



དཔལ་ལྷན་འབྲུག་གཞུང་། བཟོ་ལྷན་ཚོང་འཕེལ་དང་ལྷན་གཞིལ་སྤྱོད་ལག་
ཚོང་ལྷན་བཞུགས་སྐོར་དབང་འཛིན།

CORPORATE REGULATORY AUTHORITY
ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF INDUSTRY, COMMERCE AND EMPLOYMENT
Thimphu: Bhutan



Press Release

Regulatory Reforms for Companies and Primary Capital Market

The Corporate Regulatory Authority (CRA) with technical support from Primary market Regulatory Committee and due approval of the Governing Board, revised four existing Regulations and adopted five new regulations. The regulations are improved and adopted to streamline corporate governance, ensure greater transparency, and bolster investor confidence through robust governance standards and risk management mechanisms. The reforms also seek to enable easy access alternative financing avenues for Companies in Bhutan, and thereby enable innovative and sustainable economic development.

The Highlight of existing regulations revised and new regulations adopted by CRA are as follows:

A. Revision of Existing Regulations:

1. Regulations for Initial Public Offering of Shares, 2022(amended 2024).

In this regulation, the following clauses are amended:

- (a) The operational track record of the companies to go for IPO is reduced from 2 years to 1 year under section 17.
- (b) Under section 22, Companies whose business/projects are under development may opt for IPO to raise funds from public, if they meet specific conditions including the acquisition of necessary land, initiation of construction for key facilities, and procurement of plant and machinery. Additionally, promoters must ensure full payment of the agreed share amount, and the completion of 75% of the project construction, verified by the relevant authority. This approach mitigates risks, encourages responsible development, and promotes investor confidence by ensuring the issuer is financially and operationally prepared for the public offering.
- (c) Under section 23, for the companies utilizing natural resources, we have opened a window for public participation through IPO. This provision aligns with Bhutan's commitment to environmental conservation and sustainable development, safeguarding natural resources for equitable use by future generations.



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2. Regulations for public issue of Corporate Bond, 2022 (amended 2024).

The amendments to the regulations aim to enhance the robustness, transparency, and efficiency of Bhutan's securities market. Introducing sovereign guarantees as an alternative to guarantee bonds provides eligible issuers with greater flexibility, especially for initiatives like Green Bonds for hydropower and other green sectors.

Any initiative government may initiate that has sustainable financing objectives will be supported by the new regulations. Along with a new clause on penalties and offenses, ensures asset liquidation for bond redemption failures, coupled with a ban on future issuances, reinforces accountability, and safeguards investor interests.

3. Regulations for Accounting and Auditing of Companies, 2022 (amended 2024).

The amendment of accounting and auditing regulations for companies is aimed at defining the qualifications of accountants and auditors. Specifying the qualification ensures that the financial statements of the companies are prepared and audited with professionalism and integrity. This not only aligns with international best practices but also fosters investor confidence and strengthens corporate governance.

4. Regulations for Corporate Governance and Corporate Social Responsibility, 2022 (amended 2024):

The amendment in this regulation was made to define the role of independent directors as professional services to ensure professional standards and ethical practices by Company Independent directors. It will ultimately promote sound corporate administration and safeguard stakeholder interests, with affordable professional services available from trained professional pool in the market. This is the beginning of new professional Industry of providing corporate independent director services in the market. The framework to certify and maintain the list of independent directors will not only provide a platform for professionals to give their services but also end the age old issues of not having enough pool of trained independent directors in the market.

B. Adoption of new Regulations:

1. Regulations for Winding Up of Companies, 2024.

This Regulation aims to establish transparent orderly closure of corporate entities. These regulations ensure the protection of stakeholders' rights through the equitable distribution of assets, and compliance with legal obligations. By providing structured procedures for voluntary winding up, the framework promotes accountability and gives easy guidance to company officials, regulators and practitioners.



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ཆོང་ལྷོ་རྒྱལ་བོད་དབང་འཛིན།

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2. Regulations for Amalgamation of Companies, 2024.

This regulation will provide a robust framework for conducting the merger and acquisition transactions of companies. While safeguarding stakeholder interests, including those of shareholders, creditors, and employees. This regulation also aims to encourage business rehabilitation and align with international best practices of corporate mergers and acquisitions.

3. Regulations for Company Secretaries and Filing Agents, 2024.

This Regulation for Company Secretaries, and Filing Agents, 2024 aim to enhance compliance with corporate governance and ensure accountability. This will be done by defining clear roles, qualifications, and responsibilities. The regulations have also clauses to ensure professional standards and ethical practices by Company secretaries and compliance officers. It will ultimately promote effective corporate administration and safeguard stakeholder interests, with affordable professional services available from trained professionals in the market. These measures not only strengthen organizational efficiency and oversight but also contribute to professional development of corporate services providers in the market. This is the beginning of new professional Industry of providing corporate services in the market.

4. Regulations for Buy-Back of Shares, 2024.

This regulation will provide legal guidance and a framework for companies to repurchase their shares in the company, as a mechanism to restructure and rationalize their capital fund based on business needs. This benefits companies by offering flexibility in capital fund management while protecting shareholder interests and fostering confidence in the securities market. This will also ensure there are fair procedures to distribution of surplus fund of companies among its shareholders, with transparent decision making by the shareholders themselves.

5. Regulations for Investor Protection Fund, 2024.

This regulation will safeguard the interests of investors by providing a financial safety net in cases of fraud, default, or market failures. This enhances investor confidence, promotes fair market practices, and supports the growth of a resilient and trustworthy Capital Market in Bhutan. It will also ensure that the funds remaining unclaimed with listed companies are managed by credible institutions like the Royal Securities Exchange of Bhutan Limited, and ensure disbursement to the rightful investors. It will also ensure seamless corporate regulatory actions with self sustaining financial model under this Regulatory framework and ease the burden of managing unclaimed dividend related funds within the listed companies' community.

- **REGISTRAR OF COMPANIES**