sub-regulation (6), the expressions “(as applicable depending upon the size of the right issue)” shall be omitted; and
- (f) in sub-regulation (7), the expression “(as applicable depending upon the size of the right issue)” shall be omitted;
- (2) in regulation 5, in sub-regulation (1), -
- (a) in clause (m), after the proviso, the following new proviso shall be added, namely: -

“Provided further that the requirements of clause (ii) sub-clauses (b), (c), (e), (i), (j), (l) and (m) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event”;
 - (b) existing sub-clause (n) along with paragraph (i) and (ii) shall be re-numbered as “clause (iii) and “sub-clauses (a) and (b)” respectively;

- (c) existing clauses (o) shall be re-numbered as “clause (iv)” and thereafter, for the expression “(n)” the expression “(iii)” shall be substituted;

- (d) existing sub-clause (p) shall be re-numbered as “clause (v)” and thereafter the following proviso shall be added, namely: -

“Provided that the requirements of clauses (iii), (iv) and (v) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event”;

- (e) existing sub-clause (q) shall be re-numbered as “clause (iv)” and substituted as follow: -

“(vi) the shares shall be issued only in the book entry form within 60 days from the date of approval by the Commission or within such extended time not exceeding 30 days with the approval of the Commission:

Provided that the timeline for issuance of shares as specified in this clause shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event.”;

- (f) existing sub-clause (r) shall be re-numbered as “clause (vii)”;

- (g) existing sub-clause (s) shall be re-numbered as “clause (viii)” and substituted as follow: -

“(viii) the sponsors shall retain their shareholding arising as a result of subject issuance for at least twelve months; and at least twenty five percent of such shareholding for the next two years:

Provided that the issuer shall submit compliance report to the Commission after every six months till completion of the above-referred period;

- (h) existing sub-clause (t) shall be renumbered as “clause (ix)” and thereafter the said sub-clause shall be substituted as follow: -

“(ix) the persons other than sponsors, shall retain their shareholding arising as a result of subject issuance for a period of six months from the date of such issuance.”

- (i) after clause (ix) re-numbered as above, in the proviso, for the expression “(s) and (t)” the expression “(viii) and (ix)” shall be substituted;
- (j) existing sub-clause “(u)” shall be re-numbered as clause “(x)” and thereafter a new proviso shall be inserted, namely: -

“Provided that the requirements of above clause (x) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event.”;

- (5) in regulation 6, -

- (a) in sub- regulation (1), in sub-clause (iva), for the words “Irrespective of the size of the issue, the” the word “The” shall be substituted; and
- (b) in sub-clause (v), for the word “very” the word “vary” shall be substituted;

- (6) in regulation 8C, in sub-regulation (1) in clause (iii), for the word “lime” the word “life” shall be substituted;

- (7) in regulation 10, -

- (a) sub-regulation (1) shall be omitted;
- (b) for sub-regulation (2), the following shall be inserted, namely: -

“(2) After issuance of right shares, the listed issuer shall include progress report on utilization of the proceeds of the right issue in its half yearly and annual financial statements containing the following:

- (i) item-wise breakup of the proceeds utilized both in terms of amount and percentage of the total allocation made to the relevant item. The breakup must be provided in comparative form with the utilization plan earlier disclosed to the members;
- (ii) deviation, if any, from the purpose or use of proceeds earlier disclosed to the members along-with justification for such deviation;
- (iii) the progress report shall be included in the financial statements till such time that the proceeds from the right

issue have been fully utilized or the purpose for which the proceeds were raised is achieved:

Provided that the statutory auditor of the listed issuer, shall monitor that the proceeds are utilized in the manner referred to in the final offer letter, and shall submit half yearly report to the issuer. The issuer will include the report of the statutory auditor, along with its comments thereon, if any, in its half yearly and annual financial statements.”;

(8) in Schedule I, -

(i) clause (7), in sub-clause (ii), -

- (a) in sub-paragraph (c) of paragraph (B), for the word “lime” the word “life” shall be substituted;
- (b) after sub-paragraph (g) of paragraph (B), the following new paragraph shall be inserted namely: -

“(h) If purpose of the issue is to acquire a company: -

- Relationship of the issuer with the company being acquired
- Profiles of sponsors, major shareholders and directors of the company being acquired along with percentage of their shareholding
- Ultimate beneficial owners of the company being acquired
- Details related to share purchase agreement
- Any regulatory approvals required before acquisition
- Details of business operations of the company being acquired
- Last three years financial highlights of the company being acquired
- Break-up value of shares of the company being acquired

- Offer price per share along with number of shares to be acquired
 - Name of valuer and key assumptions used in calculation of offer price
 - Relative price measures of the company being acquired i.e. Price to Book Value, Price to Earnings (P/E), and Price to Sales (P/S)
 - Impact of acquisition on the operating and financial position of the issuer
 - Any other material information
- (ii) in clause (10), the word “Financial” shall be omitted and thereafter, after clause (v), the following new clause shall be added, namely: -
- “(vi) Group structure along with respective shareholding in subsidiaries and associates.”;
- (iii) in clause (11), for clause (ii) the following shall be substituted, namely:
- “(ii) Risk factors shall be classified as internal and external risk factors and the issuer shall ensure that coverage of each risk factor is in manner that is specific to the issue/issuer and clearly covers the impact of the risk factor on the operations/performance of the issuer.”.

[File No. CSD/CI-Reg/14/2018.]

BILAL RASUL,
Secretary to the Commission.