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**THE REGULATIONS GOVERNING LISTING OF**

**DEBT SECURITIES**

**OF**

**KARACHI STOCK EXCHANGE LIMITED**

**REGULATIONS GOVERNING LISTING OF DEBT SECURITIES  
OF  
KARACHI STOCK EXCHANGE LIMITED**

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**PREAMBLE**

WHEREAS it is expedient to facilitate and streamline the listing of Debt Securities in order to encourage companies and other corporate bodies to raise fund from the capital market through public offer of their Debt Securities and listing thereof on the Exchange and to provide investors a diversified, efficient and transparent avenue of investment.

AND WHEREAS in order to properly regulate the listing of Debt Securities, it is desirable to make Regulations in this regard.

NOW, THEREFORE, the Board of Directors of the Karachi Stock Exchange Limited, in exercise of the powers conferred by sub-section (1) of Section 34 of the Securities & Exchange Ordinance, 1969 (XVII of 1969) with prior approval of the Securities and Exchange Commission of Pakistan, makes these Regulations.

**1. SHORT TITLE, APPLICABILITY AND COMMENCEMENT**

- (1) These Regulations shall be called “The Regulations Governing Listing of Debt Securities”.
- (2) These Regulations shall apply to the listing of Debt Securities offered to the general public.
- (3) These Regulations shall come into force immediately on publication of the same in the official Gazette of Pakistan.

**2. DEFINITIONS**

- (1) In these Regulations, unless the subject or context otherwise requires:
  - a) “Bid Price” means the price for which a Market Maker is willing to pay for the purchase of a Debt Securities”.
  - b) “Board” means the Board of Directors of the Karachi Stock Exchange Limited”.
  - c) “Broker” means “a TRE Certificate Holder of the Exchange engaged in the business of executing transactions in Securities for his own account

or on account of his clients and is registered with the Commission as a Broker under the Brokers and Agents Registration Rules, 2001;

- d) “CDC” means “Central Depository Company of Pakistan Limited and its successors in interest”.
- e) “CDS” means a Central Depository System established and operated by CDC;
- f) “Commission” means “The Securities & Exchange Commission of Pakistan”.
- g) “Debt Security” means;
  - (i) Corporate Debt Securities such as Term Finance Certificates (TFCs), Sukuk Certificates (Sharia Compliant Bonds), Registered Bonds, Commercial Papers, Participation Term Certificates (PTCs) and all kinds of debt instruments issued by any Pakistani or foreign company or corporation registered in Pakistan; and
  - (ii) Government Debt Securities such as Treasury Bills (T-bills), Federal Investment Bonds (FIBs), Pakistan Investment Bonds (PIBs), Foreign Currency Bonds, Government Papers, Municipal Bonds, Infrastructure Bonds and all kinds of debt instruments issued by Federal Government, Provincial Governments, Local Authorities and other statutory bodies.
- h) “Debt Securities Trustee” means a person as defined in the Debt Securities Trustee Regulations, 2012.
- i) “Exchange” means “The Karachi Stock Exchange Limited”.
- j) “Information Memorandum” means a document outlining the salient features, risks and term of a Debt Securities circulated to pre-IPO investors to assess demand for the Debt Securities and to enable the prospective investors to make an informed investment decision.
- k) “Market Maker” has the same meaning as define in the Regulations Governing Market Makers of the Exchanges.
- l) “Market Making” means “the display of two-way quotes i.e. Bid Price and Offer Price on daily basis by the Market Maker for the purchase and sale of the concerned Debt Securities”.
- m) “Offer Price” means “the price for which a Market Maker is willing to sell a Debt Securities.
- n) “Offeror”, means a person or group of persons who directly or indirectly holds more than 10% of any Debt Securities of a Company or a body corporate and offer for sale such security, in full or in part, to the general public;

- o) “Regulations” means Regulations Governing Listing of Debt Securities on the Karachi Stock Exchange Limited
  - p) “Short Term” means a period of less than one (1) year.
  - q) “Spread” means “the difference between the Bid Price and the Offer Price”.
  - r) “TRE Certificate” means a Trading Right Entitlement Certificate issued by the Exchange including the certificate issued to the existing members on the date of corporatization; evidencing right of the TRE Certificate Holder to apply for registration as a Broker in accordance with the Brokers and Agents Registration Rules, 2001 as amended from time to time;
  - s) “TRE Certificate Holder” means any person who is being issued a TRE Certificate upon corporatization under section 5 of the Act, or purchases or acquires such TRE Certificate under section 16 of the Act or is issued a fresh TRE Certificate in accordance with the provisions of the Act;
- (2) All other words and expressions used but not defined in these Regulations shall have the same meanings as are assigned to them in the Companies Ordinance, 1984 and the Securities and Exchange Ordinance, 1969.

### **3. ELIGIBILITY FOR LISTING**

Any public limited company or a body corporate may apply for listing of its Debt Securities offered to the general public under these Regulations provided:

- (1) it has commenced commercial operations ;
- (2) it is allowed by the Commission to issue, circulate and publish prospectus for issue of such Debt Security;
- (3) its paid up capital is not less than Rs. 200 million and the total issue size including pre-IPO placement if any, is not less than Rs. 200 million;
- (4) its entity rating and the instrument rating is not less than BBB. Instrument rating in case of short term instruments i.e. the instruments with tenor of less than one year may not be required;
- (5) it is not on the Defaulter’s Segment of the Exchange, if it is already listed;
- (6) it and its sponsors and directors has/have no overdue loans of any bank or financial institution.

Provided that in case of issue of Debt Securities by the Federal Government, Provincial Governments, Local Authorities and other statutory bodies the requirements of regulation No.3 may be relaxed.

### **4. CONDITIONS FOR LISTING OF DEBT SECURITIES**

The Issuer that intends to list any of its Debt Securities on the Exchange shall comply with the following conditions:

- (1) Minimum allocation of capital to retail investor i.e., the general public excluding the Pre-IPO investors shall be as under:
  - (i) in case issue size is upto Rs. 500 million, the allocation of capital to retail investors shall not be less than Rs. 100 million or 25% of the issue size, whichever is higher;
  - (ii) in case issue size is above Rs. 500 million and upto Rs. 2 billion, the allocation of capital to retail investors shall not be less than Rs. 250 million or 15% of the issue size, whichever is higher;
  - (iii) in case issue size is above Rs. 2 billion and upto Rs. 10 billion, the allocation of capital to retail investors shall not be less than Rs. 500 million or 10% of the issue size, whichever is higher;
  - (iv) in case issue size is above Rs. 10 billion, the allocation of capital to retail investors shall not be less than Rs. 1,000 million or 5% of the issue size, whichever is higher.

The Exchange, while keeping in view appetite for the Debt Securities being offered, may change the above allocation in any manner it may deem fit.

- (2) The Issuer shall appoint a Debt Securities Trustee for a period not less than the tenure of the Debt Security.
- (3) The Issuer shall appoint, through agreement in writing, a Market Maker for a period not less than the tenure of the Debt Security.
- (4) The Company Secretary or any other officer of the Issuer shall be designated as Compliance Officer who shall perform such functions as mentioned in regulation 12 of these Regulations.
- (5) the issuer, before publication of prospectus, shall obtain a letter from any central depository company declaring the Debt Security eligible for deposit with its CDS.
- (6) The Debt Securities shall be issued only in demat form;
- (7) All Debt Securities other than Short Term shall be rated from a credit rating company registered with the Commission. The credit rating report of the entity and the instrument shall be prepared on the basis of the Company's latest audited accounts or on the basis of the Company's reviewed accounts if the audited accounts are older than six months. In case where the instrument and entity rating is obtained from more than one credit rating agencies, all the ratings, including the unaccepted rating(s), shall be disclosed in the prospectus.
- (8) In case of secured Debt Security, the Issuer shall give an undertaking in the prospectus to the effect that the assets on which charge has been created are free

from any encumbrances and if the charged assets are already charged to secure any other debt, consent of the creditors having charge on the charged assets has been obtained.

- (9) Save as provided in the Trust Deed, the Issuer shall not make any change in the charged assets i.e. the assets backing the security;
- (10) Trading in Debt Securities listed under these Regulation shall commence one day after the date of their formal listing;
- (11) The Debt Securities shall be traded at the Exchange's Bond Automated Trading System (BATS);
- (12) The issuer shall make available to the Exchange and to the bankers to the issue for distribution printed copies of prospectus and application forms in the quantity to be determined by the Exchange and the bankers to the issue. The issuer/offerer, as the case may be, shall also accept applications on identical forms;
- (13) The sponsors and directors of the issuing company shall not participate in subscription of Debt Securities offered to the general public.
- (14) In case there is any allocation of capital, out of the pre-IPO placement, if any, to the associated companies or associated undertakings of the issuer, such allocation shall not in aggregate exceed 25% of the total issue;
- (15) The prospectus with the proforma application form shall be published by the company in at least one widely circulated English and Urdu daily newspaper, at least seven (7) days in advance but not more than thirty (30) days before the date of the opening of the subscription list.
- (16) The prospectus and proforma application form shall be placed on the website of the issuer and the Consultant/Lead Manager to the issue.
- (17) Allocation of capital, out of the pre-IPO placement, if any, to any single investor shall not exceed 25% of the total issue;
- (18) The Issuer shall inform the Exchange, in writing, of the subscription received under the hand of an authorized person with certificate(s) from the bankers to the issue, within five (05) working days of the closing of subscription.
- (19) The Issuer shall take a decision within ten (10) days of the closure of subscription list as to which applications have been accepted or are successful and submit allotment register to the Exchange within ten (10) days of such decision.
- (20) The Issuer shall refund the application money in case of unaccepted or unsuccessful applications within 10 days of the date of such decision.
- (21) The Issuer or the Offerors, as the case may be, shall ensure credit of the Debt Security in CDS, to the successful applicants within twenty one (21) days of the closing of public subscription, under intimation to the Exchange.

- (22) The Issuer or the Offerors, as the case may be, shall ensure completion of the relevant requirements of formal listing of the Debt Security within twenty one (21) days from the date of closure of public subscription.
- (23) The Issuer or the Offerors, as the case may be, shall, within twenty one (21) days of closing of subscription list, pay brokerage to the TRE Certificate Holders of the Exchange at a rate not more than one per cent of the value of the Debt Securities actually sold through them.
- (24) Any Issuer or the Offerors, as the case may be, which makes a default in complying with the requirements of regulations 21, 22 and 23, shall pay to the Exchange a penalty of Rs. 5,000/- (Rupees five thousand only) for every day during which the default continues. The name of Debt security may be notified to the TRE Certificate Holders of the Exchange and placed on the website of the Exchange.
- (25) In case the Debt Security is not listed on the Exchange or the listing is refused by the Exchange, for any reason, whatsoever, the Company shall forthwith pay without surcharge all moneys received from the applicants in pursuance of the prospectus and every director of the Company, other than the nominee directors shall be, jointly and severally, liable to repay that money with surcharge at the rate of one and half percent for every month or part thereof from the expiration of the fifteenth day.
- (26) In case the Debt Security is convertible into unlisted ordinary shares, the issuer upon conversion shall seek approval of the Exchange and the Commission for listing of such shares.

## **5. PROCEDURE FOR LISTING OF DEBT SECURITIES UNDER THESE REGULATIONS**

For listing of Debt Securities under these Regulations the following procedure shall be followed:

- (1) The Issuer shall for listing of any of its Debt Securities, make an application on **Form-A** to the Exchange along with the documents/information as mentioned in **Annexure-I**.
- (2) The Issuer shall pay an initial listing fee of such amount as mentioned in regulation 9 of these Regulations.
- (3) The Exchange may reject any application, made under these Regulation at its sole discretion if it deems that listing of the Debt Securities is not in the interest of the market, the Company does not meet the minimum eligibility criteria set out in the Regulations or the Company is in contravention of these Regulations:

Provided that, the Issuer shall be given an opportunity of hearing by the Exchange before the listing application is rejected.

**6. ISSUE / OFFER FOR SALE OF DEBT SECURITIES**

- (1) Issue / Offer for sale of Debt Securities to the general public by the Company or an Offeror, as the case may be, shall be made through prospectus which shall be issued, circulated and published after approval of the Commission as required under the Companies Ordinance, 1984. The prospectus shall contain such information, material and disclosures as required under the Companies Ordinance, 1984; and
- (2) The issuer shall also comply with the guidelines for listing of Debt Securities as laid down by the Exchange from time to time.

**7. CONTENTS OF INFORMATION MEMORANDUM**

- (1) The Information Memorandum, if any, to be circulated to pre-IPO investors for offer of Debt Securities shall contain at least such information as provided in **Annexure-II** to these Regulations.
- (2) Information Memorandum shall be a private document and shall be circulated only to pre-IPO investors. Information Memorandum shall not be used as a document inviting the general public or a class of the general public for subscription of Debt Securities and shall include a statement to this effect.

**8. POST LISTING REQUIREMENTS**

- (1) Payment of markup/profit/interest and repayment of principal amount to Debt Security holders shall be credited in their respective bank accounts electronically;
- (2) The instrument rating shall be reviewed annually based on the latest audited accounts from the credit rating agency registered with the Commission and revision in the rating shall be intimated promptly by the Company to the Exchange and the Debt Securities Trustee.
- (3) The Issuer shall provide access to the Debt Securities Trustee to the books of accounts and record relating to the Debt Security.
- (4) The Issuer shall submit to the Exchange, the Debt Securities Trustee and the Debt Security holders' minutes of the meeting of Debt Security holders within fourteen days of the date of such meeting.
- (5) The Issuer shall maintain a register of Debt Security holders and inform the Exchange and the Debt Securities Trustee of the address where the register is kept.
- (6) The Issuer shall provide to the Exchange and the Debt Securities Trustee the following documents/information:

- (i) a statement regarding the payment of markup/profit/interest on Debt Securities and redemption of the principal amount, on semi-annual basis till complete redemption of such Debt Security;
  - (ii) copy of its latest audited annual, half-yearly and quarterly accounts as and when finalized along with key financial ratios. The key financial ratios must include at least the debt/equity ratio, current ratio, return on equity, return on assets, earning per share, debt service coverage ratio.
  - (iii) copy of any notice, circular, resolution, letter etc. including notice for meeting of the Debt Security holders, , letter/circular issued to the Debt Security holders in connection with the Debt Security and resolution relating to new issue of Debt Securities by the Company.
  - (iv) certificate from its auditors regarding maintenance of 100% security cover in respect of the Debt Security, if it is secured. The certificate should be submitted on annual basis along with submission of the annual accounts.
  - (v) certificate from its auditors regarding maintenance of redemption reserve, where required on annual basis;
  - (vi) decision of the Board of Directors of the issuer regarding prepayment of any debt obligation, if any.
- (7) The Company shall, in addition to the documents/information mentioned above, submit to the Exchange the following information, documents and reports:
- (i) any delay/default in payment of profit/mark up/interest and principal amount on any other debt obligation and reasons thereof;
  - (ii) the date, at least five working days in advance, of the meetings of its Board of Directors at which recommendation or declaration of issue of any Debt Security or any other matter affecting the rights or interests of holders of the Debt Security is proposed to be taken up;
  - (iii) change, if any, of the Debt Security Trustee on same day;
  - (iv) change, if any, subject to the provisions of the prospectus and the Trust Deed, in the nature and features of the Debt Security or in the rights or privileges of its holders as and when occurred;
  - (v) change, if any, in its accounting policies;
  - (vi) change, if any, in the credit rating of the Company;
  - (vii) change, if any, in its management and address of its registered office;
  - (viii) change, if any, that may have effect on the rights and privileges of the Debt Security holders;
  - (ix) change, if any, in the nature of business of the company due to any reason;

- (x) prohibitory order, if any, restraining the company from transferring the Debt Security from the name of any Debt Security holder;
  - (xi) any transaction whether related party or otherwise that adversely affect interest of the Debt Security holders;
  - (xii) any action against or by the company which will result in the redemption, conversion, cancellation, retirement in whole or in part of the Debt Security;
  - (xiii) any action against or by the company that would adversely affect payment of principal amount and profit/mark up/interest on the Debt Security;
  - (xiv) any other information that is not in the public domain but necessary to be known to the holders of Debt Security to enable them to avoid creation of a false market in the Debt Security; and
  - (xv) any other information/documents as required by the Exchange.
- (8) The Issuer, till complete redemption of the Debt Security, shall ensure that:
- (i) the unclaimed profit/markup/interest, if any, is not forfeited and is kept under a separate head of account namely, “Unclaimed Profit/Markup/Interest”;
  - (ii) proper book closure is announced for the purpose of payment of profit/markup/interest, redemption of the principle amount, meeting of the security holders or for such other purposes as the Exchange may deem fit; and
  - (iii) no modification has been made in the features of the Debt Security like in its term, coupon rate, conversion, redemption, security etc. by any manner otherwise than that as disclosed in the prospectus and the Trust Deed;
- (9) upon request, copies of its annual audited accounts and quarterly accounts are provided to the Debt Security holders;
- 10) The Issuer shall provide a minimum period of 7 days but not exceeding 15 days at a time for closure of Security Transfer Register, for any purpose, not exceeding 45 days in a year in the whole.
- 11) Book closure for entitlement of the Debt Security holders shall be intimated to the Exchange not later than 14 days prior to commencement of the same.
- 12) No issuer shall exercise any lien whatsoever on listed Debt Securities and nor shall there be any restriction on their transfer.
- 13) In case the Company has failed to pay its repayment obligations including markup/ profit on or before the due date, it shall promptly inform the Exchange of such a default and call a meeting of the Debt Securities holders within 15 days of the due date to explain the reasons for default. Senior level representation from

the issuer, including Chief Executive, shall attend this meeting. The Exchange may notify the fact of such default and the name of the defaulting company by notice and also by publication of the same in the Daily Quotations of the Exchange.

- (14) The Company shall furnish to the stock exchange soft copy of the complete list of its Debt Security holders within 30 days of the end of each calendar year.

## **9. PAYMENT OF LISTING FEE**

The company that intends to list any of its Debt Securities under these Regulations shall pay to the Exchange initial listing fee and annual listing fee at the rate as mentioned below:

- (i) an initial listing fee equivalent to 0.05% of the total issue size of the Debt Security subject to a maximum of Rs. 0.5 million.
- (ii) an annual listing fee shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30<sup>th</sup> September in each calendar year, as per following schedule:

<b>S. No.</b>	<b>Total Issue Size</b>	<b>Amount of fee</b>
i.	Up to Rs. 500 million	Rs. 30,000/-
ii.	Above Rs.500 million & up to Rs.1000 million	Rs. 40,000/-
iii.	Above Rs. 1000 million	Rs. 50,000/-

The Exchange with prior written approval of the Commission may revise the above mentioned initial and annual listing fees.

## **10. FUNCTIONS OF A DEBT SECURITIES TRUSTEE**

The Debt Securities Trustee shall be responsible to perform such functions and duties as prescribed in the Debt Securities Trustee Regulations, 2012.

## **11. FUNCTIONS OF A MARKET MAKER**

The Market Maker, in addition to functions and duties as prescribed in the Regulations Governing Market Makers of the Exchanges, shall be responsible to perform the below mentioned functions: ;

- (1) The spread charged by the Market Maker shall not be more than the one as disclosed in the prospectus for issue of the Debt Security.
- (2) In case the Market Maker appointed by the issuer discontinues to act as Market Maker due to any reason, the issuer shall immediately appoint another person eligible to act as Market Maker.
- (3) The Market Makers must at all times hold at least one percent of the outstanding amount of the Debt Security.
- (4) Market Maker shall purchase or arrange purchase of the debt security from any holder that tenders such security for sale to it.
- (5) Market Maker shall sale or arrange sale of the debt security to any investor that intends to purchase it.
- (6) Market Marker shall make available copy of the prospectus to the investors at all times.

## **12. FUNCTIONS OF THE COMPLIANCE OFFICER**

- (1) The compliance officer shall be responsible for ensuring compliance by the Issuer with all the requirements of these Regulations and the directives issued, if any, by the Exchange.
- (2) The compliance officer shall report status of the compliance mentioned in sub-regulation (1) above at every meeting of the Board of Directors of the Company till complete redemption of the issue; and
- (3) The compliance officer shall also report status of the compliance, mentioned in sub-regulation (1) above, directly to the Exchange and the Trustee.

## **13. SUSPENSION OF TRADING**

The Exchange may suspend trading in any Debt Security where:

- (1) where the integrity and reputation of the market has been or may be impaired by dealings in the Debt Security;
- (2) it considers that the issuing company has failed to comply with any provision of these Regulations; or
- (3) the protection of investors so requires.

#### **14. DISCIPLINARY ACTION**

If the Exchange considers that the issuer of any listed Debt Securities has defaulted or contravened any provision of these Regulations, it may take any or all of the following measures:

- (1) it may impose a fine on the issuer to the extent not exceeding Rs. 100,000 for each default or contravention, and, in case of continuing default, failure, refusal or contravention, to a further fine not exceeding Rs. 10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues:  
  
Provided that no such penalty shall be imposed unless an opportunity of hearing has been granted;
- (2) publish the fact that the issuer has been fined or warned; and
- (3) it may place the Debt Security on the Defaulters' Segment if payment of profit/mark up/interest or redemption of principal amount is delayed.

#### **16. CHANGES IN THE REGULATIONS**

The Exchange may with prior written approval of the Commission make any change in these Regulations after seeking public opinion through publication of the same in the official Gazette as required under Section 34 of the Securities and Exchange Ordinance, 1969 and giving a time period of not less than 30 days.

#### **17. RELAXATION**

The Exchange shall have the power, for reasons to be recorded, to waive or abate any of the requirements of these Regulations in a particular case or class of cases, with the prior written approval of the Commission.

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**FORM OF APPLICATION UNDER SECTION 9 OF THE SECURITIES AND  
EXCHANGE ORDINANCE, 1969 FOR LISTING OF DEBT SECURITIES UNDER  
THESE REGULATIONS  
[regulation 5(1)]**

[This shall be on the Letterhead of the Company]

Dated: \_\_\_\_\_

The General Manager,  
Karachi Stock Exchange Limited,  
Karachi.

Dear Sir,

1. We hereby apply for listing of (Name of the Debt Security) of (Name of the Company) on your Stock Exchange under Section 9 of the Securities and Exchange Ordinance, 1969 read with sub-regulation (1) of regulation 5 of the Regulations for Listing of Debt Security on the Exchange.

2. Necessary documents/information as required under sub-regulation (1) of regulation 5 of the Regulations and mentioned in **Annexure-I** thereof are enclosed herewith.

[Name, designation and signature of the CEO, CFO or the Company Secretary duly authorized by the Board of Directors of the Company by way of resolution to make an application on behalf of the Company]

Copy for information to:

The Securities and Exchange Commission of Pakistan, Islamabad.

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**DOCUMENTS / INFORMATION REQUIRED TO BE SUBMITTED ALONGWITH  
APPLICATION FOR LISTING OF DEBT SECURITIES UNDER THESE  
REGULATIONS  
[regulation 5(1)]**

A company applying for listing of its Debt Securities under these Regulations shall provide the following documents/information along with application:

- (i) Copy of the full and abridged prospectus for clearance of the Exchange before submission of the same to the Commission for approval under section 57 or 62, as the case may be, of the Companies Ordinance, 1984;
- (ii) Copy of the resolution passed by the Board of Directors of the company approving issuance of the Debt Securities to the general public and submission of application to the Exchange for listing along with minutes of the meeting of the Board of Directors.
- (iii) Copy of the license, consent, approval, NOC etc. in case of specialized companies from the concerned regulatory authority for undertaking/ carrying on the business.
- (iv) Copy of the Information Memorandum, if any, prepared for circulation among the pre-IPO investors.
- (v) Pay Order/Bank Draft/Cheque in favour of the Exchange for payment of non-refundable initial listing fee at the rate as mentioned in the Regulations.
- (vi) An unconditional undertaking on non-judicial stamp paper by the Company on the format as given at **Annexure-III**.
- (vii) In case of secured Debt Securities, an **undertaking** on non-judicial stamp paper by the Company stating that appropriate and sufficient security has been created in favour of the Debt Securities Trustee, that the assets on which charge has been created in favour of the Debt Securities Trustee are free from any encumbrances and that permission/NOC/consent of the existing creditors who have charge on such assets has been obtained for creation of charge on these assets in favour of the Debt Securities Trustee.
- (viii) In case a part of the issue is allocated to pre-IPO investors, an **undertaking** on non-judicial stamp paper by the Company stating that pre-IPO investors shall subscribe to the Debt Security at least three days prior to the commencement of the public subscription and that it shall provide a certificate from its auditors testifying receipt of the subscription money from all the pre-IPO investors.
- (ix) Copy of power of attorney in favour of the consultant to the issue, if any.

- (x) Copy of the consent letter from the consultant to the issue, if any. The letter shall state that the consultant has given its consent to act as consultant to the issue and that this consent shall not be withdrawn till the formal listing of the security and if withdrawn any time before the formal listing, the Exchange will be informed immediately.
- (xi) A letter from the consultant to the issue, if any, stating that:
  - (a) to the best of their knowledge and belief the disclosures made in the prospectus are true, fair, correct and adequate;
  - (b) the Company fulfills all the requirements of these Regulations;
  - (c) the security, if required, created in favour of the Debt Securities Trustee is appropriate and sufficient; and
  - (d) the assets on which charge has been created in favour of the Debt Securities Trustee are free from any encumbrances and that permission/NOC/consent of the existing creditors who have charge on such assets has been obtained for creation of charge on these assets in favour of the Debt Securities Trustee.
- (xii) Copy of the consent letter from the Legal Advisor to the issue.
- (xiii) Latest pattern of shareholding of the company.
- (xiv) Copy of the complete Credit Rating Report of the entity and the instrument obtained from any Credit Rating Company registered with the Commission.
- (xv) Copy of the Trust Deed executed between the Company and the Debt Securities Trustee.
- (xvi) Copy of the Letter of Hypothecation along with detail of assets hypothecated, if applicable.
- (xvii) Copy of CDC notice with respect to declaration of its Debt Security as CDS eligible security.
- (xviii) CIB Report from State Bank of Pakistan in respect of the Issuer, member of its Board of directors, holding company and associated companies, if any of the Issuer. (This will not apply to nominee Directors of the Government and Financial Institutions).
- (xix) Copy of underwriting agreement(s), where applicable, along with No Objection Certificate(s) from the underwriter(s) for publication of the name(s) in the prospectus and confirmation of non-execution of any buy-back/repurchase agreement(s) with the sponsors and/or with any other person(s).
- (xx) Auditors' Certificates of the issuing company under section 53(I) read with Clause 28(1) of Section 2 of Part-I of the second schedule to the Companies Ordinance, 1984 also showing the break-up value per ordinary share on the basis of latest audited accounts

along with its calculation and copy of the consent of the auditor as required under Section 57(5) of the Companies Ordinance, 1984.

- (xxi) Copies of the consent letters from Bankers to the Issue along with undertaking of the banks concerned, confirming that the subscription money shall be kept in a separate bank account, which shall not be released to the company without prior written approval of the Exchange and / or until the security is formally listed.
- (xxii) Consent of the Securities Registrar to the Issue.
- (xxiii) Copies of all the material contracts related to the Debt Security issue.
- (xxiv) Any other documents/material contract and such other particulars as may be required by the Exchange.
- (xxv) In case of a company whose equity shares are not listed on the Exchange, following additional documents shall also be provided:
  - (a) Copy of memorandum and articles of association of the company.
  - (b) Copy of the certificate of incorporation of the company.
  - (c) Copy of the certificate of commencement of business of the company.
  - (d) Copy of the certificate for change of name of the company, if applicable.
  - (e) Copy of the conversion certificate from private to public company; if applicable.
  - (f) Audited annual accounts of the company for the last 3 years and its latest quarterly accounts, if any or for a shorter period if three years of the commencement of business are not completed.

Notes:

- (i) Please note that copies of all the documents are certified by the Company Secretary.
- (ii) Please note that all documents relating to regulatory authority are duly certified from the concerned regulatory authority.
- (iii) In addition to one copy in hard form, scanned copies one each of the following documents shall be provided:
  - a. Memorandum and Articles of Association where applicable;
  - b. Information Memorandum, if any; and
  - c. Audited annual accounts of the company for the last 3 years and its latest quarterly accounts or for a shorter period if five years of the commencement of business are not completed.

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**CONTENTS OF INFORMATION MEMORANDUM**  
***[Regulation 7(1)]***

1. The Information Memorandum, if any, prepared for circulation to pre-IPO investors shall contain at least the following information/disclosures:
  - (i) On cover page the following shall be disclosed:
    - A. a disclaimer in bold letters stating that, “This is not a prospectus for issue of securities to the general public but a document prepared for the purpose of offering the Debt Security only to pre-IPO investors. This Information Memorandum has not been approved by the Securities & Exchange Commission of Pakistan (the Commission) or the Karachi Stock Exchange (the Exchange)”;
    - B. a disclaimer in bold letters stating that, “The Board of Directors of ... (Name of the Company) ... accepts responsibility for accuracy of the information contained in this document”; and
    - C. name of the Company, name of the entity preparing the Information Memorandum and date of the Information Memorandum.
  - (ii) Table of contents, glossary to technical terms and acronyms, executive summary by the entity preparing the Information Memorandum, purpose of preparation of the Information Memorandum and their scope of work;
  - (iii) Information about the Company like its name, date of its incorporation, registration number, addresses of its registered & head offices, date of its listing, if applicable, name of the stock exchange where it is listed, if applicable, its sponsors and major shareholders, associated companies/ undertakings etc.;
  - (iv) Latest pattern of shareholding of the Company;
  - (v) Names of the directors of the Company and their directorships in other companies;
  - (iv) Profile of the management of the Company including all the members of the Board of Directors excluding the nominee directors, the Chief Financial Officer and the Company secretary;
  - (v) Organization structure of the Company and its principle business;
  - (viii) Future outlook/ business strategy of the Company;
  - (ix) Highlights of major restructuring, if any, like merger, demerger, amalgamation, acquisition, reorganization, financial restructuring etc.;

- (x) Five years financial highlights relating to cash flows and financial & operating position of the Company including key financial ratios like debt/equity ratio (pre & post issue), current ratio, return on equity, Earning Before Interest, Tax, Depreciation and Amortization (EBITDA), return on assets, earning per share; debt service coverage ratio, interest service coverage ratio etc. in tabular form;
- (xi) Salient features of the Issue and the Debt Security like issue size, tenure, rate of markup/ return/interest, nature of the instrument whether it is secured or unsecured, redeemable or perpetual, convertible or non-convertible, options like put option, call option/early redemption option, partial call option etc.;
- (xii) Redemption schedule;
- (xiii) Detail of the redemption reserve, if any;
- (xiv) Terms & conditions for investment in the Debt Security;
- (xv) Purpose of the issue & breakup of the utilization of the proceeds of the Issue;
- (xvi) In case the proceeds of the Issue are to be utilized for project financing, detail of such project like project cost & means of financing (i.e. Financial Plan), project implementation schedule, latest status of the implementation of the project, expected date of completion of the project, expected date of trial & commercial production etc.;
- (xvii) In case of issuance of the Debt Security by a Special Purpose Vehicle, detail of the securitization transaction, parties to the transaction and role of each of such party, etc.;
- (xviii) Five years financial projections (i.e. Balance Sheet, Income Statement, cash flow statement and statement on changes in equity) including key financial ratios;
- (xix) Complete credit rating report of the entity and the instrument based on the Company's latest audited accounts and duly reviewed if older than six months. In case where the instrument and entity rating is obtained from more than one credit rating agencies, all the ratings, including the unaccepted rating(s), shall be disclosed;
- (xx) Detail of security, if applicable, backing the instrument like nature of assets hypothecated, book value of such assets, nature of charge created in favour of the Debt Securities Trustee (i.e. exclusive, parri passu or ranking), nature and amount of the existing charge(s) on the assets, names of the creditors who hold charge on these assets and status of NOC/consent of the existing creditors, creditor-wise and nature-wise break up of total existing debts etc.;
- (xxi) Name of the Debt Securities Trustee, date of execution of the Trust Deed, authority of the Debt Securities Trustee under the Trust Deed, security enforcement mechanism by the Trustee in case of default by the Company;
- (xxii) All the risk factors associated with the investment in the Debt Security of the Company and their mitigants;
- (xxiii) Basic information about the industry the Company belongs to, key players in the industry, basic raw material used by the Company, if any, and list of supplier thereof, main clients of the Company, competitors of the Company, etc.;

- (xxiv) Summary of all the material contracts relating to the Issue and the project, if any;
  - (xxv) Names and contact details of the Company's bankers, legal advisors, transfer agent and consultants to the issue;
  - (xxvi) Name(s) and contact details of the persons authorized by the Company in respect of offering/issuance of the Debt Security;
  - (xxvii) Company's behavior towards servicing of existing debts i.e. the mark up and principal amount on existing term loans and Debt Securities issued by it is paid on time.
2. Please note that the Information Memorandum should not contain any clause which is inconsistent with the terms of the Debt Security and the Trust Deed including its covenants.

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**ANNEXURE-III**

**FORMAT OF UNCONDITIONAL UNDERTAKING ON NON-JUDICIAL STAMP  
PAPER OF THE REQUIRED VALUE  
*[Clause (vi) of Annexure-I]***

**UNDERTAKING**

The General Manager,  
Karachi Stock Exchange Limited,  
Karachi.

I, on behalf of ... (Name of the issuing company) (the Company) ... duly authorized by its Board of Directors hereby undertake that:

- (i) the Company is authorized by its Memorandum of Association to issue the Debt Security;
- (ii) the Company shall ensure that the information provided in the documents along-with the application is true, correct and complete in all respect;
- (iii) the Company shall provide all the information/documents to the Exchange, Debt Security Trustee and/or the Debt Security holders in the form and manner as required under these Regulations;
- (iv) the Company shall, all the time, comply with the requirements of these Regulations;

Dated:

Name and signature of the Chief Executive Officer of the Company  
duly authorized by its Board of Director

Place:

Name and signature of the Company Secretary or Chief Financial  
Officer of the Company duly authorized by its Board of Director

Common Seal of the Company

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