

## Chapter 5: LISTING OF COMPANIES AND SECURITIES REGULATIONS

### 5.1. DEFINITIONS:

5.1.1. In this chapter, unless there is anything repugnant in the subject or context:

- (a) "Book Runner", shall mean a Brokerage House or a Scheduled Bank duly licensed by the Commission as an Underwriter and appointed as Book Runner by the Issuer/Offeror;
- (b) "Defaulters' Segment", shall mean a separate segment of companies, which have committed irregularities mentioned in clause 5.11.1;
- (c) "Final Prospectus", shall mean the prospectus containing all the information & disclosures as required under the Securities Act, 2015 together with disclosure of the Strike Price and results of the Book Building process;
- (d) "Floor Price", shall mean the minimum price set by the Issuer/Offeror for offer of shares;
- (e) "General Public", shall mean all individual and Institutional Investors including both Pakistani (residents & non-residents) and foreign investors;
- (f) "High Net Worth Individual Investor (HNWI)", shall mean an individual investor who applies or bids for shares of the value of Rs.1,000,000/- or above in the Book Building process;
- (g) "Investment Finance Company", shall mean an investment finance company as defined in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- (h) "Institutional Investor", shall mean an investor who is not an individual and includes both local and foreign institutional investors;
- (i) "Lead Manager", shall mean a Consultant to the Issue duly licensed by the Commission and appointed as Lead Manager by the Issuer/Offeror;
- (i).a. "Listing Committee", shall mean a committee comprising of at least seven members including at least three external members for review and approval of the prospectus and the listing application;
- (i).b. "Listed Shell Company", shall mean any Listed Company, classified by the Exchange with reasons to be recorded in writing, as a Listed Shell Company for the purposes of Reverse Merger on the basis of erosion of its equity, no or nominal business operations in its principal line of business as per Memorandum of Association or no or nominal assets;
- (j) "Member" means a member as defined in the Companies Ordinance, 1984;
- (k) "Offeror", shall mean a person who directly or indirectly holds more than 10% of any shares of a public limited company or a body corporate and offer for sale such shares, in full or in part, to the General Public;
- (l) "Offer Price", shall mean the price per share at which shares are offered for sale to the General Public. This may either be the Strike Price or a price at a certain discount to the Strike Price;
- (l).a. "Operating Unlisted Company", shall mean an unlisted company currently in operation which is intending to merge with a Listed Shell Company;
- (m) "Preliminary Prospectus", shall mean the prospectus approved by the Commission under section 87(2) read with section 88(1) of the Securities Act, 2015 and issued to the Institutional Investors and HNWI's for the Book Building process;
- (n) "Prescribed", means prescribed by these Regulations or under authority hereof;
- (o) "Public Issue/Offer", shall mean issue/offer of shares by an Issuer/Offeror to the General Public;
- (p) "Regulations", shall mean this chapter of the PSX Regulations for the time being in force;
- (p).a. "Reverse Merger", shall mean any transaction pursuant to which an Operating Unlisted Company becomes a Listed Company by merging with and into a Listed Shell Company;
- (q) "Step Bid", shall mean a series of limit bids at increasing prices;
- (r) "Surviving Company", shall mean the Listed Company survived pursuant to scheme of arrangement of an Operating Unlisted Company with a Listed Shell Company approved by the relevant competent authority;

5.1.2. Words or expressions defined in the Ordinance and the Securities Act, 2015 shall, except those defined herein or where the subject or the context forbids, bear the same meanings as in the Ordinance and the Securities Act, 2015 or either of them and in the case of word or expression bears different meanings under the Ordinance and the Securities Act 2015, that meaning which is carried or included in the Ordinance shall prevail and have preferred application.

### 5.2. LISTING OF COMPANIES AND SECURITIES:

#### 5.2.1. DEALING IN THE SECURITIES OF A COMPANY AT THE EXCHANGE:

- (a) No dealings in securities of a company shall be allowed on the Exchange, either on the Ready Delivery Contract Market or Futures Counter, unless the company or the securities have been listed and approval for such dealing has been granted in accordance with the Regulations.
- (b) The approval under sub-regulation 5.2.1.(a) may be granted upon an application made by the company or in respect of the securities in the manner prescribed. The Board itself or through the Listing Committee constituted by the Board for this purpose review and approve the prospectus and the listing application. Prior to granting its approval, the Board or the Listing Committee, as the case may be, examine the proposed issue from various aspects including eligibility requirements and suitability of the issuer or the security for listing considering the interest of the general public and its benefits to the capital market. In order to assess the suitability aspect, the exchange may ask for any additional information from the issuer and the Consultant to the Issue including financial projections, future strategies of the issuer, experts report, etc.

**Explanation:** The term suitability with regard to the listing of securities includes assessing various risks involved such as sector risk, operational risk, legal risk, etc., track record of the sponsors, quality and capability of the management, past financial performance of the issuer, future strategies of the issuer, dividend pay-out history of the group's listed companies, if any, financial projections, financial viability, dividend policy, etc. among other things, sufficiency of public interest in the company or the securities.

- (c) The Exchange shall decide the application within a maximum period of forty-five (45) calendar days from the date of receipt of the additional information and documents required, if any. In case the approval is refused, after providing an opportunity of making a representation before the approving authority, the reasons thereof will be communicated to the applicant and the Commission within two weeks of the decision.

- (d) The Board or the Listing Committee will be the sole authority to grant, defer or refuse such approval subject only to two-third majority of the members present at such meeting of the committee or the Board.

Provided that quorum for meeting of the Listing Committee shall be four members comprising at least two external members.

Provided further that in case of refusal by the Listing Committee, the applicant company may file an appeal before the Board against the decision of the Listing Committee.

- (e) The Exchange shall maintain a panel of the external experts representing each sector of the economy. At least two experts shall be retained on the panel from each sector.

#### 5.2.2. LISTING PROCESS AT THE EXCHANGE:

- (a) The application for approval of listing shall be made on Form-I by the applicant company and shall be accompanied by the documents as mentioned in Appendix-I to this chapter.

Provided that copy of the complete application shall be submitted to the Commission for its record.

- (ab) The Exchange has an option to visit the applicant company's head office, factory, plant, and/or premises to know the listing applicant and its business.
- (ac) The Exchange shall place the draft prospectus on its website for a period of seven working days and shall notify the same, for seeking public comments. The Exchange shall ensure that all comments received on the draft prospectus are incorporated and suitably addressed by the Consultant to the Issue and the issuing company to its satisfaction.
- (ad) The Exchange shall submit the application to the Listing Committee for its consideration and approval.
- (ae) The Exchange, before appointing any external expert on the Listing Committee for a specific issue, shall obtain declaration on conflict of interest from such expert.
- (b) The Exchange may require such additional evidence declarations, affirmations, information or other forms to be filled up as it may consider necessary and all such requisitions shall be deemed as prescribed requisitions for the purpose of a proper application for consideration by the Exchange for approval of listing.
- (c) If an application together with the additional information referred to in sub-clause 5.2.2.(b) is not submitted, the Exchange may defer consideration or decline to consider it in which case such application will stand disposed-off as refused. However, the applicant may move a fresh application after six months from the date of refusal unless the Exchange otherwise decides.
- (d) An applicant company or security applying for listing shall furnish full and authentic information in respect thereof and such other particulars as the Exchange may require from time to time. All routine particulars may be called for by the Secretary.

#### 5.2.3. THE EXCHANGE SHALL NOT ENTERTAIN LISTING APPLICATION OF A COMPANY:

- (a) If any overdue/past due payment to a financial institution, irrespective of amount, is appearing in the overdue column of the latest CIB report of the company, its chief executive, directors, sponsors/promoters, substantial shareholders, associated and group companies and undertakings and the companies, firms, sole proprietorships, etc. where the chief executive, directors, sponsors/ promoters and substantial shareholders are interested as chief executive, director (other than nominee director), owner or partner, etc. Provided that this condition may be waived of where:
- Amount overdue is under litigation and the same is also appearing as amount under litigation in CIB report, or
  - No overdue payment appears in the overdue column in the subsequent latest CIB Report.

Provided that condition (a) shall not apply in case of listing of open-end mutual funds.

Provided further that the condition (a), (b) and (d) shall not apply to nominee directors of the Government and Financial Institutions.

- (b) Whose promoters/sponsors/controlling directors are also promoters/sponsors/controlling directors in other Listed Companies, which are in the Defaulters' Segment. Further, no person shall be allowed to act as sponsor/controlling director of the applicant, if such person has remained sponsor/controlling director of a company which was delisted and non-compliant of any provision of this Chapter at the time of its delisting. The company shall also submit a list of its promoters/sponsors/controlling directors containing details of directorship in existing companies as well as the directorship of each director held in the past.
- (c) Which is a wholly owned subsidiary company, of a Listed Company which is in the Defaulters' Segment.
- (d) Which is an associated company of any other Listed Company which is in the Defaulters' Segment.

Provided further that the condition (a), (b) and (d) shall not apply to nominee directors of the Government and Financial Institutions.

- 5.2.4. The loan amounting to Rs.500,000 or more written-off by a financial institution during last five years be disclosed in the prospectus.

### 5.3. UNDERTAKING:

- 5.3.1. No listing of a company or security shall be approved unless the applicant company provides an undertaking on Form-II to abide by these Regulations.
- 5.3.2. The company and/or the authorized representative, as the case may be, shall further undertake:
- that the securities shall be quoted on the Ready Delivery Contract Market and/or the Futures Counter at the discretion of the Exchange;
  - that the Exchange shall not be bound by the request of the company to remove its securities from the Ready Delivery Contract Market and/or the Futures Counter;
  - that the Exchange shall be authorized and have the right, at any time and without serving notice if it be deemed proper, to suspend or to remove any shares or securities from the Ready Delivery Contract Market and/or the Futures Counter for any reason which the Exchange considers sufficient in public interest subject to the procedure laid-down in the Securities Act, 2015;
  - that such provisions in the articles of association of a company or in any declaration or basis relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with the Regulations shall, upon being called upon by the Exchange, be amended forthwith and until such time as these amendments are made, the provisions of these Regulations shall be deemed to supersede the articles of association of the company or the nominee relating to the other securities to the extent indicated by the Board for purpose of amendment;
  - that none of the directors, sponsors and substantial shareholders of the applicant company has been the sponsor or substantial shareholder in any company, which:
    - is in the Defaulters' Segment; or
    - was delisted by the Exchange due to its non-compliance of any applicable provision of PSX Regulations; or
    - whose TRE Certificate has been cancelled or forfeited by the Exchange, PMEX or any other registered stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission due to non-compliance of any applicable rules, regulations, notices, procedures, guidelines etc.
  - that none of the Sponsors, substantial shareholders, directors or management of the company as well as the company itself or its associated company/entity have been found guilty of being engaged in any fraudulent activity. The company has made full disclosure regarding any/or all cases in relation to involvement of the person named above in any alleged fraudulent activity which is pending before any court of law, regulatory body, investigation agency in or outside of the country;
  - that the company or the security may be de-listed by the Exchange in the event of non-compliance and breach of undertaking given hereunder.

### 5.4. OFFER OF CAPITAL BY COMPANIES/MODARABAS TO THE GENERAL PUBLIC:

- 5.4.1. In case of offer of capital by the issuing company by way of IPO or offer for sale, the allocation to General Public shall be as under:
- FOR COMPANIES SEEKING LISTING:**
    - In case post-issue paid-up-capital of the company is up to Rs.500 million, the allocation of capital to the General Public, excluding premium amount and Pre-IPO placement, if any, shall not be less than 25% of the post-issue paid-up capital of the company.
    - In case post-issue paid-up-capital of the company is above Rs.500 million, the allocation of capital to the General Public, excluding premium amount and Pre-IPO placement, if any, shall be at least Rs.125 million or 12.5% of the post-issue paid-up-capital, whichever is higher. Such company, will however, be required to subsequently enhance the quantum of public shareholding to 25% within next four years of its listing through:
      - Issuance of new shares to public through prospectus; or
      - Offer for sale of shares held by the promoters to public through prospectus; or
      - Sale of shares held by the promoters through the secondary market; or
      - Sale of shares to employees under the Employees Stock Option Schemes; or
      - Any other method as may be allowed by the Exchange with the approval of the Commission.

- FOR COMPANIES ALREADY LISTED:**

In case of an already listed company at the Exchange, the size of offer of capital shall not be less than Rs.100 million.

**Explanation:** For the purpose of this clause, the term "size of the offer" means the product of the offer price and the number of shares being offered.

- 5.4.2. The Issuer or the Offeror, as the case may be, may allocate share capital up to twenty percent (20%) of the public offer to overseas Pakistanis. The amount should be subscribed through proper banking channel.

Provided that in case of under subscription in either of the categories i.e., the quota allocated to resident or non-resident Pakistanis, the unsubscribed portion will be allocated to the applicants of other category.

5.4.3. The Issuer or Offeror, as the case may be, may allocate share capital up to five percent (5%) of the public offer to its employees of the company whose shares are offered.

5.4.4. In the case of a Modaraba applying for listing on the Exchange, thirty percent (30%) of the total Paid-up capital shall be subscribed by the sponsors or their associates or friends, relatives and associated undertakings and the balance of seventy percent (70%) shall be offered to the General Public.

Provided that the Exchange, if it is satisfied that it is not practicable to comply with the requirements of any of the above regulations in a particular case or class of cases may, for reasons to be recorded, relax the regulations subject to approval of the Commission.

5.4.5. **THE ALLOCATION OF SHARE CAPITAL:**

The shares shall be allotted or allocated to any persons including sponsors or employees in the manner and with such terms and conditions as prescribed under the Public Offering Regulations, 2016.

5.4.6. **OFFER/ISSUE THROUGH BOOK BUILDING:**

In case where the shares of the company are issued/offered through Book Building, it shall comply with the requirements as prescribed in the Public Offering Regulations 2016.

## 5.5. PROSPECTUS, ALLOTMENT, ISSUE AND TRANSFER OF SHARES:

5.5.1. No Company will be listed unless it is registered under the Ordinance as a public limited company and its minimum paid-up capital is Rs.200 million.

5.5.2. The Companies registered in Northern Areas and Azad Jammu and Kashmir will be eligible for listing and will be treated at par with Companies registered in Pakistan.

5.5.3. Despite receiving the application for approval of listing and any preliminary actions thereon, no company shall be listed unless it has made a public issue which is subscribed by not less than 500 applications.

5.5.4. The requirements of sub-section 5.5.1. or 5.5.3. shall not apply to listing of Securities other than shares of Companies unless any law so requires or the Federal Government in the exercise of its powers under the Securities Ordinance so directs.

5.5.5. The Companies may make a public offer of securities to be eligible securities in the CDS.

5.5.6. In all the prospectuses/offer for sale, the following disclosures must be made:

- The audited accounts to be incorporated in the Prospectus / Offer for sale document which shall not be older than 6 months from the date of publication of the Prospectus / Offer for sale document.
- Break-up value of the shares on the basis of the latest audited account supported by a certificate from the auditors.
- In the financial plan, the amount of interest/mark-up/financial charges during pre-production period shall be shown separately.
- A brief write-up of each of the directors and CEO of the company along with academic qualification and relevant experience.
- Detail of project, if any, like status of civil work, break up of plant and machinery, its cost, made, supplier, status i.e. new or used, ordered, shipped, reached at site, installed, etc. Total project cost, means of financing, cost incurred, Project implementation schedule, expected date of trial production and commercial production etc.
- Any other disclosure which the Exchange may require for the benefit of the investors.

5.5.7. **APPROVAL OF PROSPECTUS:**

- The prospectus shall be submitted to and approved by the Exchange before an application for its approval is made to the Commission. The Exchange may require additional information, data, certification or requirement to be included in the prospectus. If any applicant fails to comply with such requirements, the Exchange may refuse to issue approval under these Regulations.
- The prospectus shall conform to and be in accordance with the requirements and provisions of the Securities Act, 2015 and any other law or legal requirement for the time being applicable. The application made to the Commission shall, amongst other things, be accompanied by the approval given by the Exchange under sub-regulation 5.5.7.(a) above.
- Without prejudice to the foregoing, the prospectus or the offer for sale shall fulfill all requirements of the law and instructions of the Commission as well as the criteria for listing and the guidelines laid down by the Exchange from time to time, not being inconsistent with law or instructions of the Commission.
- The prospectus with the proforma application form shall be published by the company in at least one widely circulated English and Urdu daily newspaper each at Karachi, Lahore and Islamabad or as the Exchange may in addition require, at least 7 (seven) days in advance but not more than 30 (thirty) days before the date of the opening of the subscription list.
- The issuer shall make available to the Exchange and to bankers to the issue for distribution printed copies of prospectus or offer for sale and application forms for shares in the quantity to be determined by the Exchange and the bankers. The company shall also accept applications on identical forms.



- (f) The applications for shares shall be accepted only through bankers to the issue, whose names shall be included in the prospectus or the offer for sale.
- (g) The directors or the offerors, as the case may be, shall not participate in subscription of shares offered to the general public.
- (h) The company shall, where required, submit, progress report on implementation of the project, with breakup of the proceeds utilized, on quarterly basis till commencement of the commercial production or operation of the project, to the securities exchange for public dissemination.

5.5.8. The share certificates shall be issued in such marketable lots or in any other manner as may be determined or approved by the Exchange.

5.5.9. The application money shall be refunded, within such time as is prescribed in regulation 5.5.10.(d), if the company is not listed at the Exchange for any reason whatsoever or the listing is refused.

**5.5.10. SUBSCRIPTION PROCESS:**

- (a) The company shall inform the Exchange of the subscription received which information shall be communicated in writing under the hand of an authorized person with certificate(s) from bankers to the issue, within three (3) working days of the closing of subscription.
- (b) Within ten (10) working days of the close of public subscription period, the company shall allot and issue shares against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be refunded.
- (c) In case the application for listing is refused by the Exchange, for any or whatsoever reasons, the company shall forthwith pay without surcharge all moneys received from applicants in pursuance of the prospectus or the offer for sale and any such director of the company shall be, jointly and severally, liable to repay that money with surcharge at the rate of one and half percent (1-1/2%) for every month or part thereof from the expiration of the fifteenth (15) day.
- (d) In case of over-subscription, the company, or the Offerors, as the case may be, shall immediately submit to the Exchange copies of the ballot register of successful applications.
- (e) The company shall credit and dispatch all shares certificates, in marketable lots, within ten (10) working days of the closing of subscription list to all the successful applicants under intimation to the Exchange.

Provided that where the security has been declared to be an eligible security, share certificates shall be issued by the company and deposited directly into the CDS in such manner as may be prescribed by the CDC provided the applicant has provided his CDC account on the application form.

**5.5.11. BROKERAGE TO TRE CERTIFICATE HOLDERS:**

The Company or the Offeror, as the case may be, shall, within thirty (30) days of closing of subscription list, pay brokerage to the TRE Certificate Holders of the Exchange at a rate not more than one percent (1%) of the value of the shares actually sold through them.

**5.5.12. SPLIT/CONSOLIDATION OF PHYSICAL INSTRUMENTS:**

- (a) The Company shall split allotment letters and letters of right into marketable lots within seven (7) days of receipt of such application.
- (b) The Company shall consolidate or split, as may be required by a Security holder in writing certificates into marketable lots within thirty (30) days of receipt of such application. In case the split/consolidation results in lots other than marketable lots, the company may charge an amount, which shall not exceed Rs.100/- for each certificate.

**5.5.13. VERIFICATION OF SIGNATURE AND PHYSICAL TRANSFER:**

- (a) The Company shall verify the signature of shareholders within forty eighty (48) hours of such a request.
- (b) The Company shall complete shares transfer and have ready for delivery the share certificates lodged for registration of transfer within forty five (45) days of the application for such transfer and its registration.

**5.5.14. CLOSURE OF SHARE TRANSFER BOOKS:**

- (a) A company, excluding open-end mutual funds, may close its share transfer books for any purpose and shall give a minimum of fourteen (14) days' notice to the Exchange prior to closure of Share Transfer Books.

Provided that the Companies quoted on the Futures Counter shall intimate to the Exchange the dates of their book closure and corporate actions, if any, on or before twentieth (20th) day of the month with a notice period of at least twenty one (21) days after the said twentieth (20th) day for commencement of book closure.

- (b) The Company shall treat the date of posting as the date of lodgment of shares for the purpose for which shares transfer register is closed, provided that the posted documents are received by the Company before relevant action has been taken by the Company.
- (c) The Company shall issue transfer receipts immediately on receiving the shares for transfer.
- (d) The Company shall not charge any transfer fee for transfer of shares.
- (e) The Company shall provide a minimum period of seven (7) days but not exceeding fifteen (15) days at a time for closure of Shares Transfer Register, for any purpose, not exceeding 45 days in a year as a whole.

5.5.15. No listed Company shall exercise any lien whatsoever on fully paid shares and nor shall there be any restriction on transfer of fully paid shares. The same shall apply to all listed Securities.

## 5.6. DIVIDENDS, ENTITLEMENTS AND DISCLOSURE OF PRICE-SENSITIVE INFORMATION:

### 5.6.1. DISCLOSURE OF PRICE-SENSITIVE INFORMATION:

- (a) Every Listed Company shall immediately disseminate to the Commission and the Exchange all price-sensitive information relating to the business and other affairs of the listed company that may affect the market price of its shares in the manner prescribed by the Exchange from time to time. The said information shall be communicated to the Exchange prior to its release to any other person or print / electronic media.

The price-sensitive information may include but shall not be limited to:

- (i) any material change in the nature of business of the company due to technical, strategic, manufacturing, or marketing related changes, opening of new line of business or closure of any existing line of business, either partly or fully;
- (ii) information regarding any joint ventures, merger, demerger, restructuring, acquisition or any material contract entered into or lost;
- (iii) all decisions of the Board of Directors of the company relating to cash dividend, bonus issue, right issue or any other entitlement or corporate action, buy back of securities or voluntary delisting;
- (iv) purchase or sale of significant assets, franchise, brand name, goodwill, royalty, financial plan, etc.;
- (v) any undisclosed revaluation of assets including impairment of assets due to any reason;
- (vi) delay or loss of production due to strike, fire, natural calamities, major breakdown, etc.;
- (vii) a major change in borrowings including projected gains to accrue to the company;
- (viii) issue or redemption of securities or any change in the terms of issued securities;
- (ix) material change in ownership of the company;
- (x) any default in repayment, rescheduling or restructuring of loans or breach of loan agreement by the company;
- (xi) default, delay, rescheduling or restructuring in payment of markup, profit, interest or rent etc., as the case may be and in redemption of principal amount in respect of Debt Securities issued by a Listed Company along with reasons thereof;
- (xii) change in directors, Chairman, CEO or auditors of the company;
- (xiii) fraud/default by the company or fraud/default/arrest of its directors, CEO or executives;
- (xiv) initiation of winding up proceedings against the company or any of its associated/subsidiary company;
- (xv) non-renewal of license by the Commission or any other relevant licensing authority along with reason(s) of the non-renewal; and
- (xvi) any other information that is deemed price sensitive information.

Explanation: Such information shall be disseminated to the Commission and the Exchange as soon as any decision about above referred matters or any other significant issue is taken by the board or a significant matter requiring disclosure has come into the knowledge of the company's management.

- (b) Whenever a listed Company becomes aware or is made aware of any rumor or report containing material information that is likely to affect market price of its listed Securities or trading volume, which is in any form whatsoever and howsoever, including that of being broadcasted/presented through the electronic media and not limited to an article/news or otherwise, published in a newspaper, newswire, magazine, or any other publication, the Company should clarify / confirm or deny the rumor or false information and set forth the facts sufficient to clarify the same in writing to the Exchange, within one (1) day of such publication / broadcast.

In the event that the Exchange enquires from the Issuer concerning unusual movements in the price or trading volume of its Securities or any related matters, the Issuer shall respond promptly to the Exchange by giving sufficient information as is available to the Issuer in order to clarify its position.

- (c) Intimation of dividend and of all other entitlements shall be sent to the Exchange not later than fourteen (14) days prior to commencement of the book closure.
- (d) Where any director, CEO, substantial shareholder or executive of a Listed Company or their spouses sell, buy or take any beneficial position, whether directly or indirectly, in shares of the Listed Company of which he/she is a director, CEO, substantial shareholder or executive, as the case may be, he/she shall immediately notify in writing to the Company Secretary. Such director, CEO, substantial shareholder or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic into Central Depository System), and nature of transaction to the Company Secretary within two days of effecting the transaction. The Company Secretary shall immediately forward the same to the Exchange for its dissemination to all concerned. The notice of the director, CEO, substantial shareholder or executive, as the case may be, shall also be presented by the Company Secretary at the meeting of the board of directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a written notice or deliver a written record, the Company Secretary shall place the matter before the board of directors in its immediate next meeting.

Provided that each listed company, excluding open-end mutual funds, shall determine a closed period prior to the announcement of interim/final results and any business decision, which may materially affect the market price of its shares. No director, CEO or executive shall, directly or indirectly, deal in the shares of the listed company in any manner during closed period. The closed period shall start from the day when any document/statement, which forms the basis of price sensitive information, is sent to the board of directors and terminate after the information is made public. Every listed company shall advise its directors about the closed period at the time of circulating agenda and working papers for the board meetings, along with sending intimation of the same to the Exchange.

Explanation: For the purpose of clause 5.6.1 (a) and 5.6.1 (d), the expression "executive" means the CEO, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary by whatever name called, and other employees of the company for whom the board of directors will set the threshold to be reviewed on an annual basis and disclosed in the annual report.

- (e) Where Exchange receives any information from an acquirer under section 110 of the Securities Act 2015, the Exchange, upon receipt of such information, shall immediately disseminate the same to all concerned.

**5.6.1A. DISCLOSURE OF SIGNIFICANT RELATED PARTY TRANSACTIONS:**

- (a) Every Listed Company shall disseminate to the Exchange information about Related Party Transaction(s) which, individually or taken together with previous transactions with a Related Party during a financial year, is of a value equal to or more than 10% of total assets or annual total turnover as per last year's audited financial statements of the Listed Company, immediately upon entering into such transaction.

Provided that nothing in this clause shall apply to any transactions entered into by the Listed Company in its ordinary course of business on an arm's length basis as specified in terms of section 208 of the Companies Act, 2017 and regulation made thereunder.

- (b) The information to be disseminated under sub-clause (a) shall include but not be limited to the following:
- (i) Name of Related Party;
  - (ii) Nature of transaction;
  - (iii) Amount of transaction;
  - (iv) Names of the interested person(s) and their nature of interest in the transaction/ related party;
  - (v) The interested persons' direct and indirect shareholding in the Listed Company;
  - (vi) Details, description, terms and conditions of transaction; and
  - (vii) The rationale for and benefit to the Listed Company of such transaction.

**5.6.2. NON COMPLIANCE WITH DISCLOSURE OF MATERIAL INFORMATION TO THE EXCHANGE:**

- (a) In case a Listed Company or Issuer of a Listed Security fails to communicate the complete financial results timely, or any other price sensitive information immediately, it will make the company liable to pay penalty at a minimum of Rs.100,000/- (Rupees one hundred thousand only) and maximum up to Rs.1,000,000/- (Rupees One million only) to be determined by the Exchange.
- (b) In case a Listed Company or Issuer of a Listed Security fails to communicate the accurate/complete financial results, or any other price sensitive information, the Chief Executive Officer (CEO) as well as Chief Financial Officer (CFO) of such Listed Company or Issuer will be liable to pay a penalty to be determined by the Exchange. Provided that the amount of such penalty shall not be less than Rs.100,000/- (Rupees one hundred thousand only) and shall not exceed Rs.1,000,000/- (Rupees one million only).

- 5.6.3. Every Listed Company and Issuer of Listed Security shall send to the Exchange its quarterly and annual financial results, in the manner prescribed by the Exchange from time to time.

**5.6.4. PROVISION OF STATUTORY REPORTS, AUDITED ACCOUNTS, NOTICE, RESOLUTION AND QUARTERLY REPORTS TO THE EXCHANGE:**

- (a) The Company shall send/transmit to the Exchange its statutory report, annual report containing therein the audited financial statements, auditors' report, directors' report and the chairman's review report, in the manner prescribed by the Exchange not later than twenty one (21) days before a meeting of the shareholders is held to consider the same.
- (b) The Company shall transmit to the Exchange all notices as well as resolutions prior to their publication and dispatch to the shareholders and also file with the Exchange certified copies of all such resolutions as soon as these have been adopted and become effective.
- (c) The Company shall send/transmit to the Exchange its quarterly accounts in the manner prescribed by the Exchange from time to time and within the time stipulated under the Companies Act, 2017.

**5.6.5. DISPATCH OF DIVIDEND WARRANTS:**

- (a) Every listed Company shall:
- (i) dispatch the interim and final dividend warrants to the shareholders concerned within the time lines specified in section 251 of the Ordinance;
  - (ii) dispatch the interim and final dividend warrants to the shareholders by registered post or through courier services unless those entitled to receive the dividend require otherwise in writing;
  - (iii) intimate the Exchange immediately as soon as all the dividend warrants are posted to the shareholders.
- (b) All dividend warrants, in addition to the place of the Registered office of the issuing companies, shall be en-cashable at Karachi, Hyderabad, Sukkur, Quetta, Multan, Lahore, Faisalabad, Islamabad, Rawalpindi and Peshawar for a period of three (3) months from the date of issue.

**5.6.6. SUSPENSION OF TRADING IN THE SHARES OF A LISTED COMPANY PURSUANT TO SCHEME OF MERGER/ AMALGAMATION/ RECONSTRUCTION:**

Where a Listed Company enters into a scheme of reconstruction of the company/ companies or amalgamation of any two or more Listed Companies or division/ splitting of a Listed Company into one or more companies, pursuant to the order of the Court, Commission or State Bank of Pakistan as per the Scheme of Merger/ Amalgamation/ Reconstruction already notified by the Exchange, the Exchange on announcement of final dates of closure of share transfer registers by the Listed

Company for determining the entitlement, shall suspend trading in the shares of the Listed Company being merged as per the Exchange's trading schedule already notified. The Exchange, as the case may be, shall also issue a separate notice for delisting of the merged Listed Company upon fulfilment of the applicable requirements.

## **5.7. ANNUAL GENERAL MEETINGS/ANNUAL REVIEW MEETINGS, ETC.:**

### **5.7.1. HOLDING OF MEETING:**

- (a) All Listed Companies shall obtain prior approval of the Exchange in respect of the date and time of holding of its annual general meetings.
- (b) A Listed Company shall hold its annual general meetings and lay before the said meetings its financial statements within four (4) months following the close of financial year. Each Modaraba shall hold an annual review meeting of its certificate holders and lay before the said meeting its financial statements within four (4) months following the close of its financial year.

Provided that it shall be mandatory for a Company to notify the Exchange of any extension in time of holding the Annual General Meeting by furnishing to the Exchange a copy of the letter of approval from the Commission allowing such extension, within 48 hours of receipt of the same.

### **5.7.2. FURNISHING OF MINUTES OF MEETING AND FREE FLOAT RELATED INFORMATION:**

- (a) The Listed Company shall furnish certified true copies of minutes of its Annual General Meeting and of every extraordinary general meeting to the Exchange within sixty (60) days of such meeting.
- (b) Every Listed Company or issuer of a Listed Security shall:
  - (i) ensure that requisite input into the CDC free-float functionality is entered in a timely manner to enable the Exchange to access the number and break-up of Free-Float shares of the company on quarterly basis i.e. as on March 31, June 30, September 30 and December 31 each year, within fifteen (15) days of close of each quarter.
  - (ii) submit directly to the Exchange along with the annual audited accounts as prescribed in clause 5.6.4.(a) of the PSX Regulations, an annual Free-Float certificate duly verified by the auditor, in the format specified by the Exchange.

The CDC shall notify to the Exchange late/non-submission of quarterly Free-Float information by any listed company within the timeframe specified in clause (i) above, for initiating necessary action as provided in the PSX Regulations.

- (c) A Listed Company or an issuer of a Listed Security which fails to communicate the correct details of Free-Float of shares shall be liable to pay a penalty of Rs. 5,000/- per day from the date of first communication of such details till the correct details are communicated.

## **5.8. INCREASE OF CAPITAL AND ALLIED ISSUES:**

Every listed Company shall immediately advise the Exchange of all decisions taken by its board of directors regarding any change in authorized, issued or paid-up capital, by issue of bonus shares, right shares or reduction of capital, etc.

### **5.8.1. THROUGH ISSUING OF ENTITLEMENT LETTERS OR RIGHT OFFERS:**

- (a) A listed Company shall issue entitlement letters or right offers in marketable lots to all the Security holders within a period of thirty (30) days from the date of re-opening of security transfer register of the company closed for this purpose.

Provided that this regulation shall not apply on the Security which is eligible to be deposited into CDS. In such cases, the procedure as prescribed by the CDC shall be complied with.

- (b) The company shall pay the following fees for extension granted by the Exchange with regard to issuance of entitlement letters, etc.
  - (i) for the first fifteen (15) days Rs. 250/- per day
  - (ii) for the next fifteen (15) days Rs. 500/- per day

Failure to seek extension from the Exchange shall make the company liable to a penalty at double the rate of extension fee provided above.

Provided that extension shall not be granted beyond 30 days.

### **5.8.2. THROUGH ISSUING OF BONUS SHARES:**

- (a) A listed Company shall issue bonus shares certificates within a period of thirty (30) days from the date of re-opening of the share transfer register closed for this purpose:
  - (i) Bonus shares shall be credited into the respective CDS Accounts of shareholders maintained with the CDC or dispatched to the shareholders concerned by registered post or through courier services unless those entitled to receive the bonus share certificates require otherwise in writing;
  - (ii) The Exchange shall be immediately intimated as soon as the bonus shares are credited / dispatched to the shareholders;

Provided that in case of Book-Entry Securities deposited into the CDS, in addition to the above, procedure as prescribed by the CDC shall also be complied with.



## 5.9. LISTING OF SUBSIDIARY COMPANY AND OTHER MATTERS:

### 5.9.1. SPECIE DIVIDEND OF SUBSIDIARY COMPANY:

- (a) A listed company distributing shares of its unlisted subsidiary company in the form of specie dividend, right shares or any similar distribution, shall get such subsidiary Company listed on the Exchange within a period of one hundred twenty (120) days from the date of approval of such distribution by the shareholders at a meeting of such company.
- (b) In case of failure of such subsidiary company to apply for listing or refusal by the Exchange for such listing on account of insufficient public interest, or for any other reason whatsoever, the Company distributing specie dividend shall encash the shares of the subsidiary company at the option of the recipients at a price not less than the current break-up value, or face value, whichever is higher, within thirty (30) days from the expiry of one hundred twenty 120 days or from the date of refusal of listing whichever is earlier, failure in which behalf shall be default in which event the trading in the shares of the listed Company be suspended by the Board or the company de-listed.

5.9.2. A Listed Company shall submit to the Exchange certified true copy of its updated memorandum and articles of association immediately after obtaining approval of the Commission for any amendment made therein.

5.9.3. Every listed company shall advise the Exchange of:

- (a) the decision to issue Participation Term Certificates and the purpose thereof notwithstanding that application is to be made to the authorities later;
- (b) submit copy of the application made to authorities with relevant details and certified copy of the consent order.

All material particulars of the Participation Term Certificates including conditions governing the issue, details of guarantee/ securities, trustees and name of the subscribing institution(s).

5.9.4. Every listed company and issuer of listed security shall notify to the Exchange at least 1 week in advance the date, time and place of its board meeting specially called for consideration of its quarterly and annual accounts or for declaration of any entitlement for the security holders in the manner prescribed by the Exchange from time to time.

5.9.5. Where no trading has taken place on the Exchange in the securities of a listed company for a continuous period of 180 days, the Exchange, if it is satisfied that the prices quoted are not in accordance with the market realities, may except in cases where the earlier quotation is below par value and, with the prior approval of the Commission, quote such companies at par from the one hundred and eighty first day irrespective of the price earlier prevalent.

## 5.10. QUALITY OF AUDIT:

5.10.1. All listed companies shall facilitate the Quality Control Review (QCR) of the audit working papers of practicing chartered accountants, carried out by the Institute of Chartered Accountants of Pakistan (ICAP) and, therefore, shall authorize their auditors to make available all the relevant information including the audit working papers to the QCR Committee of ICAP.

5.10.2. (a) No listed company shall appoint or continue to retain any person as an auditor, who has been found guilty of professional misconduct, by the Commission or by a Court of Law, for a period of five years unless a lesser period is determined by the Commission. In case a firm has been appointed as an auditor, and if any of its partners has been held guilty of professional misconduct, the firm shall only be eligible for appointment as an auditor provided a written confirmation is given by the firm to all the stock exchanges of the country and the Commission with a copy to ICAP to the effect that such a partner shall not be engaged in the audit of any listed company for the specified period.

(b) A person appointed as an auditor shall be guilty of "professional misconduct" if he:

- (i) fails to report a material misstatement or fact known to him and non-disclosure of which may render the financial statements misleading or disclosure of which is necessary in his professional capacity;
- (ii) fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion;
- (iii) makes a statement which is misleading, or deceptive;
- (iv) incites any one to commit a criminal offence, or helps or encourages anyone in planning or execution of a criminal offence which is committed;
- (v) agrees with anyone to prevent or obstruct the course of justice by concealing, destroying or fabricating evidence by a misleading statement which he knows to be untrue;
- (vi) deceives any person, either by making a statement, which he knows to be false, or by suppressing matters relevant to a proper appreciation of its significance;
- (vii) expresses his opinion on financial statements of any business or enterprise in which he, his firm or a partner in his firm has substantial interest;
- (viii) is penalized under any of the provisions of the Companies Ordinance, 1984 in relation to his function as an auditor of a listed company; and
- (ix) is guilty of any other act which is determined as professional misconduct by the Commission in relation to his function as an auditor of a listed company.

5.10.3. A listed company shall not appoint or continue to retain any person as an auditor, who is engaged by the company to provide services that are prohibited or if a person associated with the auditor is, or has been, at any time during the preceding one year engaged as a consultant or advisor or to provide any services that are prohibited.



**Explanation:**

For the purposes of this regulation, the expression “associated with” shall mean any person associated with the auditor, if the person:

- (a) is a partner in a firm, or is a director in a company, or holds or controls shares carrying more than twenty percent of the voting power in a company, and the auditor is also partner of that firm, or is a director in that company or so holds or controls shares in such company; or
- (b) is a company or body corporate in which the auditor is a director or holds or controls shares carrying more than twenty percent of the voting power in that company or has other interest to that extent.

**Explanation:**

For the purposes of this regulation the services that are “prohibited services” shall mean the following:

- (a) Preparing financial statements, accounting records and accounting services;
- (b) Financial information technology system design and implementation, significant to overall financial statements;
- (c) Appraisal or valuation services for material items of financial statements;
- (d) Acting as an Appointed Actuary within the meaning of the term defined by the Insurance Ordinance, 2000;
- (e) Actuarial advice and reviews in respect of provisioning and loss assessments for an insurance entity;
- (f) Internal audit services related to internal accounting controls, financial systems or financial statements;
- (g) Human resource services relating to:
  - (i) Executive recruitment;
  - (ii) Work performed (including secondments) where management decision will be made on behalf of a listed audit client;
- (h) Legal Services;
- (i) Management functions or decisions;
- (j) Corporate finance services, advice or assistance which may involve independence threats such as promoting, dealing in or underwriting of shares of audit clients;
- (k) Any exercise or assignment for estimation of financial effect of a transaction or event where an auditor provides litigation support services as identified in paragraph 9.187 of Code of Ethics for Chartered Accountants;
- (l) Share Registration Services (Transfer Agents); and
- (m) Any other service(s) which the Council with the prior approval of the Commission, may determine to be a “prohibited service”.

The Commission may on the recommendation of ICAP or in its sole discretion and to the extent deemed fit and proper exempt one or more services from the restriction aforesaid.

## 5.11. DEFAULTERS' SEGMENT, SUSPENSION AND DE-LISTING:

5.11.1. A listed company may be placed in the Defaulters' Segment if:

- (a) It has not commenced its commercial production in the case of a manufacturing company or business operations in the case of any other company within ninety (90) days of the date of commencement of commercial production/ business operations as disclosed in its Prospectus;
- (b) It has suspended commercial production/ business operations in its principle line of business for a continuous period of one year;
- (c) It has failed to hold its one Annual General Meeting as per law;

Upon placement of such company on the Defaulters' Segment, the Exchange shall only initiate actions under Regulation 5.11.2(a) and 5.11.2(b). However, if such company fails to hold its Annual General Meeting for two consecutive years, trading in shares of the company shall be suspended by the Exchange and the company shall be given 90 days to rectify the non-compliance, failing which, the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

- (d) It has failed to submit its annual audited accounts for the immediately preceding financial year as per law;

Upon placement of such company on the Defaulters' Segment, the Exchange shall only initiate actions under Regulation 5.11.2(a) and 5.11.2(b). However, if such company fails to submit its annual accounts for two consecutive years, trading in shares of the company shall be suspended immediately by the Exchange and the company shall be given 90 days to rectify the non-compliance, failing which, the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

- (e) It has failed to pay within the time specified by the Exchange:

- (i) the annual listing fees for two (2) years; or
- (ii) any penalty imposed by the Exchange under these Regulations through final order; or
- (iii) any other dues payable to the Exchange under these Regulations;

- (f) It for any reason whatsoever has failed to join CDS after its security has been declared eligible security;

Trading in shares of such company shall be suspended by the Exchange upon its placement on the Defaulters' Segment and the company shall be given 90 days to rectify the non-compliance, following which the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

- (g) Its CDS eligibility has been suspended by the CDC;

Upon placement of such company on the Defaulters' Segment, the Exchange shall only initiate actions under Regulation 5.11.2(a) and 5.11.2(b).

- (h) Its CDS eligibility has been revoked by the CDC;

Trading in shares of such company shall be suspended by the Exchange upon its placement on the Defaulters' Segment and the company shall be given 90 days to rectify the non-compliance, following which the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

- (i) Its statutory auditor has issued a qualified opinion on the going concern assumption or has issued a disclaimer or an adverse opinion in the audit report;

Upon placement of such company on the Defaulters' Segment, the Exchange shall only initiate actions under Regulation 5.11.2(a) and 5.11.2(b). However, if the audit report for the following year also contains any of the above concern(s)/opinion(s), trading in shares of the company shall be suspended immediately by the Exchange and the company shall be given 90 days to rectify the non-compliance, failing which, the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

- (j) License of the listed regulated person or listed company, as the case may be, has been cancelled or revoked by the Commission or licensing authority;

Trading in shares of such company shall be suspended immediately by the Exchange and the company shall be given 90 days to rectify the non-compliance, failing which, the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

- (k) It has failed to comply with any provision of this Chapter or where, in the opinion of the Exchange, it is necessary to do so in the interest of protecting investors and maintaining a fair, orderly and transparent market;

- (l) A show cause notice for winding up has been issued to the company by the Commission;

Upon placement of such company on the Defaulters' Segment from the date on which the Exchange receives information from the Commission regarding issuance of show cause notice for winding-up of the company, the Exchange shall initiate actions under Regulation 5.11.2(a) and 5.11.2(b).

Provided that the Exchange upon receiving information that the Commission has passed order for winding-up of the company, shall immediately disseminate such information to the general public.

Provided further that upon receipt of information regarding filing of winding-up petition against the company in Court by the Commission, the Exchange shall provide the company with notice of 14 trading days to rectify its default by obtaining clearance from the Commission. Upon failure of the company to rectify its default within 7 trading days from the date of such notice, trading in shares of the company shall be allowed only on T+0 (SPOT) for next 7 days, and upon continued failure of the company to rectify its default, the Exchange shall suspend trading in the shares of the company from the 15th trading day from receipt of information regarding filing of winding-up petition against the company in Court by the Commission. The Exchange shall proceed to delist such company upon appointment of official liquidator by Court, without providing the company with opportunity for compulsory buy-back.

- (m) Winding-up petition is filed by creditor(s) or shareholder(s) in the Court subject to the following conditions:

- (i) such creditor or creditors, either severally or jointly, have a claim against the company which is equivalent to at least ten percent of the equity of the company as per the latest accounts available with the Exchange; or
- (ii) such shareholder or shareholders, either severally or jointly, own at least ten percent of the company's paid-up capital;

Upon placement of such company on the Defaulters' Segment from the date on which the Exchange receives information regarding commencement of its winding-up, the Exchange shall initiate actions under Regulation 5.11.2(a) and 5.11.2(b) and provide the company with notice of 14 trading days for submitting reasons as to why trading in its shares may not be suspended by the Exchange. Upon failure of the company to rectify its default within 7 trading days from the date of such notice, trading in shares of the company shall be allowed only on T+0 (SPOT) for the next 7 days, and upon continued failure of the company to rectify its default, the Exchange shall suspend trading in the shares of the company from the 15th trading day of its placement on the Defaulters' Segment.

The Exchange shall proceed to delist such company upon appointment of official liquidator by Court, without providing the company with opportunity for compulsory buy-back.

- (n) Voluntary winding-up proceedings have commenced through passing of special resolution;

Upon placement of such company on the Defaulters' Segment from the date of receipt of information from such company regarding passing of special resolution for voluntary winding-up, the Exchange shall initiate actions under Regulation 5.11.2(a) and 5.11.2(b) and immediately suspend trading in the shares of such company. The Exchange shall proceed to delist such company upon appointment of liquidator/official liquidator as the case may be, without providing the company with opportunity for compulsory buy-back.

5.11.2 Upon placement of a Company or its Security on the Defaulters' Segment pursuant to sub-clause 5.11.1, the Exchange shall initiate the following actions unless specific actions are provided under any of the sub-clauses to Regulation 5.11.1 above:

- (a) Issue notice(s) for the general public disclosing the information available with the Exchange regarding placement of the company or its securities on the Defaulters' Segment as per the format of notice agreed with the Commission;
- (b) Advise the CDC and/ or Registrar in case of physical shares to freeze the shares of the company placed on the Defaulters' Segment in the CDS accounts or in the name of the sponsors, directors and senior management of the Company, as per relevant information to be provided to the CDC/ Registrar by the Exchange;

Provided that in case of change of management/ revival of the company, the Exchange may request CDC/ Registrar to allow transfer of such blocked shares to any other person(s) in the same form upon submission of a valid scheme of revival including supporting documents and agreements to the Exchange.

- (c) Instruct the Company to rectify the non-compliance(s) within the specified time not exceeding 90 days from the date of placement of the Company on the Defaulters' Segment;

Provided that upon placement of a Company on the Defaulters' Segment under sub-clause 5.11.1 (a) and (b), the Exchange may in addition to taking action as above instruct such Company to take necessary measures to commence/ resume commercial production or business operations, as the case may be, within 90 days from the date of such placement and submit monthly progress report to the Exchange for dissemination to market participants.

- (d) In case a Company fails to rectify the non-compliance(s) within the timeframe specified in sub-clause 5.11.2 (c) or as otherwise specifically provided under sub-clauses to Regulation 5.11.1 above, the Exchange shall suspend trading in the shares of such Company and provide it further period not exceeding 90 days to rectify the non-compliance(s);
- (e) In case a Company still fails to rectify the non-compliance(s) within the timeframe specified in sub-clause 5.11.2 (d) or as otherwise specifically provided under sub-clauses to Regulation 5.11.1 above, the Exchange shall issue compulsory buy-back directions to the majority shareholders/sponsors having control of the Company in the manner as provided under clause 5.13 within the time specified by the Exchange, not exceeding 90 days from the date of such direction or rectify the non-compliance(s) within such period;
- (f) Upon completion of the buy-back process of shares by majority shareholders/ sponsors of the Company or failure to comply with the compulsory buy-back directions or failure to rectify the non-compliance(s) within the timeframe specified under sub-clause 5.11.2 (e) or as otherwise specifically provided under sub-clauses to Regulation 5.11.1 above, the Exchange shall delist such Company within 90 days through a notice in writing under intimation to the Commission;
- (g) Submit complete details of the case to the Commission for further action as deemed appropriate under relevant provisions of the Securities Act, 2015 and the Companies Act, 2017.

5.11.3. Any information/ notices issued in relation to actions taken against any company under Regulation 5.11.1 and 5.11.2 or restoration of such company to the normal ready market counter shall be disseminated by the Exchange to the market participants prior to opening of market on the next trading day.

5.11.4. No company which has been de-listed under these Regulations, shall be restored and its shares re-quoted until it removes the causes of de-listing and receives the assent of the Board for the restoration.

5.11.5. No company shall be de-listed under these Regulations, unless such company has been provided an opportunity of being heard. In case of failure of the company to avail the hearing opportunity, the Exchange shall proceed to delist the company on ex-parte basis.

5.11.6. In case of a company having more than one ground for placement on Defaulters' Segment, the Exchange shall follow the steps prescribed for the ground that leads to earlier suspension or delisting of the company, as the case may be.

## 5.12. EFFECTS OF SUSPENSION OF TRADING:

*EFFECTS OF SUSPENSION OF TRADING IN THE SHARES OF A COMPANY SUSPENDED AT ALL THE STOCK EXCHANGES ON WHICH IT IS LISTED:*

5.12.1. Transfer in the physical shares of such company shall be restricted. However, such restriction shall not be applicable in cases where:

- (a) the Share Registrar/ Transfer Agent/ the company has received transfer request from a shareholder prior to the date of suspension; or
- (b) the shares have been purchased prior to the date of suspension of trading and the shareholder provides proper instrument of transfer, evidencing purchase of such shares prior to the date of suspension, to the Share Registrar/ Transfer Agent/ the company.

5.12.2. It shall be mandatory upon the company to ensure that no transfers in physical shares, other than as specified in Regulation 5.12.1.(a) and 5.12.1.(b) above, take place during the period of suspension. The company shall provide the Exchange with a copy of its Share Transfer Register, as of the day prior to the day of suspension, and details of any transfers registered under Regulation 5.12.1.(a) and 5.12.1.(b) subsequent to suspension in trading of its shares shall also be submitted to the Exchange within 48 hours of registration of such transfer.

## 5.12A. RESTORATION OF TRADING IN THE SHARES OF SUSPENDED COMPANY:

The Exchange, upon submission of application for restoration of trading by a company, may restore trading in the shares of such company, where the cause of suspension of trading has been removed to the satisfaction of the Exchange. Where trading in the shares of such company is suspended continuously for 180 days or more, the Exchange may require such company to comply with any one or more of the following conditions and in such manner/ time as may be specified by the Exchange:

- (a) Submit a satisfactory resumption proposal with a view to resuming trading in its securities including short-term milestones to implement such proposal;
- (b) Publish an appropriate announcement to the public detailing the measures adopted for removal of cause of suspension;
- (c) Conduct a corporate briefing session for the shareholders and analysts;
- (d) Release latest annual or quarterly financial report or any other relevant report/ documents deemed acceptable by the Exchange for the purpose; and/ or
- (e) Comply with any specific requirements or conditions as may be prescribed by the Exchange.

## 5.13. VOLUNTARY DE-LISTING:

5.13.1. Any company intending to seek voluntary de-listing from the Exchange shall intimate to the Exchange, immediately, of the intention of the majority security holders/sponsors to purchase all securities, without exception, from all the security holders with the purpose to de-list the security along with the reasons thereof. Such intimation shall also include minimum price at which the securities are proposed to be purchased.

Provided that the minimum purchase price proposed by the sponsors will be the highest of the benchmark price based on any of the following:

- (a) Current Market Price as of the date the exchange receives the sponsors/ majority security holders' intimation under 5.13.1
- (b) Average Market Price (Annualized)
- (c) Intrinsic value per share (estimated net realizable value of assets of the company)
- (d) Earnings Multiplier approach (for profitable companies)
- (e) The maximum price at which the Sponsors had purchased these shares from the open market in the preceding one year

### Explanation:

#### Intrinsic value per share:

The intrinsic value per share will be determined on the basis of revaluation of assets, carried out by professional evaluator approved by Pakistan Banks' Association (PBA), any Investment Bank or Valuers having relevant expertise and duly certified by the Auditors falling in Category 'A' or 'B' of SBP list. The revaluation of assets carried out by the evaluators shall not be older than three months from the date of completion of documents/information required to be submitted by the applicant company with the formal application under the Regulations. The intrinsic value may also include any other factor in addition to tangible and intangible assets of company, which may be considered appropriate by the Exchange, while fixing the price of shares.

#### Earning Multiplier approach (for profitable companies):

A profitable company is a company that declares an after tax profit for the three years preceding the date of the application for voluntary de-listing as reported in its annual audited accounts.

#### Fair value = Estimated Earnings \* P/E ratio:

Estimated earnings should be arrived at using the weighted average earning per share of the last three years audited accounts. For this purpose, higher of, weights of 45%, 35% and 20% assigned to preceding three years respectively or latest earning per share should be used. The P/E ratio to be used may be of the date the Exchange receives the application under 5.13.1.

This approach is based on the identity that a stock's current price is the product of its actual earnings per share and the P/E ratio. The P/E ratio is calculated by dividing the current price by the actual earnings per share. To determine the value of stock, both the earnings and the P/E ratio will have to be estimated.

Price may be determined as a multiple of the P/E ratio of the related sector as on the date of application for the voluntary buy-back of shares. Earnings per share may be based on the latest audited accounts of the companies in that sector or a weighted average earning per share of last 3 years of those companies.

#### Average Market Price:

Daily closing price of the three years proceeding the date the Exchange receives the intimation under 5.13.1 should be used to calculate the Average Market Price.

5.13.2. The final minimum purchase price of the securities to be de-listed shall be fixed with the approval of the Exchange.

At the same time the Exchange shall determine the minimum percentage of securities to be purchased by sponsors to qualify for de-listing and the same will be communicated to the company.

- 5.13.3. In case of disagreement of sponsors on minimum percentage of securities to be purchased as determined by the Exchange, the sponsors will file an appeal with the Commission within 10 days of receipt of communication of such determination under intimation to the Exchange. The decision taken by the Commission will be final and binding.
- 5.13.4. The sponsors/majority shareholders shall submit an undertaking that they will abide by these Regulations, which pertain to purchase of shares/voluntary de-listing of securities.
- 5.13.5. The sponsors/majority shareholders shall submit an undertaking to the effect that all material disclosures relating to the affairs of the company have been made to the shareholders of the company and the Exchange and that they do not have any information which will constitute an offence under Section 15-A of the Securities Ordinance.
- 5.13.6. The sponsors/majority security holders shall not withdraw their offer to purchase all securities from all the security holders with the purpose to de-list the security after such proposal has been approved by the company in a general meeting as required under 5.15.2.

#### **5.14. VOLUNTARY DE-LISTING OF A SECURITY SHALL BE SUBJECT TO THE FOLLOWING:**

- 5.14.1. Approval of the proposal in general meeting of the company by not less than  $\frac{3}{4}$  of the security holders present in person or by proxy at such general meeting.
- 5.14.2. Compliance by the company with the prescribed procedure, guidelines/criteria and other terms and conditions as may be laid down by the Exchange.

The Exchange may for any reason whatsoever refuse to accept the proposal of the company, the purchase price and/or the request to de-list the securities.

#### **5.15. PROCEDURE FOR VOLUNTARY DE-LISTING:**

- 5.15.1. A formal application shall be made by the company for de-listing supported by reasons thereof and the proposed purchase price along with non-refundable application fee of Rs. 250,000/- (Rupees two hundred and fifty thousand only) to be paid by the sponsors.

Provided, in case of satisfactory fulfillment of the requirements of the Regulation and delisting of the company from the Exchange, Rs.150,000/- (Rupees one hundred and fifty thousand only) will be refunded by the Exchange.

- 5.15.2. On approval by the Exchange of the application, the company shall call a general meeting of its security holders and pass a special resolution approved by not less than  $\frac{3}{4}$  of their number present at such meeting resolving that the securities be de-listed on the terms stipulated by the Exchange.
- 5.15.3. A copy of special resolution referred to above shall be sent to the Exchange immediately along with a complete list of holders of the security to be de-listed, containing information with regard to securities held by the majority security holders and others, their names/category, the number of securities and addresses.
- 5.15.4. Together with the application for delisting made under Regulation 5.15.1, the company must submit an undertaking from a Purchase Agent (who may be a commercial bank, or an investment bank or a Broker of the Exchange) on behalf of the majority security holders, in the format specified by the Exchange, which will constitute an irrevocable open offer to purchase securities from the other security holders at the purchase price approved in the general meeting of the security holders called under Regulation 5.15.2. The said offer shall remain valid at least for a period of 60 days or as may be fixed by the Exchange from the date of commencement of purchase.
- 5.15.5. Upon approval of the minimum purchase price in the general meeting of the shareholders, the Company shall submit the bank guarantee of the Purchase Agent in an amount and such format as is demanded by the Exchange to secure its obligation. The said bank guarantee shall remain valid for a period not less than 15 days from the expiry date of the initial buy back period or when all outstanding shares have been purchased by the majority shareholders, whichever is earlier.

Provided that where a Broker of the Exchange is appointed as Purchase Agent and the total purchase amount does not exceed Rs. 2.5 million, the requirement of Bank Guarantee can be replaced with the undertaking of such Broker of the Exchange on the prescribed format.

Provided further that in case of appointment of purchase agent other than a Broker of the Exchange, all trades shall be routed through a Broker of the Exchange.

Provided further that all the trades during the initial period of 60 days will be conducted on KATS only irrespective of marketable lot. The purchase agent will be required to maintain a live bid in the System at the minimum purchase price approved by the Exchange. The purchase price shall be based on market forces, subject to minimum purchase price determined by the Exchange.

- 5.15.6. The application for de-listing shall be supported by a written consent of the purchase agent to act as agent for purchase of the securities to be de-listed on behalf of the majority security holders as contemplated by these Regulations.
- 5.15.7. The company shall convey to all the holders of the securities other than majority security holders on their addresses available in the records of the company through registered post the decision taken in their General Meeting to purchase the securities together with a copy of the special resolution and also publish a notice in this behalf duly approved by the Exchange through two widely circulated newspapers including one of Karachi.



5.15.8. The company shall also submit the following information on completion of the period of purchase of securities to be de-listed:

- (a) Total number of issued securities (with percentage)
- (b) Securities owned by majority security holders before the offer (with percentage)
- (c) Securities bought under the offer (with percentage)
- (d) Total securities currently owned by majority security holders (with percentage)
- (e) Securities still outstanding with minority holders (with percentage)
- (f) Amount of Bank Guarantee required @ Rs. \_\_\_\_\_ (at the purchase price approved by the Exchange/Commission) per outstanding security.

**5.15.9. BUY-BACK PROCESS:**

- (a) With regard to the outstanding securities identified in para 5.15.8.(e). above, the sponsors shall continue to remain obliged to purchase the same at the relevant price (purchase price approved by the Exchange/Commission) for a period of 12 months from the day following the expiry of initial buy-back period of 60 days and the sponsors shall submit a Bank Guarantee valid for 12 months in an amount and format acceptable to the Exchange to secure such obligation.

Provided that the requirement of submission of Bank Guarantee will not be applicable where a Broker of the Exchange act as purchase agent on behalf of the sponsors. In such a situation, the purchase agent will be required to submit an undertaking in the format prescribed by the Exchange.

- (b) The company once allowed delisting under these Regulations will not be allowed relisting of any of its securities which have been de-listed at least for a period of five years from the date of delisting. However, the Exchange may allow, on case to case basis, listing of such securities on the Over-the-Counter (OTC) market.

**5.16. TIME FRAME FOR COMPLETION FOR REQUIREMENTS:**

5.16.1. The company shall immediately intimate (if the decision of its Board of Directors is made during trading hours or before the beginning of the opening of trading, then intimation to the Exchange must be made during trading hours and otherwise if the decision is made after trading hours then the intimation must be made to the Exchange before the opening of trading of the Exchange on the next working day) the decision of its Board of Directors to de-list the securities, including a copy of the relevant resolution passed in this regard.

5.16.2. Within one week of the aforementioned intimation, the company will furnish its sponsors'/majority shareholders' undertaking in such format as specified by the Exchange, to purchase the securities owned by persons other than the sponsors at the purchase price approved in the general meeting of the security holders called under Regulation 5.15.2.

5.16.3. The Exchange shall be empowered to ask for any additional information or details, which shall be provided by the company within 15 days of the date of such request by the Exchange.

5.16.4. The Board on its own or on the basis of recommendations of the Special Committee will determine/approve the purchase price. The decision of the Board will be communicated to the sponsors/company and shall also be notified and announced immediately.

Provided that any member of the Board and/or Special Committee holding 2% or more shares of the company applying for voluntary de-listing will not participate in the deliberations while the case of the company is considered by the Board/Committee.

5.16.5. The sponsors/majority shareholders will be required to convey their acceptance/refusal to the purchase price approved by the Board within 7 days of conveying of the relevant decision to them.

If the company wishes to appeal this decision to the Commission it must do so within 10 days of the decision in which case no further steps will be taken on the delisting application until the Commission determines the purchase price.

5.16.6. Once the purchase price has been finalized either by determination by the Commission in appeal or by the sponsors accepting the price stipulated by the Exchange, the company will be required to comply with the following procedure:

- (a) To obtain approval of the proposal of voluntary de-listing in the general meeting of the holders of the securities within 30 days of the acceptance of sponsors.
- (b) After approval of the general meeting, the requirements under Voluntary De-listing Regulations shall be completed within 7 days of the general meeting to commence the purchase of shares.
- (c) The sponsors will purchase the securities for a period of 60-days.
- (d) Upon expiry of the said purchase period, the company will submit the relevant documents/information to the Exchange within a period of 21 days.
- (e) After receipt of the required documents/information and compliance of the relevant requirements as stipulated by the Exchange, the securities of the company shall stand de-listed after a period of 30 days.

**5.17. RELAXATION:**

Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to voluntary delisting under these Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such conditions as it may deem fit.

## 5.18. LISTING AND ANNUAL FEES:

### 5.18.1. LISTING FEE SCHEDULE:

- (a) A company applying for listing on the Exchange, shall pay an initial listing fee equivalent to one tenth of one percent of the PAID-UP-CAPITAL subject to a maximum of rupees one million and five hundred thousand.

Provided that in case of Open-Ended Mutual Funds, the initial listing fee shall be charged at the rate of one twentieth of one percent of the amount of total fund size of Mutual Fund subject to a maximum of Rupees 0.5 million.

- (b) Whenever, a listed company increases the paid-up capital of any class or classes of its shares, or securities listed on the Exchange, it shall pay to the Exchange a fee equivalent to one tenth of one per cent of increase in paid-up capital at par value or 0.4% of the actual amount of additional capital raised, whichever is lower.
- (c) Every listed company shall pay, in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, an annual listing fee calculated on the basis of the company's \*market capitalization, which shall be payable by or before the 30th September in each calendar year, as per following schedule, subject to a maximum of Rupees three million:

\* **Explanation:** For the purpose of this sub-clause, the market capitalization shall be calculated by multiplying the last one year's volume weighted average price with the company's outstanding ordinary shares as on June 30, of the preceding year.

Rate of Fee applicable for FY2018-2019:

COMPANIES HAVING MARKET CAPITALIZATION AS ON JUNE 30	RATE OF FEE PER ANNUM
Up to Rs.100 million	Rs. 100,000
Above Rs.100 million & up to Rs. 250 million	Rs. 100,000+0.075% on excess over Rs.100 million
Above Rs. 250 million & up to Rs.500 million	Rs. 212,500+0.045% on excess over Rs. 250 million
Above Rs. 500 million & up to Rs.1,000 million	Rs. 325,000+0.02% on excess over Rs. 500 million
Above Rs. 1,000 million & up to Rs. 2,000 million	Rs. 425,000+0.01% on excess over Rs.1,000 million
Above Rs. 2,000 million & up to Rs.10,000 million	Rs. 525,000+0.0045% on excess over Rs.2,000 million
Above Rs.10,000 million & up to Rs.20,000 million	Rs. 885,000+0.001% on excess over Rs.10,000 million
Above Rs. 20,000 million & up to Rs.50,000 million	Rs. 985,000+0.0004% on excess over Rs.20,000 million
Above Rs.50,000 million	Rs. 1,105,000+0.0003% on excess over Rs.50,000 million

Rate of Fee applicable for FY2019-2020 and onwards:

COMPANIES HAVING MARKET CAPITALIZATION AS ON JUNE 30	RATE OF FEE PER ANNUM
Up to Rs.100 million	Rs. 100,000
Above Rs.100 million & up to Rs. 250 million	Rs. 100,000+0.075% on excess over Rs.100 million
Above Rs. 250 million & up to Rs.500 million	Rs. 212,500+0.06% on excess over Rs. 250 million
Above Rs. 500 million & up to Rs.1,000 million	Rs. 362,500+0.025% on excess over Rs. 500 million
Above Rs. 1,000 million & up to Rs. 2,000 million	Rs. 487,500+0.015% on excess over Rs.1,000 million
Above Rs. 2,000 million & up to Rs.10,000 million	Rs. 637,500+0.0065% on excess over Rs.2,000 million
Above Rs.10,000 million & up to Rs.20,000 million	Rs. 1,157,500+0.0025% on excess over Rs.10,000 million
Above Rs. 20,000 million & up to Rs.50,000 million	Rs. 1,407,500+0.00075% on excess over Rs.20,000 million
Above Rs.50,000 million	Rs. 1,632,500+0.0005% on excess over Rs.50,000 million

Provided that in case of Open-Ended Mutual Funds, the annual listing fee of Rs. 25, 000 shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year.

Provided further that the Board may revise the above fees or any of the slabs or add new slabs with the approval of the Commission.

Provided further that every company applying for listing shall not be charged annual listing fee for twelve (12) months from the date of its listing.

- (d) The above Listing fee or any other sum fixed by the Board shall be payable by 30th September in advance for every financial year.
- (e) Failure to pay the annual fee by 30th September shall make the company liable to pay a surcharge at the rate of 1.5 per cent (one and a half per cent) per month or part thereof, until payment. However, if reasonable grounds are adduced for nonpayment or delayed payment of annual fee, the Exchange may, reduce or waive the surcharge liability.
- (f) A company applying for enlistment on the Exchange shall, in addition to other fees, pay a sum of Rs. 50,000/- (Rupees fifty thousand only) as non-refundable service charges. An open-end mutual fund applying for listing on the Exchange shall pay a sum of Rs. 25,000/- (Rupees twenty five thousand only) as non-refundable service charges.
- (g) A company applying for revalidation of approval earlier granted by the Exchange for issue, circulation and publication of prospectus upon lapse of its validity shall pay to the Exchange a revalidation fee at the rate of one twentieth of one percent of paid up capital subject to a maximum of Rs.1 million.

Provided that such fee shall be charged only in cases where validity of approval of the Commission for issue, circulation and publication has also lapsed.

**5.18.2. LISTING FEE PAYMENT PROCESS:**

- (a) All Exchange dues shall be paid by cheques, pay orders or bank drafts payable to the Exchange at any Bank Branch located in Karachi.
- (b) Without prejudice to the action which the Exchange may take under these Regulations in the event of default in payment of its dues, nothing shall prevent the Exchange from recovering such dues through posting defaulters names on the notice board of the Exchange or by invoking the process of law and obtaining order of a competent court.

**5.18.3. DISCIPLINARY ACTIONS AGAINST NON-PAYMENT OF PENALTIES:**

- (a) Without prejudice to various specific or other Penalties provided or available under these Regulations, the Exchange shall have powers to place the company in the Defaulters Segment, suspend or delist it, if in the opinion of the Exchange, such company has defaulted or contravened any of these Regulations.
- (b) The placement of a company in the Defaulters Segment, its suspension or de-listing under Regulations 5.11. or the preceding sub-regulation shall be communicated to the Commission, such company and simultaneously notified to the market participants, inter-alia by posting it on the notice board and website of the Exchange and publishing it, if deemed necessary, in the Daily Quotations of the Exchange.
- (c) Trading in the securities of a suspended or de-listed company shall forthwith cease and shall not commence until the suspension is withdrawn or the de-listing is restored by the order of the Board.
- (d) Trading in the securities of a company placed in Defaulters' Segment, if allowed, shall be affected separately and the prices shall also be quoted separately in the Daily Quotations until such company is removed from the Defaulters' Segment and restored to the ready market of the Exchange.
- (e) No listed company shall appoint a person as an external auditor or a person involved in the audit of a listed company who is a close relative, i.e., spouse, parents, dependents and non-dependent children, of the CEO, the CFO, an internal auditor or a director of the listed company.
- (f) Every listed company shall require external auditors to furnish a Management Letter to its board of directors within 45 days of the date of audit report:

Provided that any matter deemed significant by the external auditor shall be communicated in writing to the Board of Directors prior to the approval of the audited accounts by the Board.

**5.19. COMPLIANCE WITH ACCESS TO INSIDE INFORMATION REGULATIONS, 2016:**

- (a) All Listed Companies shall maintain and regularly update a register to enlist persons employed under contract or otherwise, who have access to inside information, in the manner as provided in Access to Inside Information Regulations, 2016 as may be amended from time to time.
- (b) For the purpose of sub-clause (a), a Listed Company shall designate a senior management officer who shall be responsible for entering or removing names of persons in the said register in a timely manner. The said designated officer shall be obliged to keep proper record including basis for inclusion or exclusion of names of persons in the said list and make the same available as and when required by the Commission.

**5.20. DISCIPLINARY ACTIONS:**

5.20.1. Any Listed Company which fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to disciplinary action(s) by the Exchange as specified below:

- (a) Issue an Advice;
- (b) Issue a warning in writing to act more carefully and vigilantly.
- (c) Reprimand in writing that the conduct warrants censure;
- (d) Impose any one or more conditions or restrictions;
- (e) Direct to take remedial actions to rectify its non-compliance(s);
- (f) Impose a fine as specified below:

REGULATION NO.	AMOUNT OF PENALTY	AMOUNT OF PENALTY FOR EVERY DAY DURING WHICH THE DEFAULT CONTINUE
5.7.2.(b)	-	Rs.1,000
5.5.10., 5.6.4., 5.6.5., 5.7.1., 5.8.2.(a)	-	Rs. 5,000
5.8.1.(a)	-	Rs. 10,000
5.7.1.	Rs. 10,000	-
5.13., 5.14., 5.15., 5.16.	Rs. 200,000	Rs. 10,000

Provided where reasonable grounds are adduced by a company and after taking into account the factors including but not limited to the severity and frequency of non-compliance of such company, the Exchange may waive or reduce the applicable fine under this Chapter and/or initiate any one or more disciplinary actions laid down under sub-clause (a) to (e) of this clause.

5.20.2. In cases where specific Penalty provisions have not been provided in these Regulations, then whoever fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such

failure, refusal or contravention, shall, be liable to fine not exceeding five hundred thousand rupees for each default, and, in case of continuing 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 being heard has been granted.

5.20.3. The amount of penalty shall be paid to the Exchange.

5.20.4. The name of company which is in default of Regulation 5.5.10. shall be notified to the TRE Certificate Holders of the Exchange and placed on the website of the Exchange.

5.20.5. The Exchange may also notify the fact of default and the name of defaulting company, for Regulation 5.6.5., 5.7.1. by notice and also by publication in the Daily Quotations of the Exchange.

5.20.6. The Board may suspend or if it so decides, delist any company which makes a default in complying with the requirements of Regulation 5.6.5., 5.7.1., 5.8.2. and 5.9.1.

5.20.7. Any action under this Regulation shall be without prejudice to the action or steps taken by any other person or Commission.

No company which has been suspended or de-listed, as the case may be, shall be restored and its shares shall be re-quoted on Exchange until it has paid the full amount of penalty for the days of the default and receives the assent of the Board for the restoration.

## 5.21. REVERSE MERGER REGULATIONS:

5.22.1. The following clauses shall be applicable on the Listed Company in relation to Reverse Merger transactions, for ensuring timely disclosure of information and compliance with all applicable requirements of this Chapter.

5.21.2 Every Listed Company, in order to enable the Exchange to determine its status as Listed Shell Company and assess applicability of the provisions prescribed in relation to Reverse Merger, shall intimate the Exchange immediately upon approval by its board of directors to consider the proposal received from Operating Unlisted Company for merger. The Listed Company shall also obtain from the Operating Unlisted Company and submit to the Exchange, confirmation that the Operating Unlisted Company has received the approval by the board of directors of the Listed Company to initiate merger negotiations with the Operating Unlisted Company.

5.21.3 The Exchange may require the Listed Company to provide any additional information as deemed appropriate, for determining the proposed transaction as a Reverse Merger. The Exchange shall communicate in writing, within a maximum period of 15 days from the date of receipt of such intimation, if the proposed transaction is a Reverse Merger or otherwise. In case the Exchange confirms that the proposed transaction is a Reverse Merger, the Listed Shell Company shall ensure compliance with all applicable requirements as provided for herein below.

5.21.4 The Listed Shell Company shall submit to the Exchange the information / documents as mentioned in Appendix-2 to this Chapter and give an undertaking on non-judicial stamp paper confirming that the proposed Surviving Company shall fulfill the following conditions:

- (a) The minimum paid-up capital shall not be less than Rs. 200 million;
- (b) The minimum Free Float shall not be less than 25% of the issued share capital and 5 million Free Float shares within one year from the date of approval of the scheme of arrangement by the competent authority;
- (c) The Promoters/ Sponsors/ Controlling Directors / Majority Shareholders are / were not also the Promoters/ Sponsors/ Controlling Directors / Majority Shareholders in a:
  - i. Listed Company, which is in the Defaulters' Segment; or
  - ii. Listed Company, which was delisted due to noncompliance of any applicable provision of PSX Regulations within the past five years; or
  - iii. Corporate Brokerage House whose TRE Certificate has been cancelled/forfeited by the Exchange or any other stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission; or declared defaulter by the Exchange or any other stock exchange of Pakistan that existed prior to January 11, 2016 or the NCCPL, due to noncompliance of any applicable rules, regulations, notices, procedures, guidelines etc. but shall not include any TRE Certificate surrendered voluntarily to the Exchange, if such TRE Certificate Holder does not have any pending investor claims.
- (d) It is not an associated company or a wholly owned company of any other Listed Company, which is in the Defaulters' Segment or trading in its shares is suspended due to violation/non-compliance of laws.
- (e) There are no overdue loan/ payments to any financial institution against the CEO/ Promoters/ Sponsors/ Directors/ Major Shareholders of the Surviving Company either in their individual capacity or as CEO, Director, Partner or Owner in any Company / Firm / Sole Proprietorship;
- (f) There are no overdue loan/ payments to any financial institution against the Operating Unlisted Company, its associated/ group companies and undertakings;
- (g) None of its Sponsors, Major Shareholders, Directors and Management, Associated Company/Entity has been declared involved in any fraudulent activity by the Commission, SBP or any other investigation agency or court of law;

- (h) None of the Sponsors, Major Shareholders, Directors and Management, Associated Company/Entity of the Listed Shell Company has been declared involved in any fraudulent activity by the Commission, SBP or any other investigation agency or court of law;
- (i) The shares of sponsors shall be inducted into CDS in freeze status for a period of not less than three years and the sponsors shall not be allowed to sell their shares during this period;
- (j) It shall ensure compliance with all requirements of the PSX Regulations.

Provided that the condition (d), (e) and (f) shall not apply to nominee directors of the Government and Financial Institutions.

- 5.21.5 The Listed Shell Company shall obtain confirmation from the Exchange that it has complied with the requirements of this Clause and any other condition specified by the Exchange before seeking the shareholders' approval for a scheme of Reverse Merger.
- 5.21.6 If a Listed Shell Company enters into a scheme of Reverse Merger without complying with any requirement(s) of this Clause and any other specified condition, the Exchange shall place such Company or the Surviving Company, as the case may be, in the Defaulters' Segment and/or initiate any other actions including suspension of trading in its shares or delisting as determined by the Exchange.
- 5.21.7 Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to Reverse Merger as provided in the PSX Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such condition(s) as it may deem fit.

## **5.22 POWER TO OBTAIN DOCUMENTS:**

The Exchange may, by issuing a notice in writing, require a Listed Company/management company, trustee, or its directors, officers, employees or advisers to produce any documents/information (whether in documentary or electronic form) for investigating into a matter of possible breach of any relevant provision of PSX Regulations.



## Appendix-1

### DOCUMENTS TO BE SUBMITTED WITH LISTING APPLICATION

The following documents and information shall be submitted by the applicant company to the Exchange along with application for listing under Sub-Regulation (a) of Regulation 5.2.1:

1. An application for Listing on Form I.
2. Undertakings on Form-II and Form-III.
3. Copy of the certificate of incorporation.
4. Copy of the conversion certificate from private to public company; if applicable.
5. Copy of the certificate for change of name of the company, if applicable.
6. Copy of the Feasibility Report, in case of a new project. The report shall contain a letter from the Chief Executive Officer (CEO)/Partner of the Institution including a Chartered Accountant Firm who has prepared the report, brief profile of such institution, scope of work of the institution for conducting feasibility study and preparing the report. The report shall be dated and each page of it shall carry signature or initial of CEO/Partner or any other officer authorized to do so by the Board of Directors of such institution by way of a Resolution.
7. Copy of the resolution passed by the Board of Directors and members of the company with respect to listing and issue of shares to the general public.
8. Copy of the certificate of registration of Modaraba Management Company, if required.
9. Copy of the license, consent, approval, NOC etc. from the concerned regulatory authority for undertaking / carrying on the business.
10. Copy of authorization for flotation of Modaraba by the Registrar of Modarabas.
11. Pay Orders/Bank Drafts/Cheques in favor of the Exchange for payment of initial listing fee and service charges at the rate as mentioned in Regulation No. 5.18.
12. Auditor's Certificate, separately indicating the amount subscribed by the sponsors/ directors/associates/ relatives/friends and shares subscribed by the foreign / local investors under private placement. The certificate shall be supported by copies of Form-3 i.e., return of allotment of shares.
13. Auditors' Certificates under Clause 28(1) of Section 2 of Part-I of the Second Schedule to the Companies Ordinance, 1984. The certificate shall also state Earning Per Share (EPS) of the company for the last five years or for a shorter period if five years of the commencement of business are not completed.  
The audited accounts disclosed in the Prospectus / Offer For Sale shall not be older than six months from the date of publication of the Prospectus / Offer For Sale Document.
14. Auditor's certificate on the Break-up value of shares on the basis of the latest audited accounts along with its calculation.
15. Copy of Information Memorandum prepared for placement of shares to local and foreign investors;
16. Names of directors/shareholders common to the company and the institutions/funds, which have subscribed the shares under private placement.
17. No Objection Certificates from the Underwriter(s) to the Issue/Offer, if any, on Form-IV.
18. Copies of all material contracts and agreements relating to the public issue/offer of shares and project, if any.
29. Copies of the Consent Letters from Bankers to the issue/offer. The letter shall state that:
  - (i) the Bank has given its consent to act as one of the Bankers to Issue/Offer;
  - (ii) this consent has not been withdrawn;
  - (iii) it has no objection on publication of its name in the prospectus/offer for sale document;
  - (iv) the bank has undertaken that the subscription money shall be kept in a separate bank account and shall not be released to the company/the Offeror without prior written approval of the Exchange and/or until the company is formally listed.
20. Copies of the title deeds of land duly attested by a gazetted officer;
21. Copy of the consent from the auditor, expert, legal advisors to the Issue/Offer, if any.
22. Copy of letter jointly signed by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the company confirming that they have reviewed the contents of the draft prospectus/offer for sale/Information Memorandum and to the best of their knowledge and belief these have been stated/disclosed correctly and fairly.
23. Copies of individual consent letters from all directors, CEO and secretary of the company for publishing their names in their respective capacity in the Prospectus/Offer for sale document/Information Memorandum. The consent letters shall be dated and contain full name, father's name, CNIC Number & latest postal address of respective person.
24. Copy of consent from the Balloters to the Issue/Offer.  
The Balloters to the Issue/Offer shall not be associated company or associated undertaking of the issuing company/the Offeror.
25. Copy of draft full Prospectus/Offer for Sale/Information Memorandum draft abridged prospectus and advertisement, if any, with last page signed in original by directors of the company or the Offeror, as the case may be.

26. Copy of audited annual accounts of the company for the last 5 years and its latest half yearly and quarterly accounts, if any or for a shorter period if five years of the commencement of business are not completed.
27. A List of employees, who have been allocated shares out of the present issue along with their full particulars i.e., names, addresses and number of shares offered to each of them;
28. Copy of application submitted with CDC for declaration of such company as CDC eligible security.
29. Credit Information Bureau (CIB) Report of State Bank of Pakistan of:
  - Issuer, sponsors/ promoters, chief executive, directors, substantial shareholders, associated/ group companies and undertakings;
  - The companies/ firms/ sole proprietorship where the sponsors/ promoters, chief executive, directors, substantial shareholders are interested as chief executive/ director (other than nominee director)/ owner/ partner.
30.
  - Affidavit from the company affirming, under oath, that the company, its associated/ group companies and undertakings have no overdue payment to any financial institution.
  - Affidavit from company's sponsors/promoters, chief executive, directors, and major shareholders affirming, under oath, that they and the companies/firms/sole proprietorship where they are interested as chief executive/director/owner/partner have no overdue payment to any financial institution.  
(Specimen attached as Form V)
31. Names of controlling directors/promoters/sponsors/substantial shareholders/associated companies/group companies and undertakings with their names, addresses, % of shareholding and the shares held by each.
34. Undertaking regarding details of restrictions placed by any regulatory body, lender, stakeholder, on distribution of profits, transfer of securities, pledging of assets, issuance of corporate guarantee etc.
33. Copy of the Memorandum and Articles of Association of the company and, in case of debentures, a copy of the trust deed.
34. A brief history of the company since incorporation giving details of its activities including any re-organization, changes in its capital structure and borrowings.
35. A statement showing:
  - (a) cash dividends and bonuses paid during the last 10 years or such shorter period as the company may have been in existence.
  - (b) dividends or interest in arrears, if any.
36. A statement containing particulars, dates of and parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar other documents except those entered into in the normal course of the company's business or intended business together with a brief description of the terms of such agreements.
37. Particulars of the security listing of which is sought.
38. Undertaking on Non-Judicial Stamp Paper from the sponsors of the issuing company that they shall retain their shareholding in the company for such time periods as prescribed under Public Offering Regulations, 2017.
39. Certificate from lead manager/advisor to the issue regarding compliance by the company of requirements of Listing of Companies & Securities Regulations of PSX and disclosure/regulatory requirement of SECP.
40. Confirmation from the issuer regarding compliance with all the eligibility criteria of the Exchange and other regulatory requirements/disclosure requirements of SECP.
41. Declaration from the issuer under clause 5.2.2(b) of PSX Regulations.  
Declaration from the issuer about the loan amounting to Rs. 500,000 or more written-off by a financial institution during last five years.  
(Specimen attached as Form VI)
42. Any other document/material/information as may be required by the Exchange for its own record or for inclusion in the prospectus/offer for sale document/Information Memorandum.

**Notes:**

- i) Please note that copies of all the documents are certified by the company secretary/CEO.
- ii) Please note that all documents relating to regulatory authority are duly certified from the concerned Company Registration Office or concerned Regulatory Authority.
- iii) Please note that in addition to the above-mentioned documents, the following shall be also be submitted:
  - a) Soft copy of the draft prospectus/offer for sale document;
  - b) Scanned copy of the Memorandum & Articles of Association; and
  - c) Scanned copy of the audited annual accounts of the company for the last 5 years or for a shorter period if five years of the commencement of business are not completed and its latest half yearly and quarterly accounts.

FORM I

**FORM OF APPLICATION FOR LISTING A SECURITY ON A STOCK EXCHANGE UNDER REGULATION 5.2.**

To:  
The General Manager  
Pakistan Stock Exchange Limited  
Karachi.

Dear Sir,

1. We hereby apply for the listing of our \_\_\_\_\_ on your Stock Exchange.  
(Name of company)
2. Necessary information and documents as required under Regulation 5.2.2.(a) are enclosed herewith.

Yours faithfully,

\_\_\_\_\_  
SIGNATURE & ADDRESS

**Cc. to:**

The SECP  
ISLAMABAD as required under Sub-Section (1) of Section 9  
of the Securities & Exchange Ordinance, 1969

FORM II

**FORM OF UNCONDITIONAL UNDERTAKING UNDER  
REGULATION NO. 5.3. ON NON-JUDICIAL STAMP PAPER OF RS.20/-**

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

**The Board of Directors**

Pakistan Stock Exchange Limited  
KARACHI.

**UNDERTAKING**

We undertake, unconditionally, to abide by the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited, which presently are, or hereinafter may be in force.

We further undertake:

- (1) That our shares and securities shall be quoted on the Ready Delivery Contract Market and/or the Futures Counter at the discretion of the Exchange;
- (2) That the Exchange shall not be bound by our request to remove the shares or securities from the Ready Delivery Contract Market and/or the Futures Counter;
- (3) That the Exchange shall have the right, at any time to suspend or remove the said shares or securities for any reason which the Exchange consider sufficient in public interest;
- (4) That such provisions in the articles of association of our company or in any declaration or agreement relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with these Regulations shall, upon being called upon by the Exchange, be amended to supersede the articles of association of our company or the nominee relating to the other securities to the extent indicated by the Exchange for purposes of amendment and we shall not raise any objection in relation to a direction by the Exchange for such amendment;
- (5) That none of the directors, sponsors and substantial shareholders of the company has been sponsor or substantial shareholder in any company, which:
  - (i) is in the Defaulters' Segment;
  - (ii) was de-listed by the Exchange due to its non-compliance of any applicable provision of PSX Regulations; or
  - (iii) whose TRE Certificate has been cancelled or forfeited by the Exchange, PMEX or any other registered stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission due to non-compliance of any applicable rules, regulations, notices, procedures, guidelines etc.
- (6) That none of the sponsors, substantial shareholders, directors or management of the company as well as the company itself or its associated company/entity have been found guilty of being engaged in any fraudulent activity. The company has made full disclosure regarding any/or all cases in relation to involvement of the person named above in any alleged fraudulent activity which is pending before any Court of Law/Regulatory Body/Investigation Agency in or outside of the country; and
- (7) That our company and/or the security may be delisted by the Exchange in the event of non-compliance and breach of this undertaking.

Yours faithfully,

(Signature of Authorized Person) Common Seal of the Company

FORM III

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

To:

**The General Manager**

Pakistan Stock Exchange Limited

Stock Exchange Building

Stock Exchange Road

KARACHI.

**UNDERTAKING**

We, M/s \_\_\_\_\_ have applied for Listing of our Company on your Exchange. In case our application is approved, we hereby undertake as under:-

- (1) That we will issue shares either in scripless form in the Central Depository System (CDS) or in the shape of physical scrip along with computerized transfer deeds on the basis of option exercised by the successful applicants within 30 days from the date of close of public subscription.
- (2) That shares in the physical scrip shall be dispatched through the bankers to the issue whereas scripless shares shall be directly credited through book entry into the respective CDC accounts of the allottees maintained with Central Depository Company of Pakistan Limited (CDC).
- (3) That we will arrange to verify the signature on Transfer Deeds in Karachi atleast for a period of 30 days after Official Listing of our Company.
- (4) That we will return the Transfer Deeds duly verified within 48 hours Lodged for verification of signatures.

\_\_\_\_\_  
MANAGING DIRECTOR/CHIEF EXECUTIVE



FORM IV

**The General Manager**

Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
KARACHI.

Dear Sir,

Re: **NO OBJECTION CERTIFICATE**

We the undersigned have entered into an Underwriting Agreement with M/s.\_\_\_\_\_ on\_\_\_\_\_. The terms of which are as follows:

- |                                                 |                    |
|-------------------------------------------------|--------------------|
| i) Total Number of Shares Underwritten          | _____              |
| ii) Face Value                                  | Rs._____ per share |
| iii) Premium Value (if any)                     | Rs._____ per share |
| iv) Total Value (Including Premium)             | Rs._____ per share |
| v) Amount of Underwriting                       | Rs._____           |
| vi) Underwriting Commission                     | _____ %            |
| vii) Take-up Commission                         | _____ %            |
| viii) The Underwriting Agreement is Valid up to | _____              |

We have no objection for offering of shares to the general public and publication of Prospectus/Offer For Sale of the company in the newspapers.

We further confirm that we have not entered into any buy back or repurchase agreement in respect of the shares underwritten with the sponsors or any other person under the said agreement.

Yours truly,

\_\_\_\_\_

Name and Designation of the Underwriter

FORM V

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

**AFFIDAVIT**

We hereby affirm under the oath that \_\_\_\_\_, the Company's Chief executive, directors sponsors/promoters and major shareholder themselves and the companies, firms, sole proprietorship etc. where the chief executive, director, sponsor/promoters and major shareholders are interested as chief executive, director (other than nominee director), owner or partner etc. has no overdue payment to any financial institutions.

\_\_\_\_\_  
Authorised Signatories

\_\_\_\_\_  
Authorised Signatories

**FORM VI**

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

**DECLARATION**

We, the undersigned, hereby declare, represent and warrant pursuant to Regulation 5.2.2 (b) of PSX Regulations:

- (1) that Company complies with the governing laws and regulations while carrying out its operations; and
- (2) that all of the permissions, authorizations and licenses required for carrying out the business activities of our Company and all of the certificates which we are liable to hold pursuant to the laws and regulations applicable on our Company are existing; and
- (3) that there does not exist any material legal disputes which may affect the production and activities of our Company; and
- (4) that loan amounting to Rs. 500,000 or more written-off by a financial institution during last five years was Rs. \_\_\_\_\_.

\_\_\_\_\_  
Authorised Signatories

\_\_\_\_\_  
Authorised Signatories

## APPENDIX- 2

### DOCUMENTS TO BE SUBMITTED PURSUANT TO REVERSE MERGER

The following documents and information shall be submitted by the Listed Shell Company to the Exchange under Clause 5.21.4 of PSX Regulations:

#### A. PRE SHAREHOLDER APPROVAL:

A Listed Shell Company, prior to seeking shareholders' approval to a scheme of Reverse Merger, shall submit to the Exchange all the relevant information including but not limited to the following:

- (i) Copies of resolutions along with the draft Scheme of Reverse Merger approved by the Board of Directors of Listed Shell Company and the Operating Unlisted Company;
- (ii) Complete report of Valuation of both the Listed Shell Company and the Operating Unlisted Company by an independent firm of practicing chartered accountants having satisfactory Quality Control Review awarded by the Institute of Chartered Accountants of Pakistan and Swap Ratio duly verified by the said Auditor;
- (iii) Corporate profile of both the Listed Shell Company and the Operating Unlisted Company;
- (iv) Name and profile of each member of the Board of Directors of Listed Shell Company and the Operating Unlisted Company;
- (v) Detail of directorships of the directors of both the Listed Shell Company and the Operating Unlisted Company in other companies;
- (vi) Pattern of shareholding of both the Listed Shell Company and the Operating Unlisted Company;
- (vii) Complete group structure including subsidiaries and associates, if any, of the Listed Shell Company and the Operating Unlisted Company;
- (viii) Business plan of the proposed Surviving Company including its financial projections for at least five years;
- (ix) Name and profile of each member of the Board of Directors of the proposed Surviving Company;
- (x) List of Promoters / Sponsors / Controlling Directors of the proposed Surviving Company;
- (xi) Proposed capital structure of the proposed Surviving Company;
- (xii) Profile of key management employees including relevance of their experience for running the Surviving Company;
- (xiii) Latest financial statements including financial highlights along with key financial ratios of both the Listed Shell Company and the Operating Unlisted Company duly audited by a QCR rated audit firm;
- (xiv) 20 printed copies of Scheme of Reverse Merger to be placed for Shareholders' approval and email scanned copy of the Scheme of Reverse Merger;
- (xv) Due diligence of the transaction conducted by an independent financial institution, audit firm, law firm, company registered with the Pakistan Engineering Council as consultant and whose name appears as a valuer on the panel of Pakistan Banks Association companies, other company whose name appears as a valuer on the panel of Pakistan Banks Association, and company registered with the Commission as a valuer, or any other expert having relevant expertise and experience;
- (xvi) Affidavit, under oath, that the CEO/Promoters/ Sponsors/ Directors/ Major Shareholders of the Surviving Company, either in their individual capacity or as CEO, Director, Partner or Owner in any Company / Firm / Sole Proprietorship, have no overdue payment to any financial institution;
- (xvii) Affidavit, under oath, that the proposed Surviving Company, its associated/ group companies and undertakings have no overdue loan/payment to any financial institution;
- (xviii) All risk factors associated with the proposed Surviving Company, its management, operations, industry it belongs to, capital market, law and order situation etc.
- (xix) Any other document/ information as may be required by the Exchange

#### B. POST SHAREHOLDER APPROVAL:

A Listed Shell Company, after seeking shareholders' approval to a scheme of Reverse Merger, shall submit to the Exchange the following documents / information:

- (i) Certified true copy of resolution adopted by the shareholders along with copy of Scheme of Reverse Merger approved by the shareholders;
- (ii) Certified true copy of Order of the Commission / Court / any other competent authority, sanctioning the Scheme of Reverse Merger;
- (iii) Certified true copy of Form-3 i.e. Return of Allotment as filed with the Registrar of Companies;
- (iv) Auditor's Certificate confirming any required increase in the paid-up capital of the Surviving Company;
- (v) Payment of additional listing fee on the increase in paid-up capital of the Surviving Company;
- (vi) Any other document/ material information as may be required by the Exchange.