



CORPORATE REGULATORY AUTHORITY

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022 (Amended 2024)

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

Table of Content

PART I

PRELIMINARY

Title and Commencement	1
Application	2
Repeal	2

PART II

PRIMARY MARKET REGULATORY COMMITTEE

AND FUNCTIONS

Functions of the PMRC	4
Chairperson and Member Secretary	5
Meeting	5
Quorum	5
Decision	6

PART III

CONDITIONS FOR THE ISSUE OF SHARES

Conditions For Issue of Shares at Face Value	7
Public Issue of Shares Under Project Financing	9
Public Issue of Shares for Companies Utilizing Public Resources	10
Conditions for Public Issue of Shares at Premium	10
Alternative Investment Market Route-based Public Offer	13

Offer for Sale	14
Minimum Subscription to Qualify for Allotment	14
Subscription Period	15
Oversubscription	15
Under-subscription	16
Restrictions on the Promoters	16
Allotment Procedure and Basis of Allotment.....	17
Subscription	18
Follow-on Public Offer	18
Disclosure Requirements.....	18

PART IV

PROCEDURE FOR APPROVAL AND CONTENTS OF PROSPECTUS

Approval and Registration of Prospectus.....	20
Documents to be submitted to the CRA.....	20

PART V

OFFENSES AND PENALTIES

Complaints.....	23
Offenses and Penalties	24
Prospectus Review Fees.....	25
Definitions:	25
ANNEXURE	28

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

**REGULATIONS FOR INITIAL PUBLIC ISSUE OF
SHARES, 2022 (Amended, 2024)**

In exercise of the powers vested by Sections 107, 108, and 410(b) of the Companies Act of Bhutan 2016, the Corporate Regulatory Authority hereby adopts the Regulations for the Initial Public Issue of Shares, 2022 (Amended 2024) for Companies in Bhutan, to provide for the initial public issue of shares as follows:

PART I

PRELIMINARY

Title and Commencement

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

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

Application

2. This Regulation shall apply to the initial public issue of equity shares and shall not be applicable to the issue of any other classes of shares under the Companies Act of Bhutan, 2016.

Repeal

3. These Regulations shall repeal the Regulations for Public Issues of Shares, 2015.

PART II

PRIMARY MARKET REGULATORY COMMITTEE AND 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) in this Regulation.
5. The PMRC shall consist of:
 - (1) The Head of the CRA;
 - (2) One representative from the Royal Monetary Authority;
 - (3) One representative from the Royal Security Exchange of Bhutan Limited (RSEB);
 - (4) One representative from the Accounting Industry; and
 - (5) A 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 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 IPO;
 - (7) Develop new policies, regulations and procedures for the issue of securities into the capital market and advise in the regulatory authority on

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

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 CRA shall serve as the Secretariat to the PMRC and one of its officers as Member Secretary.

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, including the member secretary, to constitute a quorum for the meeting.

Decision

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

PART III

CONDITIONS FOR THE ISSUE OF SHARES

Conditions For Issue of Shares at Face Value

12. An issuer shall make an offer for subscription of shares if the issuer intends to issue its shares to more than 50 persons through a public offer.
13. The issuer shall have a minimum paid-up capital of Nu. 100 million prior to the Initial Public Offer.
14. The issuer, unless otherwise prescribed by law:
 - (1) Shall set aside at least 30% of its issued capital for subscription by the public; and
 - (2) May set aside at least 10% of the issue to the institutional investors for the purpose of price discovery through the book building process, as and when officially adopted and notified by the Authority.

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

15. When an issuer is making a public offer pursuant to Section 12 of this Regulation, it shall offer its shares to the public only upon completion of one year of commercial operation, unless otherwise prescribed by any other laws or policies.
16. The debt-to-equity ratio of the issuer shall not be more than 2:1, prior to the issue.
17. The issuer shall submit audited accounts of business operations of one year.
18. The issuer shall obtain permission for the listing of its shares on the RSEB.
19. The existing partly paid-up equity shares of the issuer shall be fully paid-up or forfeited therein, prior to the proposed public issue.
20. The private placement of shares shall not be permitted to be made during and after the Initial Public Offer process, by the issuer.

21. The issue of shares managed by a licensed or authorized underwriter, shall not be subject to conditions under sections 16 & 17 of this Regulation.

Public Issue of Shares Under Project Financing

22. Issuers whose business is under development may issue shares to the public subject to the following conditions:
 - (1) Have purchased the land required for the issuer and have initiated construction works of factory building, office building, warehouse, and other necessary amenities.
 - (2) Have initiated the procurement procedure for the purchase of Plant and Machinery and its parts, if required for the industry.
 - (3) Have paid the share amount in full, as agreed by the promoters.
 - (4) Shall have completed 75% of the project construction which should be verified by the relevant authority.

Public Issue of Shares for Companies Utilizing Public Resources

23. Issuers whose business utilizes public resources may issue shares to the public, subject to the following conditions:
 - (1) The issuer shall have obtained applicable licenses, approvals, and leases from Regulatory Authorities and relevant agencies. The tenure of leases shall be for a minimum period of ten years, as recorded in the lease agreement.
 - (2) The issue of shares open for public subscription shall be a minimum of thirty percent and a maximum of forty-nine percent.

Conditions for Public Issue of Shares at Premium

24. The Issuer shall be permitted to issue its shares at premiums to the public, if:
 - (1) The offer is subscribed by more than 50 persons at a time;

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

- (2) The issuer has a minimum paid-up capital of Nu. 100 million prior to initial public offering;
- (3) The debt-to-equity ratio of the issuer is not more than 2:1;
- (4) The issuer obtains permission for a listing of its shares from the RSEB;
- (5) The existing partly paid-up equity shares of the issuer are fully paid-up or forfeited therein, prior to the initial public offering;
- (6) No private placement of the shares is made during the initial public offering by the issuer;
- (7) The issuer has a track record of profits earned in the immediate one financial year preceding the date of application;
- (8) The issuer has been in commercial operation for two preceding years;

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

- (9) The issuer has a positive new asset value in each of the last two financial years preceding the date of application for initial public offering; and
 - (10) If the issuer had changed its business activity within the last one year, at least 50% of the revenue for the preceding one year is earned by it from the new activity.
25. In addition to the conditions under rule 21 of this Regulation, the issuer, unless otherwise prescribed by law:
- (1) Shall set aside at least 30% of its issued capital for subscription by the public; and
 - (2) May set aside at least 10% of the issue to the institutional investors for the purpose of price discovery through the book building process, as and when officially adopted and notified by the Authority.

Alternative Investment Market Route-based Public Offer

26. An issuer without any track record of profitability and commercial operation may offer shares by the public, provided a minimum of 50% of the issue sizes are subscribed by institutional investors through the Alternative Investment Market of the RSEB, prior to the public offer. Further, the issuer shall fulfill the following conditions:

- (1) The issuer shall obtain permission for listing of its shares on the Alternative Investments Board of the RSEB;
- (2) Any existing partly paid-up equity shares of the issuer shall be fully paid- up or forfeited therein, prior to the proposed issue; and
- (3) No private placement of shares shall be made during the issue on the Alternative Investment Market Board.

Offer for Sale

27. In case of an offer for the sale of shares by the promoters, the offered size shall be at least 30% of the paid-up capital (excluding locked-in) of the issuer and the issuer shall fulfill all the conditions prescribed in sections 12, 13, 15 through section 19 of this Regulations.

Minimum Subscription to Qualify for Allotment

28. The minimum subscription to be received in an issue shall not be less than 15% of the issued capital, subscribed by at least 50 investors, if the issue is not managed by an underwriter. Provided that the issuer fulfills the minimum of 30% public shareholding within a period of three years, from the date of initial public offer.
29. In the event of non-receipt of the minimum subscription referred to in Section 32 of this Regulation, all subscription amounts received shall be refunded to the applicants within the period of 30 working days. The offer document shall contain adequate disclosures regarding minimum subscription.

Subscription Period

30. The maximum subscription period from the date of opening till the date of closing subscription shall be 30 working days.

Oversubscription

31. In the event of oversubscription of the issue, the issuer may provide an option to allot additional shares to ensure that the demand for securities is met efficiently and to stabilize the price volatility immediately after listing. However, the issue shall be subject to the following conditions:
 - (1) The issuer is authorized by the shareholders in the Annual General Meeting or Extraordinary General Meeting to exercise the option, in such an event;
 - (2) The prospectus shall contain all disclosures related to the option; and
 - (3) A maximum of 15% of the issue size shall be permitted to be allocated under the arrangement.

Under-subscription

32. The issue shall be considered under-subscribed, if the issuer is not able to meet the minimum subscription prescribed in Section 14(a) of this Regulation, then the subscription money shall be refunded as per Section 29 of this Regulation.
33. The issuer may apply for another public offer after three months from the closing date of the previous offer.

Restrictions on the Promoters

34. The promoters' minimum shareholding in the issuer company shall not be less than 20% of the post-issue capital.
35. The promoters' shares held before the initial public offering shall be locked-in for a period specified hereunder:
 - (1) Minimum promoters' contribution for three years from the date of allotment of the public offer; and

- (2) The promoters' contribution in excess of the minimum contribution mentioned in Section 31 of this Regulation, shall be locked-in for a period of one year from the date of allotment of the public offer.

36. The lock-in period prescribed in Section 32 of this Regulation shall not apply to:
 - (1) Shares issued to individuals other than promoters prior to the initial public offer, and disclosed in the prospectus; and
 - (2) Shares issued to employees under employee stock option prior to the initial public offer, and disclosed in the prospectus.

Allotment Procedure and Basis of Allotment

37. The allotment of shares to the public shall be on a proportionate basis and the number of shares allotted shall be in accordance with the allotment procedure of the RSEB.

Subscription

38. Any person desirous of subscribing to the public offer of shares shall subscribe only through a bank account in his or her own name. The subscribers may also use an alternative mode of payment such as the application amount blocked in his or her own bank account till the allotment is made, provided such an option is made available by the issuer's bank or the broker. However, such disclosure on the mode of payment shall be made in the prospectus by the issuer.

Follow-on Public Offer

39. An issuer intending to offer its shares to the public, pursuant to initial public offer and after listing of its securities on a stock exchange, shall fulfill all the conditions of public offer.

Disclosure Requirements

40. The disclosure requirements in the Prospectus issued for the public issue of shares shall be as prescribed by the Companies Act and provisions of this regulation.

41. An issuer making a Follow-on Public Offer may disclose to the public as follows:
- (1) The issuer is making a follow-on public offer in accordance with provisions of this Regulation;
 - (2) The specified securities offered in follow-on public offers are of the same class as those already listed on a recognized stock exchange;
 - (3) Financial reports of the issuer are available on the website of the stock exchange; and
 - (4) Any change in management, board or structure of the issuer.

PART IV

PROCEDURE FOR APPROVAL AND CONTENTS OF PROSPECTUS

Approval and Registration of Prospectus

42. The Prospectus for the Public issue of shares 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 provisions of this Regulation and the Companies Act.

Documents to be submitted to the CRA

43. Following are the documents required to be submitted to the Registrar of Companies:
- (1) A copy of the prospectus;
 - (2) Permission from the RSEB for listing the shares with the Exchange;

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

- (3) Copy of the existing Articles of Incorporation and the amendments thereto;
- (4) The resolution of the Annual General Meeting or Extraordinary General Meeting approving the issue of shares, together with the documents and reports presented to the meeting;
- (5) Written approval of the Lhengye Zhungtshog with the expressed intention to dispose-off government shareholding percentage, in case of the issuer being a State-Owned Enterprise;
- (6) 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;
- (7) Documents related to private placement of shares to investors and payments made therein, if any;
- (8) A detailed statement of the equity shares offered;
- (9) Submit a Clearance or approval from their respective regulators or regulatory authorities;

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

- (10) Copy of Credit Information report of the promoters and the issuer for the last one year; and
- (11) Any additional statements or documents required by the PMRC.

PART V

OFFENSES AND PENALTIES

Complaints

44. Investors may submit complaints to the CRA, in relation to the issue of shares, if there is reasonable suspicion of violation of the provisions of this Regulation and Companies Act.
45. If an investor is aggrieved by the untrue statement of prospectus, the CRA may advise the investor to approach the court in accordance with Section 111 of the Companies Act.
46. If there is any complaint or suspicion of insider trading on the shares, the PMRC may advise the CRA, to initiate investigation or appropriate legal action on the allegation and forward the case for prosecution by Law enforcement agencies.

Offenses and Penalties

47. In the event of deliberate misrepresentation or omission of information and relevant documents for the purpose of obtaining approval for the initial public issue of shares, the issuer shall be punishable with a fine up to 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 a fine up to Nu. 1,000,000/-.

48. Any person, who violates any provision of this Regulations, shall be liable for financial sanctions not exceeding Nu. 100,000/- per violation, or be issued with such other appropriate orders by Registrar of Companies, if not expressly provided in this Regulation and where the contravention is a continuing one, with a further fine which may extend to Nu.10,000 for every day after the first fine is imposed.

Prospectus Review Fees

49. 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:

50. Unless the context otherwise requires, the term:
- (1) **“Follow-on Public offer”** is an issuance of securities subsequent to the company's initial public offering, issued following the due process under this Regulation;
 - (2) **“Initial Public Offer”** means first sale of shares by an issuer company to the public;

- (3) “**Institutional Investors**” means a legal person devoted to holding and managing financial assets either for clients or itself, such as Fund Managers and Investment Advisors, financial institutions and pension funds, or as identified by the authority;
- (4) “**Issuer**” means an issuing Company incorporated under the Companies Act;
- (5) “**Lock-in period**” is the time period during which promoters are restricted to redeem or sell their shares;
- (6) “**Net-worth**” means the total value of paid-up capital and the free reserves of a company.
- (7) “**Offer for sale**” is an offer by or on behalf of the shareholders of the issuer to the public;
- (8) “**Person**” includes a natural person, registered companies, registered Civil Society Organizations, and a body of persons recognized as a separate legal entity by law;

- (9) “**Prospectus**” means offer document as prescribed by the Corporate Regulatory Authority in keeping with section 109 of the Companies Act and annexed hereto as Annexure II. It shall also include an abridged prospectus as prescribed as Annexure III; and
- (10) “**Public**” means a person who is not a director, Chief Executive Officer, or substantial shareholder of the issuer, institutional investor, or an associate of any one of them.

ANNEXURE

ANNEXURE I

Date:

The Registrar of Companies,

Corporate Regulatory Authority,

Ministry of Industry, Commerce and Employment Thimphu:
Bhutan.

Sub: Application for Initial Public Offer of shares

Sir,

We intend to issue equity shares amounting to Nu.....
(words) to the public. We confirm and declare that our application is in full compliance with the Regulations on Initial Public Issue of Shares, 2024 issued by the Corporate Regulatory Authority.

We further confirm and declare that the company is a public company 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

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

statements false or misleading. We undertake to provide such information and documents as your office may reasonably require in relation to the application.

This application is made by the undersigned authorized person of (.....*Issuer Company's Name*.....) pursuant to the authority granted to by a written resolution of our Annual General Meeting/Extraordinary General Meeting passed on (.....Date...).

Faithfully yours,

For and on behalf of issuer

(Company Name)

(CEO/Director) Name:

Address:

Telephone No:

Email ID:

Enclosed: *Relevant documents as prescribed in section 47 of this Regulations & Draft Prospectus.*

ANNEXURE II

Prospectus for Initial Public Offer of Shares
by.....(Company Name)...Limited.

Initial public offering of.... equity shares of Nu..... each

Subscription opening date	
Subscription closing date	
Allotment date	

Content of Prospectus

1. Abbreviations:
2. Summary of the Offer
 - (1) General information

- (2) History of the Company
- (3) Corporate Management Structure
- (4) Capital Structure of the Company
- (5) Existing Shareholding Pattern
- (6) Revised Shareholding pattern before IPO, (if applicable)
- (7) Summary of earnings in the past year/three years.
- (8) Number of Employees
- (9) Details of Business units
- (10) Dividend Record, (if applicable)
- (11) Fixed Asset Details
- (12) Banker's Details
- (13) Underwriter details, (if applicable)
- (14) Details on the source of the promoter's contribution
- (15) Public Offer, terms of the present issue, and its objective

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

(15) Utilization of Fund

(16) Shareholding Pattern After IPO

(17) Auditor's Details

3. Public Offer- terms of the present issue and its objective:

4. Basis for Share Premium (if applicable):

5. Revised shareholding after IPO:

6. Cash Flow Statement for the Public Money:

7. Financial Highlights (Last 3 years) & Audited Financial Data (annexure):

Financial Information	Financial highlights for the last two years	Projected financial data for the next three years post-IPO

REGULATIONS FOR INITIAL PUBLIC ISSUE OF SHARES, 2022

(Amended, 2024)

8. Details on Risk Factors and Litigations:

9. Declarations (insert standard para):

Seal & Sign

(Chairperson / Director)

Seal & Sign

(Chief Executive Officer)