



ཚོང་ལྗེའི་རྒྱུན་བཀོད་དབང་འཛིན།

CORPORATE REGULATORY AUTHORITY

ཚོང་འབྲེལ་ཤོག་ཀྱི་མི་དམངས་ལུ་སློང་བཞག་གི་རྒྱུ་གཞི་ ༢༠༢༢ ཅན་མ།

REGULATIONS FOR PUBLIC ISSUE OF COMMERCIAL  
PAPERS, 2022

ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF INDUSTRY, COMMERCE AND EMPLOYMENT

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## **Regulations for Public Issue of Commercial Papers, 2022**

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 Commercial Papers, 2022 for companies in Bhutan, to provide for commercial papers as follows:

### **PART I**

#### **PRELIMINARY**

##### **Title and Commencement:**

1. This Regulations shall:
  - (1) Be called Regulations for *Public Issue of Commercial Papers, 2022*; and
  - (2) Come into force on 1st July 2022.

##### **Scope**

2. This Regulation shall apply to the issuance and management of commercial papers.

##### **Repeal**

3. This Regulation shall repeal the Guidelines for Issue of Commercial Papers, 2017.

## **PART II**

### **PRIMARY MARKET REGULATORY COMMITTEE & FUNCTIONS**

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

## **Functions of the PMRC**

6. The PMRC shall:

- (1) Approve or reject the prospectus or abridged prospectus 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 from time to time beside the criteria provided in this Regulation;
- (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 commercial paper;

- (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 & Member Secretary**

7. The Chairperson and Vice-Chairperson of the PMRC 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 CRA shall serve as the Secretariat to the PMRC and one of its officers as member secretaries.

### **Meeting**

9. The meeting of the PMRC shall be convened by the CRA, 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 a 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 ISSUANCE OF COMMERCIAL PAPERS**

### **Eligibility for issuance of commercial papers**

12. All incorporated companies including financial institutions are eligible to raise short-term finance through the issuance of commercial papers, if:
- (1) The paid-up capital share of the issues is not less than Nu. 10 million;
  - (2) The net worth of the company is not less than Nu. 10 million as per the latest audited balance sheet;
  - (3) The instrument is fully backed by collaterals such as time deposits and receivables, and other qualified assets alternatively as may be deemed acceptable by the PMRC, of a value equivalent to 150% of the amount of the Commercial Paper;

- (4) The issuer arranges a financial guarantee or standby credit facility from any financial institutions if the issuer is not able to fulfill the requirements under sub-section (2) and (3) of this Section;
- (5) The issuer does not have a loan overdue or default in the report obtained from the Credit Information Bureau for the past one year preceding the issue; and
- (6) The issuer fulfills all other relevant requirements as stipulated in the Companies Act.

### **Registration of Charges**

13. The issuer shall register a charge on the title of the collaterals pledged for the issue of Commercial Paper within 10 days from the date of approval, if the Commercial Paper is issued for more than 6 months.

### **Eligibility to Invest in Commercial Papers**

14. Individuals, financial institutions, and incorporated entities in Bhutan and unincorporated Bhutanese private firms shall be eligible to invest in Commercial Papers.
15. The PMRC shall review and monitor from time to time the eligibility conditions to invest in Commercial Papers, depending on the circumstances and market conditions.

### **Forms of the Instrument, Mode of Issuance and Tenure**

16. The Commercial paper shall be issued:
  - (1) In a denomination of Nu. 100,000 and multiples thereof;
  - (2) In dematerialized form;
  - (3) At a discount, after deducting coupon at the determined rate of the issuer; and
  - (4) For a maximum maturity period of one year from the date of issue.

## **PART IV**

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

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

17. The application and the prospectus for the issue of commercial papers 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 Regulation and the Companies Act. However, any application that requires no deliberation of the Committee may be approved by the Registrar of the Companies, on a case-by-case basis, with information to the Committee in the subsequent meeting.

#### **Contents of Prospectus**

18. The issuer shall submit the draft Prospectus as prescribed in Annexure - II, along with the Application Form prescribed in Annexure – I, to the CRA.

19. The Prospectus shall contain all the elements contained in Annexure- II along with proper disclosure on the use of funds raised through Commercial Papers.
20. The investors shall submit their applications to the RSEB for subscription. The issuer shall enter into an agreement on the modalities with the RSEB for the issuance of the commercial papers.
21. The RSEB shall allot the commercial papers to the successful applicant within T+1 after the date of subscription stipulated in the Prospectus.
22. The RSEB shall intimate to the CRA, the amount of Commercial Papers allotted, accompanied by both settlement and subscriber's details. However, if the issuer is a financial service provider, the RMA shall also be furnished with the same information.

### **Documents to be submitted to Registrar of Companies**

23. The following documents shall be submitted along with the Prospectus:
  - (1) Recent credit information of an issuer from the Credit Information Bureau of Bhutan, for the past one year;

- (2) Recent Board resolution of the issuer company authorizing Commercial Papers issued to the public; and
- (3) Audited financial statements for the past 3 years.

### **Buyback of Commercial Papers**

24. The issuer may buy back the commercial papers before the maturity date, and such terms and conditions shall be defined in the Prospectus.
25. Issuers may buy back the Commercial Papers issued, before maturity, subject to full payment of Commercial Papers amount to the investors.
26. The buyback shall be carried out through the facilities of the RSEB.
27. The issuer shall intimate the proposal to the CRA of the buyback undertaken.

## **PART V**

### **OFFENSES AND PENALTIES**

#### **Complaints**

28. Investors may submit complaints to the CRA in relation to the commercial papers if there is reasonable suspicion of violation of the provisions of this Regulation and Companies Act.
29. If an investor is aggrieved by the untrue statement of the prospectus, the CRA may advise the investor to approach the court in accordance with Section 111 of the Companies Act.
30. If there is any complaint or suspicion of insider trading on the commercial papers, the PMRC may advise the CRA to initiate an investigation or appropriate legal actions on the allegation.

## **Offenses and Penalties**

31. In the event of deliberate misrepresentation or omission of information and relevant documents for the purpose of obtaining approval for the issue of Commercial Paper, the issuer shall be punishable with a fine of Nu. 1,000,000. And 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 fine up to Nu. 1,000,000.
32. If the issuer fails to fulfill its payment obligation at the time of maturity of Commercial Paper, the issuer shall be liable to pay a penalty at the highest prevailing rate per annum, of commercial borrowing computed on total value of the Commercial Paper for the default period to the CRA. In addition to the above penalty, the issuer shall be liable to pay the investors penal interest of 2% per annum, above the coupon rate as determined and disclosed in the prospectus, computed for the default period.

33. If the issuer fails to register a charge in accordance with Section 13 of this Regulation, the issuer and each director of the issuer shall be imposed a fine ranging from Nu. 20,000/- to 50,000/- for every failure, and Nu. 1000/- per day thereafter till the charge is registered to the CRA.
34. Any person who violates any provision of this Regulation, the PMRC may impose financial sanctions not exceeding Nu. 100,000/- per violation, or issue such other appropriate orders, if not expressly provided in this Regulation.

### **Announcement**

35. The issuer shall make an announcement to the general public about the issuance of commercial papers at least a week before the date of issue.

## **Review fees**

36. The issuer shall deposit non-refundable review fees to the RSEB. And a prospectus registration fee of 10% of the Prospectus Review fees shall be deposited by the RSEB into the government revenue account as registration and approval fees.

## **Definitions**

37. Unless the context otherwise requires, in this Regulation, the term:

- (1) **“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 money at the time of maturity;
- (2) **“Commercial Paper”**: is a money market instrument that is issued for a specified amount and is payable on a fixed date. The Commercial Paper shall be issued for a

- maximum maturity period of one year;
- (3) **“Issuer”** means a Company incorporated under the Companies Act and issuing commercial paper to the public;
  - (4) **“Net worth”** means the net tangible asset. For the purposes of this Regulations net tangible assets are to be computed as total assets, less total liabilities and intangible assets;
  - (5) **“Prospectus”** means an offer document for the issue of commercial papers;
  - (6) **“Corporate Regulatory Authority”** shall have the same meaning as “Regulatory Authority” defined in the Companies Act of Bhutan 2016; and
  - (7) **“Untrue statements”** shall have the same meaning as referred to under the Companies Act.

## ANNEXURES

### ANNEXURE I

Date:.....

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

#### **Sub: Application to issue Commercial Paper**

Sir,

We intend to issue Commercial Paper amounting to Nu..... We confirm and declare that our application is in full compliance with the Regulations on Issuance of Commercial Paper, 2022 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 20 of the Commercial Paper Regulations, and the Draft Prospectus (as per the format prescribed in Annexure - II).*

**ANNEXURE II****Prospectus for issue of Commercial Paper**

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 Corporate Regulatory Authority.

**1. General Information:**

- a) Name of the company:
- b) Registered Office:
- c) Auditors:
- d) Bankers:
- e) Registration/License Number:

**2. The objective of the Issue:****3. Particulars of offer:**

<b>Issue Price of CP</b>	<b>Number of CP offered</b>	<b>Subscription Date</b>	<b>Allotment Date</b>
Face value of 100,000			

**4. Term of the Commercial Paper and Coupon Rate:**

<b>Term</b>	<b>Coupon Rate</b>	<b>Payment Amount</b>

**5. Maturity Period**

**6. Methods of Allocation:**

**7. Use of Fund (Details):**

**8. Payment of Coupon:**

**9. 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:

**10. Present Capital Structure of the Company:**

Authorized Capital:

Issued and paid up capital:

**11. Eligibility of Investors:**

**12. Financial Highlights for last three years (Audited)- tabular format**

**13. Particulars of the Present Board of Directors:**

**14. Statutory Dues and Pending Cases:**

**15. Declaration:**

We hereby declare that most of the relevant provisions of the Companies Act of Bhutan 2016 and the Prudential Regulation 2017 issued by the Royal Monetary Authority and Royal Securities Exchange of Bhutan has been complied with and no statement made in the prospectus contrary to the provisions of Companies Act.

**Chief Executive Officer**

**Director**

Place-

Date: