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**CORPORATE REGULATORY AUTHORITY**

**REGULATIONS FOR PUBLIC ISSUES OF  
CORPORATE BOND, 2022  
(Amended, 2024)**

**ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF INDUSTRY COMMERCE AND EMPLOYMENT**

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## **REGULATIONS FOR PUBLIC ISSUE OF CORPORATE BOND, 2022 (Amended, 2024)**

In exercise of the powers vested by Section 410(b) of the Companies Act of Bhutan 2016, the Corporate Regulatory Authority hereby adopts the Regulations for the Public Issue of Corporate Bonds, 2022 (Amended, 2024) for companies in Bhutan, to provide for issuance and management of corporate bonds, as follows:

### **PART I PRELIMINARY**

#### **Title and Commencement**

1. This Regulation shall:
  - (1) Be called the Regulations for Public Issue of Corporate Bond, 2022 (Amended, 2024);  
and
  - (2) Come into force on September 1, 2024.

## **Scope**

2. These Regulations shall govern the issuance and management of corporate bonds in the Kingdom of Bhutan.

## **Repeal**

3. This Regulations shall repeal the Regulations for Issue of Corporate Bond, 2012.

**PART II**  
**PRIMARY MARKET REGULATORY**  
**COMMITTEE AND FUNCTIONS**

4. There shall be a Primary Market Regulatory Committee established under this Regulation to carry out the functions delegated by the Regulatory Authority in this Regulation.
5. The PMRC shall consist of:
  - (1) Head of Regulatory Authority;
  - (2) One representative from the RMA;
  - (3) One representative from the RSEB;
  - (4) One representative from the Accounting Industry; and
  - (5) Member secretary from the Regulatory Authority.

## **Functions of the PMRC**

6. The PMRC shall:
  - (1) Approve or reject the prospectus or abridged prospectus as per Annexure III proposed by the issuer after reviewing it in accordance with the conditions and criteria set forth in this Regulation;
  - (2) Set criteria for approval of prospectus or abridged prospectus as per Annexure III from time to time in addition to the criteria provided in this Regulations;
  - (3) Review eligibility criteria of the issuer;
  - (4) Enforce applicable provisions of the rules and Companies Act, before and after approval;
  - (5) Review the financial health of the issuer to issue remedial measures and sanctions;
  - (6) Address complaints relating to the bonds;



- (7) Develop new policies, regulations and procedures for issue of securities into the capital market and advise the Regulatory Authority on adoption; and
- (8) Ensure compliance with the provisions of this Regulation.

### **Chairperson and Member Secretary**

- 7. The Chairperson and Vice-Chairperson of the Committee shall be elected from among the members excluding the member secretary. The Chairperson of the Committee shall convene and chair the meeting of the PMRC.
- 8. The Regulatory Authority shall serve as the Secretariat to the PMRC.

### **Meeting**

- 9. The meeting of the PMRC shall be convened by the Regulatory Authority, when deemed necessary based on application and on receipt of agendas.

## **Quorum**

10. There shall be a minimum of three members to constitute a quorum for the meeting.

## **Decision**

11. The decisions at the PMRC shall be taken by the majority of members voting in favor of any resolution, and in case of equality of votes, the Chairperson of the Committee shall have a casting vote.

## **PART III**

### **CONDITIONS FOR CORPORATE BOND ISSUE**

#### **Conditions**

12. The Primary Market Regulatory Committee may approve the issuance of bonds upon fulfillment of the following, among others:
- (1) Net worth requirement;
  - (2) Earned profit for two consecutive years;
  - (3) No loan liability;
  - (4) Not exceed the maximum debt ratio;
  - (5) Production of security;
  - (6) Placement of corporate bonds; and, or
  - (7) Presence of guarantor.

#### **Net Worth**

13. The net worth of the issuer shall not be less than Nu. 100 million and the paid-up capital shall not be less than Nu. 200 million at the time of issuance of corporate bond. If the issuer does not meet the required level of paid-up Capital prescribed above, the issuer shall obtain a financial

guarantee from a bank, any other financial institution or any form of corporate guarantee to support the corporate bond.

14. The minimum requirement under Section 12 of this Regulations may be revised by the PMRC when deemed appropriate from time to time.

### **Track Record**

15. The issuer shall have a track record of profits earned in the immediate two financial years preceding the date of application, and the issuer should have been in commercial operation for the three preceding financial years.

### **No overdue liability**

16. The issuer shall not have overdue loans or defaults in the report obtained from the Credit Information Bureau for the past one year preceding the issue.

## **Debt Ratios**

17. The total indebtedness including the proposed issue of corporate bond shall not exceed 300% of the issuer's net worth as of the latest date of financial statements. The debt ratio shall be disclosed in the annual report of the issuer. The frequency of the report of the issuer may be changed by the PMRC when deemed appropriate.

## **Security for Corporate Bond**

18. The issuer shall produce collateral in its name, or its guarantor's name to secure the issue of corporate bond at the time of application for issue of corporate bond. The value of the collateral pledged shall be at least one and a half times the proposed corporate bond issue and shall be free of all encumbrances or prior charges. The value of collateral may be assessed by the PMRC based on acceptable valuation standards. The value of the collateral and changes therein shall be disclosed in the issuer's annual report. The requirement under this clause may be amended from time to time

when deemed appropriate by the PMRC.

### **Registration of Charges**

19. The issuer shall register a charge on the title of the collaterals pledged for the issue of corporate bond within 10 days from the date of approval.

### **Guarantor to the issue**

20. Where there is a Guarantor to the issue, the issuer shall be exempted from the conditions under Sections 13, 14, 15, 16, 17, and 18 of this Regulation. However, all these conditions shall be fulfilled by the Guarantor.
21. In addition, the Guarantor shall provide financial capability statements duly certified by the Guarantor's Auditor and the same shall be endorsed by the Board of Directors.
22. When the Guarantor is a State Owned Enterprises, consent of the Ministry of Finance shall be obtained by the issuer.

23. In the case of Corporate Bond being secured by Sovereign Guarantee, the Issuer shall also be exempted from the conditions under Sections 13, 14, 15, 16, 17, and 18 of this Regulation.

### **Placement of Corporate Bond**

24. The issuer may place the corporate bond privately to any person approved by the issuer, based on mutually agreed terms and if there is a public issue following the private placement, the following conditions shall apply:

- (1) Such approval shall precede the public issue of corporate bonds;
- (2) Investors approved for private placement shall deposit the subscription money with the broker within 10 working days from the date of approval of the issue by the PMRC. The Registrar shall be notified of the deposit of subscription money for private placement by the issuer;

- (3) The investors allotted corporate bonds through private placement, shall not participate in the public subscription of the same bond;
- (4) The issuer shall obtain endorsement for private placement in the General Meeting
- (5) The issue size allotted through private placement shall not exceed 50%, however, the issuer may allot above the prescribed limit, if the issue is undersubscribed.



## **PART IV**

### **PROCEDURE FOR APPROVAL & CONTENTS OF PROSPECTUS**

#### **Approval and Registration of Prospectus**

25. The prospectus for corporate bond issues shall be reviewed and approved by the PMRC. The Registrar of Companies shall register the prospectus after the approval of the same by the PMRC, as per the provisions of this Regulations and the Companies Act.

#### **Contents of Prospectus**

26. The issuer shall submit the draft Prospectus as prescribed in Annexure - II, along with the Application Form prescribed in Annexure – I, to the Regulatory Authority. The prospectus must be accompanied by:

- (1) The auditor's report covering at least three years of audited accounts;
- (2) The following ratios, for three financial years preceding the issue;

- (a) Earnings Before Interest and Taxes;
  - (b) Net profit margin;
  - (c) Debt to Equity ratio;
  - (d) Gearing Ratio;
  - (e) Debt Service Coverage Ratio; and
- (3) Projected balance sheet, a profit and loss account for three years subsequent to the issue.

### **Documents to be submitted to the Regulatory Authority**

27. The following documents shall be submitted along with the Prospectus:

- (1) Permission from the RSEB, for the corporate bond to be listed for transaction through the RSEB;
- (2) The resolution of the General Meetings, approving the issue of corporate bond, together with the documents and reports presented to the meeting;

- (3) Summary of audited financial statements for the last three years, preceding the issue or for the period from the date of incorporation to the date of issue, whichever is lesser;
- (4) Detailed statement of the corporate bond including coupon rate, tenure, and terms for redemption;
- (5) Credit information report from Credit Information Bureau for past one year;
- (6) Statement of purpose, terms, and expenses of the issue;
- (7) Submit a clearance or approval from their respective regulators or regulatory authorities;
- (8) Submit a report of the credit rating agency upon its establishment;
- (9) Fully secure the corporate bond; and
- (10) List the corporate bond with the RSEB, if issued to the public or through private placement fulfilling the terms and conditions for the public issue of bond.

- (11) Any additional statements required by the Companies Act.

**Announcement**

28. The issuer shall make a public announcement in the media before the issue date. The contents of such announcement shall be in the form of an Abridged Prospectus (Annexure III) as prescribed by the RSEB.

## **PART V**

### **GENERAL PROVISIONS FOR BONDS**

#### **Size of issue**

29. The minimum size of the issue shall be Nu. 10 million carrying a face value of Nu. 1,000/- each.

#### **Timing and listing**

30. The corporate bond shall open for subscription within 7 working days from the date of approval by the PMRC. The issue for public subscription shall be open for a period not exceeding 30 days and it shall be allotted within 30 days from the closing date for subscription.
31. The issuer, after a successful IPO, shall list its bonds on the exchange within 15 working days.

#### **Redemption Fund**

32. The issuer shall create a corporate bond redemption reserve of an amount equivalent to the issue size of the corporate bond issued.

The redemption reserve of 20% of the corporate bond amount shall be created annually, in the last five years of the corporate bond tenure.

33. The issuer shall disclose the redemption reserve created in its annual report. At any time during the period of the corporate bond, if the company is unable to maintain the reserve, the Regulatory Authority shall take appropriate actions to ensure adequate liquidity for redemption of the corporate bond upon maturity.

### **Lock-in period and Right to Redeem**

34. The issuer and the bondholders may redeem before the maturity date, subject to the completion of a lock-in period of three years, and such terms and conditions shall be defined in the prospectus.

### **Custodians of Bonds**

35. The RSEB shall act as a depository of all types of corporate bonds issued under this Regulation.

### **Prospectus Review Fees**

36. The issuer shall deposit a copy of the draft prospectus along with the application as prescribed in Annexure I to the Registrar of Companies and simultaneously deposit non-refundable review fees to the RSEB. Further, prospectus registration fees of 10% on the Prospectus Review fees collected by RSEB shall be deposited into the government revenue account.

## **PART VI**

### **OFFENSES AND PENALTIES**

#### **Complaints**

37. Investors may submit complaints to the Regulatory Authority in relation to corporate bonds if there is reasonable suspicion of violation of the provisions of this Regulation and the Companies Act.
38. If an investor is aggrieved by the untrue statement of the prospectus, the Regulatory Authority may advise the investor to approach the court in accordance with section 111 of the Companies Act.
39. If there is any complaint or suspicion of insider trading on the bonds, the PMRC may advise the Regulatory Authority to initiate an investigation or appropriate legal action on the allegation.

#### **Offenses and Penalties**

40. In the event of deliberate misrepresentation or omission of information and relevant documents



for the purpose of obtaining approval for the issue of a bond, the issuer shall be punishable with a fine of Nu. 1,000,000/-. If such omission or commission is proven to be committed by the issuer with the knowledge of all or any of its Board Directors, every such director shall be punishable with a fine up to Nu. 1,000,000/-.

41. If the issuer fails to fulfill its payment obligation at the time of maturity of the bond, the issuer shall be liable to pay a penalty at the highest prevailing rate of commercial borrowing, computed on the total value of the bond for the default period to the Regulatory Authority. In addition to the above regulatory penalty, the issuer shall be liable to pay the investors penal interest of 2% above the coupon rate, computed on the total value of default amount, until the default is rectified by the issuer company. The above penalties as determined by the PMRC shall be final and binding on the issuer company.

42. If the issuer fails to register a charge in accordance with section 19 of this Regulation, the issuer and each director of the issuer shall be imposed a fine ranging from Nu. 20,000/- to Nu. 50,000/- for every failure, and Nu. 1000/- per day thereafter till the charge is registered.
43. Any person who violates any provisions of this Regulations, the Regulatory Authority may impose financial sanctions not exceeding Nu. 100,000/- per violation, or such other appropriate orders, if not expressly provided in this Regulation.
44. If the issuer fails to redeem the bond on the maturity date, the Regulatory Authority shall issue the first notice by imposing penalties under section 40 of this regulation, allowing a fifteen-day period to fulfill its obligation. Failure to comply with this notice will invite the Regulatory Authority to initiate the liquidation of the assets pledged as security for the bond.

45. The liquidation of assets pledged as security for the bond shall be disposed of as per the Auction guidelines adopted by the Regulatory Authority.
46. The issuer who has defaulted in the previous issues will be barred from issuing any securities to the public for five years after the default.

## Definitions

47. In this Regulations, unless the context requires otherwise:

- (1) “**Abridged prospectus**” is a summary of the contents in the prospectus;
- (2) “**Charge**” means an interest or right that a subscriber or creditor obtains in the property of the issuer by way of security that the issuer will pay back the bond money at the time of maturity;
- (3) “**Corporate Bond**” is a long-term debt sold to the investors by an issuer and also includes subordinated debt;
- (4) “**Insider trading**” shall have the same meaning as defined by the provisions of the Companies Act;

- (5) “**Issuer**” means an issuing company which shall be a Company incorporated under the Companies Act;
- (6) “**Net worth**” means the net tangible asset. For the purposes of this Regulation net tangible assets are to be computed as total assets less total liabilities and intangible assets;
- (7) “**Prospectus**” means offer documents as prescribed in the Companies Act;
- (8) “**Redemption Reserve**” is a reserve maintained by a company to meet the payment obligation towards the bondholders at the time of maturity of the corporate bond;
- (9) “**Regulatory Authority**” shall mean “Corporate Regulatory Authority” as defined in section 416 (37) of the Companies Act; and
- (10) “**Untrue statements**” shall have the same meaning as defined in the Companies Act.

## ANNEXURES

### ANNEXURE - I

Date:.....

The Registrar of Companies,  
Corporate Regulatory Authority,  
Ministry of Industry, Commerce and Employment,  
Thimphu: Bhutan

#### **Sub: Application for issue of corporate bond**

Sir,

We intend to issue a Corporate bond amounting to Nu..... We confirm and declare that our application is in full compliance with the Regulations on Issuance of Corporate Bond, 2024 issued by the Corporate Regulatory Authority under the Companies Act.

We further confirm and declare that the company is incorporated under the Companies Act and we are satisfied to the best of our knowledge and belief, that there is no information or statement nor is there any omission in the draft Prospectus, which would make our statements false or misleading. We undertake to provide such information and documents as the Corporate Regulatory Authority may reasonably require in relation to the application.

This application is made by the undersigned authorized person of (*Issuer Company Name*) pursuant to the authority granted by a written resolution of our Board of Directors passed on (Date).

Faithfully yours,

For and on behalf of the issuer **(Name of the Issuer Company)**

Name:

Address:

Tel No:

Email ID:

**Enclosed:** Documents as prescribed in Section 26 of Regulation for Public Issue of Corporate Bond, and the Draft Prospectus (as per format prescribed in Annexure II)



**ANNEXURE II**

**Prospectus for the issue of Corporate Bond by  
(Company Name)...**

The following constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the Companies Act and in line with the relevant provisions of the Regulatory Authorities.

**1. General Information:**

- a) Name of the company:
- b) Registered Office:
- c) Auditors:
- d) Bankers:
- e) Company’s Incorporation/License Number:

**2. Objective of the issue (Purpose of Issue):**

**3. Particulars of offer:**

Issue Price per Unit	Number of Units Offered	Opening Date	Closing Date	Allotment Date	Securities for the bond
Face value Nu. 1,000					

**4. Terms of the Bond, Coupon Rate, and interval of payment:**

Term	Coupon/ Interest Rate	Coupon payment interval	Total Coupon Amount

**5. Redemption:** *(The issuer shall create a corporate bond redemption reserve of an amount equivalent to the issue size of the corporate bond issued. The redemption reserve of 20% of the corporate bond amount shall be created annually, in the last five years of the corporate bond tenure).*

**6. Basis of Allotment:**

**7. Private Placement:**

**8. Conditions for Premature redemption:** *(same conditions shall apply to both the issuer and bondholders):*

**9. Lock-in period and Right to Redeem:** *(The issuer and the bondholders have the right to redeem before the maturity date, subject to completion of a lock-in period of three years, and such terms and conditions shall be defined in the Prospectus).*

10. **Risk Factors (Disclose all the risks associated with the business):**
  - a) Credit Risk/Loan Delinquency Risk:
  - b) Operational Risk:
  - c) Interest Rate Risk:
  - d) Market/Economy Risk:
11. **Present Capital Structure of the Company:**

Authorized Capital:

Issued and paid up capital:
12. **Eligibility of Bondholders:**
13. **Financial Highlights:**
  - a) Last three years (Audited)
  - b) Projected Financial statements for three years
14. **Particulars of the Present Board of Directors:**
15. **Details of the Previous Bonds issued if any:**
16. **Sole Manager to the issue (Broker, Underwriter, issue manager):**
17. **Other Information (litigations or any material information of the issuer):**

**18. Declaration:**

We hereby declare that all of the relevant provisions of the Companies Act and other relevant laws have been complied with and no statement made in the prospectus is contrary to the provisions of the Companies Act and other relevant laws.

**(Chief Executive Officer)      (Director/Chairperson)**

Place:

## ANNEXURE III

### **Abridged Prospectus** ༼ གསལ་ན་འབྲས་སྒྲིག་པ། ༽

**Name of the Company:** .....

#### A. General Information

Name of the Company	
Registered Office	
Name of the auditor and banker	
Paid-up capital	

B. (Name of the Company), hereby issues Corporate Bond with the following terms and conditions:

1. (Name and Contact Number) Underwrite/Broker	
2. Tenure	
3. Face value per unit	Nu. 1000
4. Total number of units offered	

5. Total Value of Bond	Nu.
6. Minimum bid size	10 units for individuals and 100 units for institutions
7. Mode of payment	Cash/Cheque/Draft/Others
8. Coupon rate	.... Per annum from the date of allotment
9. Coupon payments	Semi-annually or Annually
10. Listing	The Bonds will be listed with Royal Securities Exchange of Bhutan within 15 working days from the date of the allotment.
11. Opening date	
12. Closing date	
13. Allotment date	
14. Tax	The coupon amount will be exempted for the purpose of Personal Income Tax (PIT)

- C. Utilization of the fund
- D. Risk Factor
- E. Redemption
- F. Private Placement
- G. Condition for pre-mature redemption
- H. Eligibility
- I. Financial highlights
  - 1. Projected Financial statement for three years
  - 2. Financial statement for last three years
- J. Name and contact number of the company secretary
- K. Declaration

We hereby declare that we have compiled with the relevant provisions of the Companies Act, the regulations of Royal Securities Exchange of Bhutan, and all prevailing rules and regulations. Furthermore, no statements made in the prospectus contradict the provisions of the Companies Act.