

GEM BOARD FAQ's

1. The Section 5A of the PSX Rulebook mentions that Information Memorandum (IM) of the company would be prepared by the Consultant-To-the-Issue which would be approved by the PSX. Will the approval of SECP be required on the IM as the Section 5A does not explicitly mention about it? If yes, will SECP charge IPO application processing fee and supervisory fee?

Response: Approval of SECP is not required on the Information Memorandum (IM) of a Growth Company applying for listing on the Growth Enterprise Market (GEM). Since SECP approval is not required in the GEM Board listing, hence SECP charges for IPO application processing fee shall not be applicable. However, the GEM Issuer shall be required to pay SECP Supervisory Fee at the rate of 10% of the PSX's initial and annual listing fees.

2. What are the major relaxations of Code of Corporate governance applicable to GEM board?

Response: Within two years after listing on the GEM Board, the company shall comply with the following requirements of the CCG Regulations;

- a) Audit Committee comprising of independent members;
- b) Female representation on the Board;
- c) Minimum number of independent directors as specified in the CCG Regulations.

After two years of listing, the company can apply for relaxation of one more year from the CCG if it is compliant with the aforesaid requirements.

Please see PSX notice issued on Sept 10, 2020.

3. Can Consultant-To-the-Issue invest in the issue along with providing advisory services?

Response: Chapter 5A of the PSX Rule Book, i.e. Regulations Governing Listing & Trading of Equity Securities on Growth Enterprise Market, does not restrict the Consultant to the Issue to invest in GEM Issue.

4. The company seeking listing on the GEM board will pay an initial listing fee to the PSX. Will the PSX charge any service fee over and above initial listing fees?

Response: As per PSX Rule 5A.19, a company seeking listing on GEM Board shall be required to pay an initial listing fee and annual listing fee.

5. Is it required to appoint a legal counsel?

Response: Chapter 5A of the PSX Rule Book does not specify requirement of a Legal Advisor. However, a Legal Advisor may be appointed at the discretion of the Issuer.

6. What are the expenses to the Issue?

Response: On an overall basis, the cost of listing on the Main Board is in the region of 4% to 5% of issue size. We would imagine that given the theoretically riskier nature of companies listing on the GEM Board, the overall cost would be somewhat higher, particularly the fee of an Advisor.

7. How to register Eligible Investors?

Response: NCCPL will provide the undertaking form to the Consultant which will be ultimately to the clients. Once signed by account holders/clients, they will be classified as eligible investors of GEM board.

8. What is the minimum ticket size per investor in fixed price method?

Response: Minimum ticket size or the minimum investment amount would be the product of the minimum number of shares that may be subscribed by an investor and the issue price. The minimum number of shares that may be subscribed are 500 shares, and the issue price varies depending upon the issuer. **i.e.**

$$= (\text{Minimum number of shares that may be subscribed by an investor}) * (\text{Issue Price})$$

$$= (500) * (\text{Varies on case to case basis})$$

9. What is the Minimum Order Size?

Response: This falls under the ambit of NCCPL. The minimum lot size for all issues **upon listing** is standard as 500 shares, the same shall apply on GEM also. The lot size slabs are given below. Lot size is subject to bi-annual review by NCCPL as per NCSS Procedure # 2.4.3. Any quantity lesser than the marketable lot can be traded in the Odd Lot market provided by the Exchange.

Lot Size Slabs		
Market Price Ranges*	Marketable Lots-for all markets except for odd-lot market	Marketable Lot for Odd Lot Market
Rs. 0.1 to Rs. 100	500 shares	1 Share
Above Rs. 100 and up to Rs. 500	100 shares	
Above Rs. 500 and up to Rs. 1000	50 shares	
Above Rs. 1,000	20 shares	

10. As the securities would only be offered to accredited investors (not the general public), is it necessary to appoint a book runner?

Response: When an Issuer opts to list a GEM company through Book Building method, it would be mandatory to appoint a Book Runner as the Book Building cannot be conducted without the appointment of Book Runner.

11. Is it required to take PSX book building software? If yes, what will be the charges?

Response: In case of offer of shares through Book Building, the Exchange shall play the role of the Designated Institution and the Exchange’s BB software shall be used for Book Building. The Book Building software charges are PKR 1,000,000/-.

12. How many days will it take to complete the Book Building process?

Response: PSX Rule Book’s Annexure II of Chapter 5A states that, “Registration of Bidders shall start at least 2 working days before the start of the bidding period and shall remain open till 3pm on the last date of the bidding period.” Further, it also states that, “Bidding shall remain open for at least one day”. Hence, the existing regulatory framework allows for the following:

Option 1:

Day 1: Registration

Day 2: Registration

Day 3: Registration and Book Building

Option 2:

Day 1: Registration

Day 2: Registration

Day 3: Registration and Book Building

Day 4: Registration and Book Building

Day 5: Registration and Book Building

13. If a company offer its share via both IPO and the offer for sale, Does the combined size need to be PKR 100mn (PKR 50mn for IPO and PKR 50mn for offer for sale) or the combined amount should be PKR 50mn for offering securities through Book Building?

Response: As per our regulations:

- a. In case of Book Building, the issue size shall not be less than 5 million shares and Rs. 50 million;
- b. A person or group of persons, holding more than ten per cent equity securities of a company listed on GEM, may offer such equity securities for sale to the Accredited Investors subject to the conditions that the offer size of capital shall not be less than fifty million rupees.

Hence, the following transactions can be considered

- i. Fresh issue of shares via Book Building where issue size equals Rs. 50 mn
 - ii. Offer for Sale via book building where offer size equals Rs. 50 mn
 - iii. Hybrid transaction comprising of both fresh issue (say Pkr 50 mn as given in your example) and OFS (min offer size equals Rs. 50 mn).
14. The book building shall be cancelled if the bids received are less than 40? Does that mean that number of subscribers shall be more than 40?

Response: Yes, Book Building shall be considered as cancelled if the total number of bids received is less than forty. Hence, it means number of bidders needs to be at least 40.

Subscribers means the successful bidders that have been allocated shares through Book Building i.e those bidders who had placed bids at or above the strike price.

15. What's the maximum % of an issue that an investor can invest during book building in GEM Board?

Response: The bidder shall not make bid for more than 20% of the shares allocated under the Book Building Portion.