

DRAFT TASK FORCE REPORT

**CAPITAL MARKET REFORMS:
PROPOSED CHANGES IN INITIAL PUBLIC
OFFERING (IPO) AND RELATED LAWS**

March 24, 2025

Amendment Proposals for Public Issue/Debt/Rights/Capital Issue Rules

IPO RELATED RULES AND PROCESSES

Ref.	Existing Rule	Proposal/Amendment	Rationale
2(h)	“group companies” means companies function as a single or very closely related economic entity through a common source of control having mostly common ownership and management including parent, subsidiaries, associate and sister concerns, as generally understood;	“Related parties” as defined/outlined in the IFRS.	
2(n)	“registrar to the issue” means a merchant banker or any person, employed by the issuer, registered with or approved by the Commission for carrying out the activities in relation to an issue including processing applications from investors, keeping record of applications and money received from investors or paid to the seller of securities, assisting in determining the basis of allotment of securities, finalizing the list of persons entitled to allotment of securities and processing and distributing allotments, refunds or certificates and other related documents;	Delete the definition “registrar to the issue” and add the below. “Electronic Subscription System” means an integrated and automated system of the Exchange especially designed/developed for price discovery and processing subscription of public offerings.	Currently, the functions of registrars are mostly done by automated systems in DSE or banks. This makes the function of registrar redundant and an additional expense by issuers. Since the functions of registrar to the issue has been performed by ESS, the definition is required to be incorporated.
2(s)	“sponsor” means any person whose name appears as subscriber to the Memorandum and Articles of Association of a company;	“Sponsor” means any person <u>or institution who subscribes to the initial capital of a company. The receiver of shares by way of gift or transmission from deceased initial subscriber will also be treated as sponsor;</u>	
New	Placement Holder	<u>“Placement holder” means any person or institution (other than sponsor) who owns the securities before the public issue or offer;</u> Prospectus need to segregate General Investors and Placement shareholders.	Tax law has mentioned “placement holder”. Thus, we need a definition.

Ref.	Existing Rule	Proposal/Amendment	Rationale				
3(1)	<p>Application for consent under these Rules may be made on any of the following methods:-</p> <p>(a) fixed price method, when offered at par value; or</p> <p>(b) book-building method, when offered above par value</p>	<p>Valuation:</p> <p>Book Building: Dutch auction with an expected price stated by the issuer and issue manager. The market may bid at higher or lower than the expected price.</p> <p>Investor will not see other investors’ price quote and will take shares at their quoted price.</p> <p>To further regulate institutional investors’ (EI) behavior, phased lock-in can be introduced as follows –</p> <table><tr><td>Debut trading day</td><td>50% lock-in free</td></tr><tr><td>After 3 months of debut trading date</td><td>100% lock-in free</td></tr></table> <p>In the red herring prospectus, the issuer will provide the valuation with different valuation methods.</p> <p>If the Bidding becomes unsuccessful, the Issuer will be able to change the expected price for once. If it becomes unsuccessful again, the Issue will be rejected.</p> <p>Eligible Investor will receive shares at their own bidding price on highest to lowest bid basis. If there is more than one bid at the cut-off price, then shares will be allotted at a pro-rata basis.</p>	Debut trading day	50% lock-in free	After 3 months of debut trading date	100% lock-in free	
Debut trading day	50% lock-in free						
After 3 months of debut trading date	100% lock-in free						

Ref.	Existing Rule	Proposal/Amendment	Rationale
	10% circuit breaker	No circuit breaker (10% upper limit) after debut, for three days should be implemented.	
3(2)(d)	Connected persons: “the issue manager or any of its connected persons is in no way connected with the issuer or any of its connected person nor does hold any securities thereof. ”	<p>The last part of the clause “nor does hold any securities thereof” can be omitted.</p> <p>The issue manager and the related parties (including the mutual funds under the management of a sister concern) should be allowed to bid.</p>	<p>The issue manager should not be connected to the issuer. However, the issue manager or it’s related parties should be allowed to bid or participate in IPO.</p> <p>‘Connected’ or not the Issue Manager plays the most crucial role in IPO process. They should rather be permitted to hold securities, transparent declaration of which makes them more accountable.</p> <p>In the developed world, the lead manager/ underwriter buys the shares from the company and then sell them to investors.</p>
3(2)(g)	it has got its latest financial statements audited by the panel auditors as declared by the Commission from time to time;	<p>Auditor: <u>Latest financial statements should be audited by a firm enlisted in a panel by BSEC for the purpose of public issue.</u></p> <p>No two IPOs being audited by the same Partner, simultaneously.</p> <p>After receiving the prospectus, Stock Exchange shall appoint a special auditor to review the audited financial statements submitted by the issuer for further/second review, and the required fee will be paid by the issuer. Fee for the review work will be based on scope of works, professionals including qualified ones and IT experts to</p>	<p>There is a need to reduce the size of panel auditors, which have passed fit & proper test. There should be two lists, one for listed companies and another for IPO.</p> <p>Guideline for fit & proper test is annexedⁱ.</p> <p>Additional Financial Disclosures and Focus Areasⁱⁱ</p>

Ref.	Existing Rule	Proposal/Amendment	Rationale
		<p>be deployed, complexity involved, time required and so on. The review exercise will cover, among others, revenue, intercompany transactions and loans, bank loans, inventory, receivables, benefit of cash and otherwise taken by Board members, senior management staff and their family members, quality of the financial information and major adjustments, if any, given in last five years, adequate internal and IT control system, etc.</p> <p>If the finding of the special review materially differs from the opinion given by the initial/statutory auditor, Stock Exchange will refer the case to the expert panel for decision.</p>	
New	Financial Reporting Responsibilities, Fixation of Fees and Penalties	Annexure ⁱⁱⁱ	
3(2)(o)	it has to submit the banker's certificate along with bank statements showing deposit of the amount equivalent to the paid-up capital, duly attested by the Managing Director or Chief Executive Officer.	Companies are required to maintain books and records for 12 years under the Companies Act, 1994. For some extreme cases, e.g., companies formed during Pakistan era, formation documents may not be available. In such cases, Commission may exempt from this requirement.	
3(2)(p)	<p>"it has not raised paid-up capital except issuance of bonus shares within the preceding two years from the date of application for public offer:</p> <p>Provided that issuance of shares in exchange of valid consideration except intangible assets or intellectual property for other forms of collaborative investments may be allowed</p>	<p>Currently only bonus issuance is allowed.</p> <p>Can be allowed to do private placement, if lock-in is three (3) years, similar to the sponsors.</p> <p>Can be allowed to issue shares to existing</p>	Raising of capital in a transparent manner demonstrates good governance and assures fair valuation. The business may need cash injection as well.

Ref.	Existing Rule	Proposal/Amendment	Rationale
	<p>within the said period subject to prior approval of the Commission.</p> <p>[Explanation: Collaborative investment means any equity investment is made to any company registered in Bangladesh in collaboration of joint ventures or by any alternative investment fund or by any foreign strategic Investor.]”</p>	<p>directors, against cash, provided that such issuance take place within the preceding two year.</p> <p>For a company having existing bonds issued earlier, that requires a conversion within preceding two year of IPO – may be allowed to convert bonds to shares provided the bond holders have accorded such consent through a special meeting.</p>	
3(2)(q)	<p>dilution requirements as follows-</p> <ul style="list-style-type: none"> • Minimum 10%, if the post IPO paid-up capital is above BDT 150 crore; • Minimum 20%, if the post IPO paid-up capital is BDT 75-150 crore and • Minimum 30%, if the post IPO paid-up capital is less than BDT 75 crore 	<p>The company will offer 10% @ expected base price. However, if the price increases above the base rate, the number of shares to offer will reduce. This shortfall ‘number of shares’ will be added to the public offer – so that total dilution becomes 10%.</p>	<p>Minimum public plus EII offer of book building is BDT 75cr.</p> <p>However, companies need to dilute minimum 10% of shares [as in the first case], as per BSEC rules and to enjoy the reduced tax. As the price varies during auction, complying with both absolute figure and 10% becomes technically impossible rendering the issue being cancelled.</p> <p>To solve the issue, the IPO size would need to be increased. In neighboring countries, there are upper and lower limits for bidding. The minimum offload percentage is ensured assuming the upper limit. As we are not recommending an upper limit, the issue size has to be increased. The prospectus should accommodate the ‘utilization of fund’ accordingly.</p>
3(3)(d)	<p>It has minimum existing paid-up capital of Tk. 15 (fifteen) crore.</p>	<p><u>It has minimum existing paid-up capital of Tk. 30 (thirty) crore.</u></p>	<p>The current minimum paid-up capital for IPOs is BDT 15 Cr. Given the separate SME market for companies with paid-up capital between BDT 5 Cr. and 50 Cr., we propose increasing the minimum pre-IPO paid-up capital for the main market to BDT 30 Cr.</p>
3(4) (e)	<p>the issuer has been rated by a credit rating company registered with the Commission;</p>	<p>the issuer has been rated by a credit rating company registered with the Commission</p>	

Ref.	Existing Rule	Proposal/Amendment	Rationale
		<u>with at least A category rating in the long-term scale;</u>	
3(4)(h)	Additional requirements for book-building method: (h) it has minimum existing paid-up capital of Tk. 30 (thirty) crore.	(h) it has minimum existing <u>pre-IPO</u> paid-up capital of Tk. <u>50 (fifty) crore.</u>	
3(5)(B)	Distribution mechanism of securities having conversion features: (a) At least 40% of the issue shall be reserved for the existing shareholders; (b) At least 40% of the issue shall be reserved for Public Offer; and (c) Maximum 20% of the issue may be made through private placement:	For such issuance of debt with conversion feature of a listed firm, the first offer should go to the existing shareholders. If unsubscribed, it can be offered to private placement or public offer.	
4(1)(a)	an issuer shall submit the application, to the Commission for consent of issuance of securities through public offer and the exchanges for listing in the main boards thereof, as per requirements of these rules and relevant listing regulations of the exchanges, along with ten copies of the red-herring prospectus/prospectus/information memorandum, prepared as per requirements of these Rules, duly completed, together with all annexes thereto, duly signed on each page, by the issuer's chief executive officer or managing director, chief financial officer, company secretary and chief executive officer or managing director of the issue manager;	Attestation on each page is not required. All the documents are to be uploaded into a Portal, so that signature requirement does not exist.	Task Force is of the opinion that a legal document cannot be signed by another person without authority. The Directors and Issue Managers provide the due diligence certificates, which should suffice. Requiring signatures on each page of application documents is a time-consuming and lingers the process. We propose that it is issuer's responsibility that submitted documents are authentic, mere attestation will not carry any extra value.

4(1)(j)	Timeline for IPO	<p>Should have a timeline of 6 months from submission to debut trading.</p> <p>Proposal:</p> <ul style="list-style-type: none"> • First query (deficiency letter) by BSEC within 20 working days of submission of IPO application. • Reply by Issuer within 20 working days. • Approval/rejection within 15 working days. • 20 working day lapse before opening of subscription, can be reduced. <p>BSEC and Exchange should come up with a combined checklist, so that the IPO timeline is reduced to the regional level, i.e., 4-6 months.</p> <p>Fixed Price:</p> <p>Exchange recommendation-75 days</p> <p>BSEC consent-45 days</p> <p>Subscription open-7 days</p> <p>Subscription-5 working days</p> <p>Subscription process & Allotment-10 days</p> <p>Debut trading-5 working days</p> <p>Total: 5.5 months</p> <p>Book Building:</p> <p>Exchange recommendation-75 days</p> <p>BSEC consent for bidding-45 days</p> <p>Bidding start-15 days</p> <p>Bidding & Allotment to Els-10 days</p> <p>Subscription open- 7 days</p> <p>Subscription-5 working days</p> <p>Subscription process & Allotment-10 days</p>	<p>We have seen many companies suffer many years to get approval. BSEC does not follow any timeline. They are not providing queries within 40 working days. BSEC is providing queries within 40 working days after completion of their review. (This can be verified by comparing the application date and date of query issue for all issues)</p> <p>Although an application is complete, BSEC may want any document from the company and unless the document is submitted, the application is incomplete in the eyes of the regulator. Clause 4(1) (h) and (i) of BSEC (public Issue) Rules, 2015 gives BSEC the right to ask additional information/documents.</p> <p>Although BSEC might sometimes genuinely need additional information to judge the merit of an IPO, these two clauses have severely delayed the overall processing time.</p> <p>The timeline for IPO must be shortened. Otherwise, no good businessman will consider IPO as any possible option for raising fund.</p> <p><u>Indian practice:</u></p> <p>In India, the timeline for Initial Public Offering (IPO) approval is reduced to approximately 107 days.</p> <p>Once SEBI grants approval, companies typically take an additional 4 to 6 weeks to launch the IPO.</p> <p>Furthermore, SEBI has reduced the time between the closure of an IPO and the listing of shares on stock exchanges to three (3) days, allowing issuers faster access to raised capital and providing investors with quicker liquidity.</p> <p>Overall, the IPO approval and listing process in India now spans approximately 4 to 5 months, encompassing the period from DRHP filing to the commencement of trading on stock exchanges.</p>
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		<p>Debut trading-5 working days</p> <p>Total: 6.0-6.5 months</p> <p>Issuer and Issue Manager will incorporate the EI subscription information, IPO price and post-IPO paid-up capital into the final Prospectus. As those are publicly disseminated, there is no need to send the Final Prospectus to BSEC for approval and consent. This has been practiced in Sri Lanka.</p> <p>This will replace the rule 4(2)(c)(xii) where Issuer and Issue Manager submit draft prospectus incorporating bidding information and rule 4(2)(d) where BSEC will give approval of prospectus.</p>	Regional comparison is provided in Annexure ^{iv} .
4(1)(j)	<p>the exchange(s) shall submit its observation, if any, on the proposed public issue to the Commission mentioning specific violation of the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015, or the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, 2001, or any other securities law, as applicable, and applicable financial reporting standards, within 30 (thirty) days of receiving application:</p> <p>Provided that if any exchange fails to submit its observation within the stipulated time, the Commission shall assume that the respective exchange has no observation on the submitted documents of the issuer.</p>	<p>The exchange shall submit recommendation along with a declaration [Same as BSEC (Qualified Investor Offer by Small Capital Company) Rules 2022] to the Commission on the issue within 75 days of receiving the application:</p> <p>Provided that while giving this recommendation the <u>Exchange does not take any responsibility for the financial soundness of the issuer company, any of its projects or the issue price of its securities or for the correctness of any of the statements made or opinion expressed with regard to them.</u> Such responsibility lies with the Issuer, its Directors, Chief Executive Officer, Managing Director, Chief Financial Officer, Company Secretary, Issue Manager, Issue Manager's Chief Executive Officer, Underwriters, Auditor(S), Valuer and/or Credit Rating Company (if any).</p>	
4(1)(l)	Private Offer to employees	<u>The issuer may make private offer to its employees or any other persons maximum 5% (five percent) of its initial public offer (IPO) at par value under the fixed price method or at fair value</u>	BSEC can task the Issue Manager to validate if the private offer recipient employee has been reported as a tax payee in the Withholding Tax Return, Schedule G. This will eliminate the newly joined employees, as Tax

		<u>under the book-building method, which shall be treated as a part of the IPO</u>	Authority asks for the list as the June 30 of the last year. However, some other employees at lower range of salary (below tax threshold) will not exist in that list, but still may be allowed.
4(2)(a)(i)	The issuer/issue manager shall send invitation to the eligible investors, both in writing and through publication in at least 5 (five) widely circulated national dailies, giving at least 10 (ten) working days" time, to the road show indicating time and venue of such event.	Conducting Roadshows through <u>electronic form</u> and to be held <u>after receiving consent and before price discovery (Bidding)</u> .	It involves cost and effort to conduct physical roadshow. Also, having it much earlier makes the roadshow outdated. BSEC may not approve an IPO, making the roadshow useless.
	<p>Red Herring Prospectus and Final Prospectus printing and distribution:</p> <p>Currently, before bidding, Issuer needs to send the hard copy prospectus to all eligible investors. This requires time and additional expenses for the Issuer Company. Additionally, after the price discovery, the Issuer needs to print prospectus again for the general investors. BSEC needs 40 copy, DSE/CSE needs another 400-500 copies.</p>	<p>We propose to omit the requirement of sending hard copy prospectus to eligible investors. Before bidding, Issuer will upload the soft copy prospectus to the websites of the Issuer Company, Issue Manager, Exchanges and BSEC.</p> <p>Physical copies should be available on request on payment basis. BSEC and DSE should also eliminate the requirement for the hard copy of the final prospectus, except for a few copies (5-10) -- to be preserved in the file and library.</p>	<p>SEBI Regulations on Prospectus Distribution:</p> <p>The Securities and Exchange Board of India (SEBI) has moved towards paperless IPO processes to improve efficiency and reduce costs. The key requirements are:</p> <ol style="list-style-type: none"> Electronic Availability <ul style="list-style-type: none"> The prospectus must be available online on the websites of: <ul style="list-style-type: none"> SEBI (www.sebi.gov.in) Stock Exchanges (NSE/BSE) Lead Managers / Merchant Bankers Company's website (if applicable) Physical Copies (on Request Only) <ul style="list-style-type: none"> Companies and issue managers are not required to print and distribute hard copies by default. However, they must provide a physical copy if an investor specifically requests one.

4(2)(c)(ii)) & 4(3)(b)	No eligible investor shall quote for more than 2% (two percent) of the total amount offered against their respective quota	No eligible investor shall quote for more than 1% (one percent) of the total amount offered against their respective quota. In fixed price method, the EIs quota will also be 1%	More participants of EIs are required for discovering cut-off price																				
4(2)(c)(xi)	The securities shall be offered to general public for subscription at an issue price to be fixed at 10% discount (at nearest integer) from the cut-off price;	This type of discounting should be removed.	Discount from cut-off price artificially raises demand for a share, in this case, general investors invest in companies without reviewing prospectus as they expect that since EIs invested in the company, the shares will definitely increase regardless of financials. This type of discount is also unusual in any other market.																				
4(2)(c)(xiii)	The exchange shall transfer the subscribed amount against securities to be allotted, to the issuer, within 05 (five) working days from the date of closing of bidding;	The exchange shall transfer the subscribed amount against securities to be allotted, to the issuer, at the time of remitting the fund of general investors;	This transfer has made for book building issue regarding the fund collected from EIs and the general public portion amount has been transferred after their subscription and pro-rata allotment. The total fund should be transferred to the issuer at the same time. In this regard, the EI portion amount may be transferred with the general public amount. It is also mentioned here that the issuer cannot use the fund before listing. In fixed price method all the funds (EI and GP) has been transferred to the issuer at the same time.																				
6(1)&(2)	Distribution of securities: <table><tr><td>Eligible Investor including Mutual Funds and CISs (EIs)</td><td colspan="2">General Public (GP)</td></tr><tr><td rowspan="2">25%</td><td>NRB</td><td>Other</td></tr><tr><td>5%</td><td>70%</td></tr></table>	Eligible Investor including Mutual Funds and CISs (EIs)	General Public (GP)		25%	NRB	Other	5%	70%	Distribution of securities under Fixed Price Method and Book Building Method (excluding the portion of securities under employee private offer, if any): The allocation is to be finalized based on market feedback. <table><tr><td>All Eligible Investors [including Mutual Funds and CIS]</td><td>50%</td></tr><tr><td>General Public NRB : 5%</td><td>50%</td></tr></table>	All Eligible Investors [including Mutual Funds and CIS]	50%	General Public NRB : 5%	50%	Here's a summary of the percentage allocation in a book-building IPO for the retail or non-institutional segment in India, Pakistan, and Sri Lanka: <table><tr><td>Country</td><td>Retail Investors</td><td>Non-Institutional Investors (HNWIs, Others)</td><td>Institutional Investors (QIBs, Others)</td></tr><tr><td>India</td><td>35%</td><td>15%</td><td>50%</td></tr></table>	Country	Retail Investors	Non-Institutional Investors (HNWIs, Others)	Institutional Investors (QIBs, Others)	India	35%	15%	50%
Eligible Investor including Mutual Funds and CISs (EIs)	General Public (GP)																						
25%	NRB	Other																					
	5%	70%																					
All Eligible Investors [including Mutual Funds and CIS]	50%																						
General Public NRB : 5%	50%																						
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		<div>HNI (Above 2 lac) : 15%</div> <div>Retail Investors applying up to Tk 2 lakh : 30%</div>		<table><tr><td>Pakistan</td><td>10% (Retail)</td><td>Included in retail</td><td>90% (Book building phase)</td></tr><tr><td>Sri Lanka</td><td>40%</td><td>Included in non-retail</td><td>60%</td></tr><tr><td>Bangladesh</td><td>75%</td><td>-</td><td>25%</td></tr></table>	Pakistan	10% (Retail)	Included in retail	90% (Book building phase)	Sri Lanka	40%	Included in non-retail	60%	Bangladesh	75%	-	25%
Pakistan	10% (Retail)	Included in retail	90% (Book building phase)													
Sri Lanka	40%	Included in non-retail	60%													
Bangladesh	75%	-	25%													
		NRB will invest through NITA account only.														
		If NRB portion is undersubscribed, it will be allotted to General Public.														
10	Ordinary shares of the issuer, at the time of according consent to the public issue, shall be subject to lock-in, from the first trading day at the exchange in the following manner: (a) shares held by sponsors, directors and shareholders holding 10% (ten percent) or more, for 03 (three) years; (b) in case, any existing sponsor or director of the issuer transfers any share to any person, those transferred shares, for 03 (three) years; (c) shares allotted to any person, before 4 (four) years or more of according consent to the public issue, other than the persons mentioned in clause (a) and (b), for 01 (one) year; (d) shares held by alternative investment funds or by foreign investors, for 01 (one) year; and (e) shares held by any person, other than the shares mentioned in clause (a), (b), (c) and (d) above, for 02 (two) years: Provided that ordinary shares converted from any other type of securities shall also be subject to lock-in as mentioned above.	The lock-in of shares for sponsors to remain unchanged. Clause (a) and clause (b). Uniform lock-in period for other exiting shareholders and shares under employee private offer -- shall be under one year lock-in. If private placement issued within 2 years, then 3 years' lock-in.	As there is no private placement allowed in the last two years before IPO, one year lock-in actually translates to 2+1 = 3 year lock in.													
14	Issue Management Fees:	Add minimum fee: not less than Tk. 50 lac.														

	(a) Fixed Price Method: Issue Management fee Maximum 2% (two percent) of the public offer amount. (b) Book Building Method: Maximum 2% (two percent) of the public offer amount (including premium)										
14		Electronic Subscription Fees @ 0.50% of the public offer amount, with a max ceiling of BDT 30 lacs.	Currently, DSE incurs a cost of BDT 25 lacs (approx.) to run ESS and do allocation/refund. However, this cost may be kept outside the purview of the law and allow DSE to recover the cost from time to time. DSE would also need to attain efficiency, lower the cost and come at par with the regional markets in terms of speed.								
14	Consent fee of commission is 0.40% on the public offer amount.	We propose to lower it to 0.10% of issue size.	<div>Regional practice:</div> <table><tr><th>Country</th><th>Consent fee</th></tr><tr><td>Sri Lanka</td><td>Nil</td></tr><tr><td>Pakistan</td><td>SECP supervisory fee amounting to 10% of the PSX's listing fee. SECP IPO application processing fee is PKR 200,000. PSX's Initial Listing Fee: 0.1% of the company's paid-up capital, with a cap of PKR 1.5 million.</td></tr><tr><td>India</td><td>0.1% of the issue size. Annexure^v SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, page 220</td></tr></table>	Country	Consent fee	Sri Lanka	Nil	Pakistan	SECP supervisory fee amounting to 10% of the PSX's listing fee. SECP IPO application processing fee is PKR 200,000. PSX's Initial Listing Fee: 0.1% of the company's paid-up capital, with a cap of PKR 1.5 million.	India	0.1% of the issue size. Annexure ^v SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, page 220
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India	0.1% of the issue size. Annexure ^v SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, page 220										

Annex B	(b) All the legal requirements relating to the issue as also in the rules, notification, guidelines, instructions, etc. framed/issued by the Commission, other competent authorities on this behalf and the Government have been duly complied with;	<u>All the legal requirements relating to the issue as also in the rules, notification, guidelines, instructions, etc. framed/issued by the Commission have been duly complied with;</u>	Proposing to omit the clause “other competent authorities on this behalf and the Government”.																				
			The merchant banks do not have the jurisdiction to check the certified documents provided by the issuer.																				
Annex B	(e) We have satisfied ourselves about the capability of the underwriters to fulfill their underwriting commitments;	<p>Eligibility of the Underwriters:</p> <p>The underwriters should have liquid asset and free credit lines – to support their underwriting capability.</p> <p>Should comply with RBCA Rules, 2019 and IFRS. Should not have any provisioning shortfall.</p> <p>Govt should review, if they can allow banks, NBFIs, insurance companies, stockbrokers to underwrite, like India.</p> <p>Currently, BB does not allow banks and NBFIs to do any business that requires license from another regulator (except for Custodial business).</p>	<table><tr><th>Criteria</th><th>India</th><th>Pakistan</th><th>Sri Lanka</th></tr><tr><td>Eligible Entities</td><td>Merchant bankers, financial institutions, NBFCs, stockbrokers</td><td>Banks, financial institutions, investment banks, brokers</td><td>Banks, financial institutions, investment advisors, stockbrokers</td></tr><tr><td>Capital Adequacy</td><td>Must maintain sufficient capital for underwriting commitments</td><td>Must maintain a minimum capital-to-risk ratio set by SECP</td><td>Must maintain adequate financial resources to fulfill obligations</td></tr><tr><td>Liquidity Requirement</td><td>No fixed requirement, but must have adequate financial resources</td><td>Must maintain liquid assets or access to approved credit facilities</td><td>Must demonstrate access to cash reserves, liquid securities, or credit facilities</td></tr><tr><td>Financial Stability Check</td><td>SEBI assesses the financial position of the underwriter before approval</td><td>SECP checks liquidity and financial reserves to ensure risk coverage</td><td>SEC Sri Lanka requires underwriters to show financial reserves and liquidity</td></tr></table>	Criteria	India	Pakistan	Sri Lanka	Eligible Entities	Merchant bankers, financial institutions, NBFCs, stockbrokers	Banks, financial institutions, investment banks, brokers	Banks, financial institutions, investment advisors, stockbrokers	Capital Adequacy	Must maintain sufficient capital for underwriting commitments	Must maintain a minimum capital-to-risk ratio set by SECP	Must maintain adequate financial resources to fulfill obligations	Liquidity Requirement	No fixed requirement, but must have adequate financial resources	Must maintain liquid assets or access to approved credit facilities	Must demonstrate access to cash reserves, liquid securities, or credit facilities	Financial Stability Check	SEBI assesses the financial position of the underwriter before approval	SECP checks liquidity and financial reserves to ensure risk coverage	SEC Sri Lanka requires underwriters to show financial reserves and liquidity
Criteria	India	Pakistan	Sri Lanka																				
Eligible Entities	Merchant bankers, financial institutions, NBFCs, stockbrokers	Banks, financial institutions, investment banks, brokers	Banks, financial institutions, investment advisors, stockbrokers																				
Capital Adequacy	Must maintain sufficient capital for underwriting commitments	Must maintain a minimum capital-to-risk ratio set by SECP	Must maintain adequate financial resources to fulfill obligations																				
Liquidity Requirement	No fixed requirement, but must have adequate financial resources	Must maintain liquid assets or access to approved credit facilities	Must demonstrate access to cash reserves, liquid securities, or credit facilities																				
Financial Stability Check	SEBI assesses the financial position of the underwriter before approval	SECP checks liquidity and financial reserves to ensure risk coverage	SEC Sri Lanka requires underwriters to show financial reserves and liquidity																				

New	Site Visit	Site visit should be done by a team from stock exchanges. The Issuer may facilitate the site visit.	
New	Direct listing process	<p>In the direct listing process, in addition to government companies, multinational and large companies having met certain revenue (e.g., BDT 1000cr) could be included in the capital market to increase the supply of securities in the market, on a case to case basis.</p> <p>These firms are cash rich. Thus, they do not need additional capital.</p> <p>25% minimum offload should be changed to 10%.</p>	
New	Mandatory Listing for certain companies	<p>Currently, banks, NBFIs, Insurance Companies and Telcos are required to list mandatorily.</p> <p>Bangladesh Bank can ask the banks to go for mandatory listing for large borrowers (say BDT 1000cr or above) having debt to equity ratio of 70:30 or above, for sanction renewal.</p>	This will improve the governance and tax collectability from the large corporates.

New	Dual Listing	Dual Listing can be made optional.	<table><tr><td>Country</td><td>Major Stock Exchange(s)</td><td>Is Dual Listing Mandatory?</td></tr><tr><td>India</td><td>NSE & BSE</td><td>✗ Not Mandatory</td></tr><tr><td>Malaysia</td><td>Bursa Malaysia</td><td>✗ Not Mandatory</td></tr><tr><td>Indonesia</td><td>Indonesia Stock Exchange (IDX)</td><td>✗ Not Mandatory</td></tr><tr><td>Thailand</td><td>Stock Exchange of Thailand (SET)</td><td>✗ Not Mandatory</td></tr></table>	Country	Major Stock Exchange(s)	Is Dual Listing Mandatory?	India	NSE & BSE	✗ Not Mandatory	Malaysia	Bursa Malaysia	✗ Not Mandatory	Indonesia	Indonesia Stock Exchange (IDX)	✗ Not Mandatory	Thailand	Stock Exchange of Thailand (SET)	✗ Not Mandatory
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New	Regulatory Framework for Cross-Border IPOs	Introduce provisions for cross-border IPO subscription.	<p>We can allow such fund raising, both for equity and bond or other financial instrument.</p> <p>The governance level will increase, as the company will have to comply with the securities laws of the foreign lands.</p>															
New	IPO file handling officer at BSEC	IPO processing at BSEC must be handled by an experienced team with sufficient seniority. They will have their reporting line direct to the Commission. All correspondences with the Issuer should be directly addressed to them and responded to independently.	<p>Currently being done by Assistant Directors, who are newly recruited.</p> <p>Primary review of the IPO file should be done by a Joint Director (8-10 yr experience) or Deputy Director (5-6 year experience).</p> <p>To fasten the process, all the communications can be directed to the dealing officer, with a CC to Chairman. Currently all are sent to the Chairman. It takes a lot of time for a letter to cascade down.</p>															
New	Tracking progress of IPO file	An online dashboard should be introduced where the current updates of every application (IPO, RPO, Rights, Pref Share, Bond, etc.) filed to the BSEC can	Annexure ^{vi} .															

		be found online to increase transparency.	
New	Approval by Exchange and right of the Exchange to deny	<p>Five-member Independent Expert Panel (e.g., Sector expert, Chartered Accountant, CFA Charterholder, banker, university business faculty) in DSE to review IPO, before sending to DSE Board.</p> <p>Fit and Proper Criteria is to be set.</p> <p>Exchange to approve first. Then BSEC will approve. If Exchange rejects it, BSEC cannot approve.</p> <p>Any appeal for review should be handled at BSEC but approval must not be given unless Exchange's Independent Team is satisfied.</p> <p>Forced listing ability by BSEC should be withdrawn, as mentioned in Section 9(3) of BSEC Ordinance 1969.</p>	Template for evaluation of an IPO ^{vii}
New	Start-ups and tech-based IPO	Separate regulations should be issued from regulators for onboarding startups and tech-based companies in IPO/IQIO.	
	Points raised in deficiency letter by BSEC	<p>As mentioned before, BSEC provides deficiencies that is not covered under any rule. BSEC should create a comprehensive checklist of documents/information needed for public issue and make it part of the Rule.</p> <p>Asking for all the bank statements of 1 year or 5 years, revenue documents of five (5) years (sales invoice, receivable, collection), all LC of machineries, all documents supporting income statement/balance sheet/ cash flow statement are</p>	

		assumed as harassment to the companies, especially for the large companies due to sheer volume of transactions/documents. BSEC can transfer these responsibilities to any of their chosen “audit firm” (separate from the firm that audited the financials) and ask for “auditor’s certificate” while a company lodges the IPO file. Exchanges also ask for similar info. BSEC can tell the exchanges to verify those with the help of third party auditors too, to make the efficient.	
	Information requirement of Prospectus: Annexure E of BSEC (Public Issue) Rules 2015	Separate proposal is provided in annexure ^{viii} , on content of the Prospectus.	
New	Exemption authority.	We propose to include, “the Commission, if it deems appropriate for the interest of investor or development of capital market, may exempt or relax any of the above prerequisites’ clauses of the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015”.	Process will be faster. As the exemptions are given anyway by BSEC through issuing gazette.
New	Requirements from Exchanges (Auditor Certificates)	Annexure ^{ix}	
Consent Letter, 2CC	Post-IPO quarterly compliance by the Issue Manager <u>Provided that the Board of Directors of the issuer along with the Issue Manager shall hold a quarterly meeting with the Capital Issue Department of the Commission to review the status of its business plan as mentioned in the Prospectus.</u>	This is burdensome for an issue manager. We recommend to remove the post-IPO compliance by the issue manager. To make the issue manager liable, a proper <u>Due Diligence checklist</u> can be developed instead.	Annexure ^x provides a reference to Pakistan and India.
CIB		Currently, loan rescheduling facts are to be reported in prospectus. Besides that, some loans	

		<p>are reported 'regular' by the issuer companies by dint of court order or stay order. That amount should be disclosed too.</p> <p>BSEC/Exchange should have access to CIB database, and validate outstanding loan of audited financials vs. CIB.</p>	
	Access to information by Exchange	Access to information from banks, NBFIs, CDBL, NBR, RJSC, IDRA, MRA and other licensing agencies for validating information submitted by the issuer company. BSEC to ensure this.	
	Forfeiture of the fund for invalid applications	Should go to the Investors' protection fund	
	Minimum amount of BDT 50,000 to be invested in secondary market, to apply in IPO.	This pre-requisite can be omitted.	<ul style="list-style-type: none"> • This is not practiced in any other market in the world. • Primary and Secondary are two different markets. • Tk 50K investment requirement will make the entry of any new investor difficult.
	<p>Annexure E , Clause 2(c), table of contents, (XXIV) : Financial Statements [Table of contents]</p> <p>Clause 25 to Annexure –E states about details of this:</p> <p>The latest financial statements prepared and audited by the Commission's panel auditors in adherence to the provisions of the Securities and Exchange Rules, 1987, the Companies Act, 1994,</p>	<p><u>Proposed:</u></p> <p>The latest financial statements prepared and audited by the Commission's panel auditors in adherence to the provisions of the Securities and Exchange Rules, 2020, the Companies Act, 1994, International Financial Reporting Standard (IFRS), Financial Reporting Act 2015, additional disclosures requirement as presented in Annexure E.1 and International Standard of Auditing (ISA).</p>	

International financial Reporting and Auditing Standards as adopted in Bangladesh from time to time and Financial Reporting Act;		
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OTHER RELATED LAWS

Right Offer Rules	<p>If it is a rights issue and all shareholders have the right to subscribe at a particular price and that price is approved by the shareholders at an EGM, there should be no other objections.</p> <p>Of course, the use of proceeds must be clearly defined and reported on.</p> <p>Valuation: Should be lower than the post issue diluted price.</p>	<p>Thought the law is correct and have no mention of pricing, but BSEC tries to regulate the pricing informally.</p> <p>It is to be underwritten 100% as per existing law. Still BSEC is not approving the price of a Rights Offer. BSEC/ Exchange are also asking for a lot of documents of the past years (invoices to tie up the revenue).</p> <p>Annexure 2 provides a list of Rights Offer Queries, as issued by BSEC. The list is too complex and time consuming to work at.</p>
Issue of Capital Rules	<ul style="list-style-type: none"> Needs to be updated, to reflect the directives. Coverage/scope of the law needs to be defined, e.g., Listed preference share issuance Strategic investment, privately placed: there should be premium from diluted price, so that general shareholders are not affected. For privately placed non-convertible preference share of a non-listed firm, no BSEC approval should be required. A post-facto notification can be made. 	
Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021	<ul style="list-style-type: none"> Like India, <u>privately placed bonds</u>, post facto reporting to BSEC only. 	

		<ul style="list-style-type: none"> • For public offer of bonds, BSEC should look into the cash flow projection or debt servicing ability of the borrower. • Bank and NBFIs or Merchant Banks with at least 100cr net worth should only be Trustees. • For Bonds, there should a provision of CIB reporting in case of default. The Trustee (if it is a Bank) or Banker of the Trustee should play that role. 	
	Schedule “B”, Section 2(12): “Auditors’ report along with the audited financial statements of the issuer or originator, as applicable made up to a date not older than 270 (two hundred seventy) days from the date of issue of the IM”	<p>Withdrawal of restrictions of 270 days from the Debt Securities Rules 2021.</p> <p>Need to repeal Schedule “B”, Section 2(12) of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021.</p>	The issuer faces difficulties in complying regulator’s requirements within the stipulated timeframe.
	Repeat Public Offering	Valuation: Should be lower than the post issue diluted price.	

ANNEXURES

Fit and Proper Enlistment Criteria for IPO Auditors

Under this Fit and Proper Criteria, individual partners will be enlisted for various audit and certification engagements related to IPO. The enlisted partner will represent their firm and will be solely responsible for their activities.

Total points Allotted for Enlistment : 100

60% Weight on Individual Partner (60 points)

40% Weight on Audit Firm (40 points)

Minimum Qualifying Score: To be eligible for enlistment, a partner representing their firm must achieve a minimum score of 60 out of 100 points. Top 20 auditors will be chosen to be eligible for IPO audit.

Pre - requisites:

- I. An individual partner applying for enlistment must belong to a partnership firm
- II. Partner must have updated and valid Certificate of Practice (COP) issued by ICAB
- III. Both the firm and the partner must be enlisted with the FRC.
- IV. The individual partner and the audit firm must be free from any disqualification including inter-alia penalty imposed or under proceedings by any regulatory authority including ICAB.
- V. A partner of an audit firm will not be considered for enlistment if any material misstatement was detected and clear evidence of gross negligence found by BSEC/Exchange, in any IPO prospectus issued earlier.
- VI. Both the partner and firm must have a minimum of 07 (seven) years of practicing experience.
- VII. Auditors will be selected based on ascending order (highest points to lowest points) of points obtained.
- VIII. BSEC will determine the total number of enlisted auditors based on market size/requirement.

1. Individual Partner (60 points)

Criteria	Points	Options	Repoints
a. Years of Experience in Practice as a Partner	15	15+ years (15 points)	
		11-14 years (10 points)	
		5-10 years (5 points)	
b. Experience in IPO Audit as a Partner or as an employee taking a managerial role in the entity	7	Audited 10+ Companies (7 points)	Relevant published prospectus need to be attached.
		Audited 6-10 Companies (5 points)	
		Audited 3-5 Companies (3 points)	
		Audited below 3 Companies (0 points)	
c. Experience in Listed Company Audits as a Partner	8	Audited 10+ Companies (8 points)	
		Audited 6-10 Companies (6 points)	
		Audited 3-5 Companies (4 points)	
		Audited below 3 Companies (0 points)	
d. Quality of Audited Financial Statements s/he has signed off (to be Attached)	5	Consistently high-quality financial statements and reporting thereon (5 points)	Must attach 03 (three) audited financial statements of listed company.
		Satisfactory quality (3 points)	
		Poor quality (0 points)	
e. Partner's Reputation and Track Record	15	The partner has no history of disciplinary actions/penalties/under proceedings by	

		any regulator within last five years (15 points)	
		The partner is under proceedings but penal action has not been initiated by any regulator (12 points)	
		The partner has a history of disciplinary actions/penalties/under proceedings by any regulator but these occurred more than five years ago (7 points)	
f. Leadership role: Experience in working with listed companies, large non-listed companies and/or multinational companies in business, commerce, or finance leadership role. The role may include the position of Chairman, Director, Committee Chairman, or Committee Member as well. However, this list is not exhaustive.	5	10+ years (5 points) 6–10 years (4 points) 3–5 years (3 points) 1–2 years (2 points)	Having working experience as an employee of an audit Firm managing at least 05 (five) listed companies, irrespective of industry, will earn him/her 03 bonus points. Overseas work experience will earn him/her 03 bonus points. However, the total points, including both basic and bonus, cannot exceed the allotted 10 points for this criteria.
g. Age and physical fitness of the partner	5		Partners above the age of 65 (sixty five) must undergo a physical interview by BSEC.
Sub Total	60		

2. Audit Firm (40 points)

Criteria	points	Options	
a. Firm's Years of Experience	8	15+ years (8 points) 11–14 years (6 points) 7–10 years (4 points)	
b. Firm's Number of Partners	7	4+ Partners (7 points) 4 Partners (5 points) 3 partners (4 points) 2 Partners (3 points)	
c. Pattern of Partnership	5	Having a partnership with common operations, including a shared or jointly operated bank account, centralized employee management, a review partner, and profit/loss sharing (5 points) A partnership of consortium structure/nature, where partners practice individually under a common name but maintain separate bank accounts, operate from different offices (which are not branches of the firm), and manage their finances independently, (0 points.)	Shall be determined by reviewing the partnership deed, bank account operations, tax return payments, office network with addresses within a single city and coordination among the partners.

d. Firm Resources with professional skepticism	10	Having at least one qualified professional employees (4 points).	
		Having a sufficient number of course-completed and partly qualified employees (3 points).	
		Having a separate Tax and VAT Department headed by a Partner with an adequate number of employees (3 points)	
e. Affiliation/relation with international accounting and auditing Firm (annual or periodical review for all cases is mandatory)	5	Member firm who can sign on the international firms' letter head (5 points)	
		Member firm who can not sign on the international firms' letter head (3 points)	
		Member of Group of firms or consortium (2 points)	
		Connected otherwise international firm (1 point)	
		Not connected with any international network (0 point)	
f. Firm's Associates	5	Have associations with engineers, lawyers, Consultants and valuers	Names and contact details, along with arrangements for in-house or outsourced services to be submitted
Sub - Total	40		
Grand Total	100		

Declaration: The partner will individually declare that all information and facts provided are correct. The application is subject to cancellation in case of any false declaration.

Other matters:

Enlistment Period: The auditor will be enlisted for a period of 3 (three) years. After the completion of the enlistment period, the partner must apply for renewal to BSEC.

Online Portal for Enlistment: To streamline the enlistment process and ensure efficiency, a dedicated online portal will be implemented. The portal will facilitate the easy uploading of required documents, making the enlistment process hassle-free and transparent.

Renewal Process: Once a partner is successfully enlisted, the renewal process will be simplified. For subsequent renewals, the partner will only need to update any relevant or changed information. Based on these updates, the Bangladesh Securities and Exchange Commission (BSEC) will proceed with the renewal of the enlistment.

Evaluation Team: An independent evaluation panel will be formed to assess the applications. The panel will consist of a non-practicing member of ICAB, the COO of ICAB, one Executive Director (ED) from FRC, one representative from the stock exchanges, and a member of the BSEC team. BSEC will provide all secretarial supports to the evaluation team. This diverse panel ensures a fair and unbiased evaluation of the application.

Document Verification: All documents submitted by the partner, including the list of audited companies, audited financial statements, and proof of qualifications, will be thoroughly verified by the evaluation team. Any discrepancies or missing information will result in the application being put on hold until resolved.

Final Approval: After the evaluation process is complete, the BSEC will make the final decision on the enlistment within 30 (thirty) days from the date of application deadline set by BSEC. The partner will be notified of the decision, and if approved, their name will be added to the list of enlisted auditors for IPOs.

Appeal Board and Process: If the application is rejected, the partner will have the right to appeal against the decision within 30 (thirty) days. The appeal will be reviewed by a separate Board to be formed by BSEC to ensure the justice to the applicant.

Continuous Monitoring: Once enlisted, the partner and their firm will be subject to continuous monitoring by the BSEC. Any violations of regulations or professional misconduct during the enlistment period may result in suspension or cancellation of the enlistment.

Interim revision of list of this auditors' pool: If BSEC finds material misstatements and/or gross negligence in his/her due professional care, BSEC will take punitive measures to de-list that auditor. In this regard, BSEC can invite applications to fill in the vacancy of that auditor in the panel.

Capacity limitation: 1 (one) partner will be entitled to assume 1 (one) IPO audit in a particular financial/Calendar year. Alternatively, during the IPO audit of an entity, the auditor will not be eligible to take a another IPO audit.

ii **Additional Financial Disclosures and Focus Areas**

SL No.	Subject Matter	Additional disclosure requirements
ASSETS		
1	Property, plant and equipment	<ul style="list-style-type: none"> - Disclose whether any Fixed Assets Register (FAR) is adequately maintained delineating date of acquisition, description of the assets, current location, economic life, etc. or not. - Disclose about the title deed/ possession of the assets, specifically for Land. - Disclose the land with details/ how much land which is not registered in name of company. Instead these are registered in the name of owners or directors. - In case of Land, whether mutation of all land has been completed or not. - Disclose whether management carries out physical verification of PPE at every year. - Every three-year interval, physical verification of PPE shall be conducted by Independent Auditor/Practitioner and management should collect a PPE verification certificate in this regard. - Disclose whether revaluation of PPE has been carried out or not. If yes, detailed disclosure relating to revaluation of PPE including valuer information along with year of revaluation should also be disclosed in the relevant note of FSs. Once the revaluation of PPE is done, it should be updated at regular interval, say 3 to 5 years. If not, necessary disclosure should be given with proper justification and future plan of the Entity. - Disclose whether there are any litigation against assets, if yes, current status of litigation stating the carrying value of disputed assets. - Disclose whether any assets are kept as security or lien against loan or other purpose. - Disclose whether PPE/all the assets are under insurance coverage or not. - Disclose whether list of assets are mortgaged to the other parties. - In case of use of the 'revaluation reserve', specific disclosure must be made to that extent.
2	Capital work-in-progress	<ul style="list-style-type: none"> - Major item wise description. - Total estimated project cost and expected date of completion for use. - Quantum of borrowing cost capitalized, if any. - Amount of expenditure of revenue nature capitalized - Amount of other withdrawals by the sponsors, directors, senior management staff and their family members capitalized. - Amount of revenue expenditure, not attributable to acquisition of fixed asset.
3	Investment property	<p>Disclosure on</p> <ul style="list-style-type: none"> (a) the part of investment made but not included in the assets, (b) security against loan, (c) possession of asset in case of land, (d) legal process done in case of land including mutation, (e) valuation made by the independent valuer and (f) whether any litigation process on the assets

4	Investment in subsidiaries and associate	<ul style="list-style-type: none"> - Disclose about control and percentage of shareholding- Disclose the business linkage with the holding company- Disclose the nature of business- Disclose the net assets value of the invested companies (annually by independent valuer).- Any possibility of bad and doubtful return of investment including principle and interest, if any, and quantify the amount and report by both management and auditors comments thereon.
5	Investment in securities	<ul style="list-style-type: none"> - Disclose the investment process by a investment team, investment decision, reviewed by the Board or its committee of the performance - Disclose the outcome of such investments, as applicable, to justify the investment decision
6	Inventories	<ul style="list-style-type: none"> - Disclose book value of obsolete, date expiry stock, damaged stock - In case of spare parts, disclose which part will not be used though it is in good condition because of redundant of machineries, if any. - Disclose revenue to raw material and finished goods ratio and its interpretations - Aging of all inventories containing 0-180, 180-365, and 365 above, specially RM and FG - Disclose the inventory turnover ratio of RM, FG and reasons for significant deviation from industry standard - Information relating to insurance coverage - Disclose whether physical verification of inventories has been carried out or not and reconciliation thereof if physical verification conducted after the cut off date
7	Good-in-transit	<ul style="list-style-type: none"> - Details particulars of the goods including purchase or import documents - Aging of goods-in-transit must be disclosed - If there is any restrictions imposed by any regulatory authority on the release and/or usage of goods-in-transit in Bangladesh, that must be disclosed. - Reason for delay in arrival of goods.
8	Trade and other receivables	<ul style="list-style-type: none"> - Disclose whether there is any proper approval or not, - Disclose whether any element of transfer pricing is involved, if any, quantification is required by both management and independent assessment by auditors, - Aging of trade and other receivables containing 0-180, 180-365, and 365 above with proper description of the status. - Disclose whether the transactions are occurred in arm's length price - In case of significant Sales Returns in the reporting period, Managements must make complete disclosures on the reasons. - Disclose with required provision for any doubtful of recovery - Disclosure of approval for inter-company transaction in regularly convened board meeting, if it is not a normal course of transaction, - Disclose whether receivables (loan) are Interest bearing or not - Whether intercompany receivable is appropriately reconciled at the reporting date and reason for long outstanding items - Disclose the NAV of the other subsidiaries and associates or Valuation of Shares by the independent valuer

9	Inter-company loan receivable	<ul style="list-style-type: none"> - Disclosure of approval for inter-company loan in regularly convened board meeting. - Specify the amount of interest free intercompany loan out of borrowings. - Disclose whether borrowings are Interest bearing or not,- - Aging of the loan containing 0-180, 180-365 and 365 above with proper description of the status.- - Management must disclose its assessment of the recovery timeframe by each item of these loan receivables- Borrowing and lending difference if any, - Operational performance of borrower company, - Disclose whether intercompany loan is appropriately reconciled at the reporting date and reason for long outstanding items,- - Net Assets Value (NAV) of the borrower company or Valuation of Shares of that borrower Company by the independent valuer, - Any possibility of bad and doubtful loan, if any, quantify the amount and report by both management and auditors comments thereon. - Full disclosure including purpose of loan, repayment, security, whether approved in regularly convened board meeting, borrowing and lending difference if any, operational performance of borrower company, net assets value of the borrower company (annually by independent valuer), any possibility of bad and doubtful loan, if any, quantify the amount and report by both management and auditors comments thereon, relationship with sponsor and directors, administrative control and so on.
10	Advances, deposits and prepayments	<ul style="list-style-type: none"> - Disclose the secured and unsecured advance, deposits and prepayments - Aging containing 0-180, 180-360 and above 360 days - Breakdown of advances to parties including employees with purpose - No movement of advances for the last 180 days and above - Disclose the advance, deposit and prepayments kept with related party with each name
11	Cash and cash equivalents	<ul style="list-style-type: none"> - Quantify the long outstanding items in the reconciliation items. - Justification of significant or unusual cash balance.
EQUITY & LIABILITIES		
12	Share capital	<ul style="list-style-type: none"> - Disclosure of utilization of share capital for the last five years. - Disclose of legal verification of the capital with certified copy of Schedule X issued by RSJC with a reconciliation as on the cutoff date. -Disclose about the certified copy of return of allotment issued by RJSC in case of new allotment for the period under audit. - Break of capital with cash, bank and bonus - Disclosures of sponsors capital with cash or in kind
13	Long term loan	<p>Inter company loan availed:</p> <ul style="list-style-type: none"> - Disclosure of approval for inter-company loan in regularly convened board meeting, - Disclose whether borrowings are Interest bearing or not, - Borrowing and lending difference if any,
14	Short term loan	Disclosures to be made for interest paid/accrued with disclosures of names of lenders, purpose and status
15	Share money deposit	<ul style="list-style-type: none"> - Disclosure of share money deposit for more than 6 months with reasons. - Full disclosures must be given with timeframe for the utilisation/issuance of shares againsts this.

16	Trade creditors	<ul style="list-style-type: none"> - Disclose the aging of major trade and other payables - Proper description with reasons for very old trade and other payables must be disclosed. Aging buckets will be based on industry practice.
17	Provision for income tax	Year-wise tax status report
18	Unpaid dividend	<ul style="list-style-type: none"> - A reconciliation statement of unpaid dividend showing under cash, bonus, IPO subscription money. - Disclosure must be made with exact timeline to settle the unpaid dividends with shareholders
19	Other liabilities	<ul style="list-style-type: none"> - Aging containing 0-180, 180-365 and 365 above with proper description of the status. - Reasons for non-settlement of long pending liabilities must be adequately
OTHER ISSUES		
20	Off-balance sheet items	<p>Commitments:</p> <ul style="list-style-type: none"> - Category wise capital expenditure commitment - Number of projects in hand and expected date to complete - Specify the amount approved but not contracted for - Specify the amount contracted for but not accounted/provided for - Disclosure of letter of credit (given or receive) - Disclose the corporate guarantee has been given in favor of holdings subsidiaries and associates. <p>Contingent liabilities and assets:</p> <ul style="list-style-type: none"> - List of pending litigations including quantification with possible outcomes relating to VAT and Tax separately - List of any cases against company for any matter and possible outcomes - A statement to be given if any pending litigation or case not against company - Legal counsels' confirmation are required for supporting the disclosure statement of management - Management must specifically disclose that no Contingent Assets were recognised in the Balance Sheet (IAS 37 restricts recognition of Contingent Assets). This will allow for Management to avoid any any probable write off in future periods stating that they did not finally manage to own the asset for business usage

21	Related party disclosure	<p>Inter company loan availed:</p> <ul style="list-style-type: none"> - Disclosure of approval for inter-company loan in regularly convened board meeting, - Disclose whether borrowings are Interest bearing or not, - Borrowing and lending difference, if any. <p>Inter company receivable:</p> <ul style="list-style-type: none"> - Disclose whether there is any proper approval or not, - Disclose whether any element of transfer pricing is involved, if any, quantification is required by both management and independent assessment by auditors, - Disclose whether the transactions are occurred in arm's length price, - Disclose of approval for inter-company transaction in regularly convened board meeting, if it is not a normal course of transaction, - Disclose whether receivables (loan) are Interest bearing or not - Whether intercompany receivable is appropriately reconciled at the reporting date and reason for long outstanding items - Disclose the NAV of the other subsidiaries and associates <p>Inter-company transactions</p> <ul style="list-style-type: none"> - purpose and nature of transactions by respective amounts, whether there is any proper approval or not, whether element of transfer pricing is involved, if any, quantification is required by both management and independent assessment by auditors, whether any supply, sales and other major transactions are made with any entity where sponsors, directors and senior management or their family members have control, whether prices are fixed at arm's length, auditors comments on adjustment or recovery/payment method adopted by the entity.
22	Revenue	<ul style="list-style-type: none"> - Disclose about cash sales, bank sales and credit sales with percentage thereof - In applicable cases, reconciliation of input output has to be prepared and produced by the auditor.- Disclose whether reconciliation is made between the sales in income statement with the sales in Mushak 9.1- In case of fully automated system with highly IT dominant group, the auditor has to review the records of sales with a IT professional member in the audit team. If the audit firm doesn't have the required capability for IT assurance, the audit committee has to appoint seperate team for IT assurance covering IT control tests and other general control. The outcome of the IT assurance will be prior communicated to both audit committee and external auditor. - Disclose the percentage of top 10 customers on total sales- Management of the company give undertaking about all sales have been recorded and accounted for in the accounts.
23	Dividend	<ul style="list-style-type: none"> - Dividend policy and Complaine of the Policy, Statement of dividend paid over years stating the form of cash and bonus, statement of complaine in paying dividend in accordance with the relevanty laws and policies. - Disclose that dividend was paid lawfully in accordance with the Companies Act 1994 and applicable securities laws and regulations and state that no dividend was paid out of capital as per regulation 98 of the Companies Act, 1994.
24	Employees Benefits and WPPF	<ul style="list-style-type: none"> - Disclosure of paymnet of PF, GF, leave encashmnet, WPPF and other benefits in accordance with labour law 2006 as amended. - Disclosures of relevant policies in managing the funds and compliance of regulatory circulars like FRC and others

25	Bank Borrowing and interest thereon	Proper description of the facilities has to be disclosed, whether interest has been adequately provided for as per loan agreement
26	Receipts and payments	<ul style="list-style-type: none"> - Should present a statement of showing the payment and receipt in abridged version with percentage of bank payment and receipt based on the amount of Taka 5 (five) lac. - Full details with class-wise descriptions of all payments and benefits in cash and kind made to sponsors, directors, senior management staff and their family members. Whether proper approval was taken in appropriate forum.
27	TAX, VAT and other taxes/duties	<ul style="list-style-type: none"> -A reconciliation statement of Sales and VAT under Musahk 9.1 - Disclose if the Company is enjoying any special Tax benefits including the period of such benefits - Payment and liability status report of IT and VAT - Disclosures of compliances of IT and VAT in paying and receiving money in recognizing as income -Disclose the year-wise current status of IT and VAT

iii Financial Reporting Responsibilities, Fixation of Fees and Penalties

Initial Public Offerings (IPO)

Auditors' responsibility and penalty:

Material misstatements within the financial statements presented to them and **gross negligence** in statutory audit.

Material misstatements and gross negligence in special audit and/or review, due diligence, valuation and certifications for which investors have lost money to a large extent and impacted share market.

However, auditors will not be responsible for price differences in case IPO price is determined through book building and auction provided that there was no material misstatements or gross negligence of auditors in the financial statements signed off by auditors and certifications issued by them.

Penalties of Auditors:

Exchange and/or BSEC will report the anomalies found to ICAB, FRC for appropriate actions.

1. Cancellations or suspension of Membership and recommending to ICAB.
2. Recommending to ICAB and FRC for cancellation of Certificate of Practice (CoP).
3. Penalty (fiduciary) and banning audit of listed entities.
4. Banning audit of listed entities and IPO.
5. Warning and reprimand.
6. Any other measures that BSEC deems appropriate in the circumstances.

Managements' responsibility and penalty:

Management responsibility for material misstatements and omissions or otherwise as well as false and gross misleading representations through Management Representation Letter (MRL) or in any other form.

1. In line with penalty as stipulated in FRA, similar penalty of 5 years (maximum) imprisonment, fine and both depending on level of misstatements.
2. Seizure of passport and banning foreign travel by the persons apparently responsible and their family members.
3. In case of omission of any data, management should get more penalty.

Management represented by Chairman, Directors including nominated directors, independent directors, Managing Director and CFO irrespective of their designations.

Issue Managers' responsibility and penalty:

IPO Rules 2015 provides that due diligence certificate to be furnished by issue manager(s) in the red-herring prospectus/ prospectus/information memorandum.

Any statements, facts and figures stipulated and provided by the Issue Manager require “due professional care” so that statements, facts and figures are not distorted and users are not misled.

Penalties for Issue Mangers: for material misstatement as well as false and grossly misleading certifications which prove that he has not observed ‘due professional care’ and has not acted without ‘fear and favor’:

1. Imprisonment, fine and both depending on level of misstatements/gross negligence.
2. Cancellation/suspension of license/right to operate as an issue manager.
3. Any other measures that BSEC deems appropriate in the circumstances.

Credit rating companies responsible and penalty:

Any certifications, statements, facts and figures stipulated and provided for the purpose of rating the company require “due professional care” so that ratings, statements, facts and figures are not distorted and users are not misled.

Penalties for Credit rating companies: for material misstatement as well as false and grossly misleading certifications which prove that he has not observed ‘due professional care’ and has not acted without ‘fear and favor’:

1. Imprisonment, fine and both depending on level of misstatements/gross negligence.
2. Cancellation/suspension of license/right to operate as a credit rating company.
3. Any other measures that BSEC deems appropriate in the circumstances.

Fixation of the Fees

Fixation of the fee for the IPO auditors, valuer, credit rating company and other external professionals will be decided by the audit committee based on volume of transactions, scope of works, professionals including qualified ones to be deployed, complexity involved, time required and so on. In the absence of audit committee, board will form a separate committee for fixation of the fees in this regard. Based on this exercise, audit committee will recommend the fee to the board for approval in case of IPOs.

However, in case of statutory audit, after conducting similar exercise and audit committee will place the recommendation to the board for onward submission in the general meeting for approval.

iv **IPO Approval timeline in regional markets**

Country	Steps for IPO Approval	Estimated Time
India	1. Draft Red Herring Prospectus (DRHP)	1-2 months
	2. Submit DRHP to SEBI for review	
	3. SEBI review and comments	1-2 months
	4. Address SEBI comments	1 month
	5. Finalize DRHP and file with stock exchanges	1 month
	6. Roadshow and book building	2-3 weeks
	7. Issue and listing on stock exchange	1-2 weeks
	Total Time	6-9 months

Pakistan	1. Prepare prospectus and submit to SECP	1-2 months
	2. SECP review and feedback	1 month
	3. Amendments based on feedback	1 month
	4. Obtain approval from stock exchange	2-3 weeks
	5. Book building process	2-3 weeks
	6. Listing on stock exchange	1 week
	Total Time	4-7 months

Sri Lanka	1. Prepare prospectus and submit to SEC	1 month
	2. SEC review and feedback	1 month
	3. Finalize prospectus	2-4 weeks
	4. Roadshow	1-2 weeks
	5. Listing application to stock exchange	1-2 weeks
	6. Listing on stock exchange	1 week
	Total Time	3-5 months

Consent Fee in India

(a) **Public issue:**

Size of the issue, including intended retention of oversubscription	Amount / Rate of fees	³⁷⁷ [Amount / Rate of fees for filing within one year after expiry of SEBI Observation letter
Less than or equal to ten crore rupees.	A flat charge of one lakh rupees (₹1,00,000/-).	A flat charge of fifty thousand rupees (₹50,000/-).
More than ten crore rupees, but less than or equal to five thousand crore rupees.	0.1 per cent. of the issue size.	0.05 per cent of the issue size.
More than five thousand crore rupees.	Five crore rupees (₹5,00,00,000/-) plus 0.025 per cent. of the portion of the issue size in excess of five thousand crore rupees (₹5000,00,00,000/-).	Two crore fifty lakh rupees (₹2,50,00,000/-) plus 0.0125 per cent. of the portion of the issue size in excess of five thousand crore rupees (₹5000,00,00,000/-).]

vi **An online portal should be introduced with the following features and functionalities:**

- The issuing company can submit their IPO application (IPO, RPO, Rights, Pref Share, Bond, etc.) through this portal.
- Only the scanned copies of the documents will be submitted through this portal
- The portal will maintain a checklist of the submitted documents. The application will be accepted only when all the documents will be uploaded as per checklist.
- The portal will take other information regarding the IPO as regular inputs.
- The users of the portal will be all the authorities related to the IPO approval such as DSE, CSE and BSEC officials.
- There must be a workflow of the IPO approval with definite timebound during the process of approval. This will provide an electronic noting mechanism in the hierarchy of approval.
- The issuers will be able to track the approval process by logging into the portal. This will increase the transparency of the approval process.
- The portal must have the facility to generate reports and notification to different level of users. This will definitely reduce the time for secretarial work of report writing.
- The portal will provide necessary information regarding the previous online applications through a search engine so that the approving authority can get information easily.
- Any clarification and requirement for a document will be notified to the issuer through this portal and the submission will be done through the portal.
- The portal should have the capability to detect the fake document submission using Artificial Intelligence and summarization of the information content through OCR from the submitted scanned copies. This will expedite the process of IPO approval.
- the current updates of every application (IPO, RPO, Rights, Pref Share, Bond, etc.) filed to the BSEC can be found online to increase transparency.

vii **Template for evaluation of an IPO by Expert Panel**

Name of the issuer company: _____

Please make your comments on the below:

<ul style="list-style-type: none">• Sustainability of the business: Position in the industry and market share, challenges of the industry (is the industry growing or declining) and company's ability to sustainably grow in the next 5 to 10 years.
1. Corporate governance: Quality of management, track record of promoters, quality of the balance sheet, debt repayment history.
2. Quality of earnings: What is the likelihood that the company will continue its earning growth. The profit margin, ROE and ROA compared to the peers and the reason for the excellence or underperformance. Impact of currency fluctuations and inflation.
3. Litigation against the company or its Directors and family conflict.
4. Ability to pay dividend
5. Use of IPO proceeds: Expansion & Growth Plans: Does the expansion goals look realistic and strategic
6. Related-Party transactions: Any conflicts of interest, transfer pricing

viii **Content of a Prospectus**

Recommendation for Amendments in Prospectus Contents

Please note that only relevant headings have been kept in this table.

Headings of Prospectus	Comments/Amendments
Section I: Executive Summary	
f) Promoter's Background	There is no specific definition of promoter in public issue rules. We recommend changing it to director and major shareholder's background.
i) Others	Include what material should be included in others, otherwise omit this part.
Section II: Conditions imposed by the Commission in the Consent letter	
Section III: Declarations and due diligence certificates	
Section IV: About the Issuer	
(a) Name of the issuer, dates of incorporation and commencement of its commercial operations, its logo, addresses of its registered office, other offices and plants, telephone number, fax number, contact person, website address and e-mail address	Fax numbers are outdated in this age, please remove the requirement on fax number to be added.
(c) The name, logo and address of the auditors and registrar to the issue, along with their telephone numbers, fax numbers, contact persons, website and e-mail addresses	Fax numbers are outdated in this age, please remove the requirement on fax number to be added.
Section V: Corporate Directory of Issuer	This information is redundant.
Section VI: Description of the Issuer	
b) General Information	
(i) Name and address, telephone and fax numbers of the registered office, corporate head office, other offices, factory, business premises and outlets of the issuer	Fax numbers are outdated in this age, please remove the requirement on fax number to be added. As well as the project office information is redundant because this information is included elsewhere.
(ii) The board of Directors of the Issuer	This point is redundant as there is a separate section on directors.
(iii) Names, addresses, telephone numbers, fax numbers and e-mail addresses of the chairman, managing director, whole time directors, etc. of the issuer	This point is redundant as there is a separate section on directors.
(iv) Names, addresses, telephone numbers, fax numbers and e-mail addresses of the CFO, company secretary, legal advisor, auditors and compliance officer	Remove address requirement as it does not have any added benefit to investors. Also remove fax number.
(v) Names, addresses, telephone numbers, fax numbers, contact person, website addresses and e-mail addresses of the issue manager, registrar to the issue etc.	Fax numbers are outdated in this age, please remove the requirement on fax number to be added.

(vii) Credit Rating	Redundant as Credit Rating Report is attached in the annexure
(vii) Details of Underwriting	
(a) The names, addresses, telephone numbers, fax numbers, contact persons and e-mail addresses of the underwriters and the amount underwritten by them	Fax numbers are outdated in this age, please remove the requirement on fax number to be added.
c) Capital Structure	
(x) The total shareholding of the sponsors and directors in a tabular form, clearly stating the names, nature of issue, date of allotment, number of shares, face value, issue price, consideration, date when the shares were made fully Paid-up, percentage of the total pre and post issue capital, the lock-in period and the number and percentage of pledged shares, if any, held by each of them	
(xi) The details of the aggregate shareholding of the sponsors and directors, the aggregate number of specified securities purchased or sold or otherwise transferred by the sponsor and/or by the directors of the issuer and their related parties within six months immediate preceding the date of filing the prospectus	This can be merged with section VI (C) (x)
(xii) The name and address of any person who owns, beneficially or of record, 5% or more of the securities of the issuer, indicating the amount of securities owned, whether they are owned beneficially or of record, and the percentage of the securities represented by such ownership including number of equity shares which they would be entitled to upon exercise of warrant, option or right to convert any convertible instrument	This distinction can be made under VI (C) (x)
d) Description of Business	
(i) The date on which the issuer company was incorporated and the date on which it commenced operations and the nature of the business which the company and its subsidiaries are engaged in or propose to engage in	
(ii) Location of Project	It is included previously so is redundant.
(iv) Details of the major events in the history of the issuer, including details of capacity/facility creation, launching of plant, products, marketing, change in ownership and/or key management personnel etc.	Please include more specific major events to be included here. The terms here are very vague on the basis of what should be included.
(x) Sources and availability of raw materials, names and addresses of the principal suppliers and contingency plan in case of any disruption;	
(xiii) Names, address(s), telephone number, web address, e-mail and fax number of the suppliers from whom the issuer purchases 10% or more of its raw material/ finished goods with amount and percentage thereof	Can be merged with section VI (D) (x)
(xiv) Description of any contract which the issuer has with its principal suppliers or customers showing the total amount and quantity of transaction for which the contract is made and the duration of the contract. If there is not any of such contract, a	There is no necessity here for a declaration by CEO or MD as the prospectus is already authorized by them.

declaration is to be disclosed duly signed by CEO/MD, CFO and Chairman on behalf of Board of Directors	
(xv) Description of licenses, registrations, NOC and permissions obtained by the issuer with issue, renewal and expiry dates	
(xvi) Description of any material patents, trademarks, licenses or royalty agreements	Can be merged with section VI (d) (xv)
(xviii) A brief description of business strategy	Can be merged with section VI (d) (i)
e) Description of Property	
(i) Location and area of the land, building, principal plants and other property of the company and the condition thereof	Project location and area redundant considering (e) (iii) later in the prospectus, operation status should be put in (e) (iii)
(ii) Whether the property is owned by the company or taken on lease	Can be merged with Section VI (e) (i)
(iii) Dates of purchase, last payment date of current rent and mutation date of lands, deed value and other costs including details of land development cost, if any and current use thereof	Operation status should be inputted here.
(iv) The names of the persons from whom the lands has been acquired/ proposed to be acquired along with the cost of acquisition and relation, if any, of such persons to the issuer or any sponsor or director thereof	Possibly redundant (maybe only related party transactions should be included). Require to put related party info in previous chapter.
(viii) Dates of purchase of plant and machineries along with sellers name, address, years of sale, condition when purchased, country of origin, useful economic life at purchase and remaining economic life, purchase price and written down value	This is redundant for investor, require only for documentation of BSEC.
(ix) Details of the machineries required to be bought by the issuer, cost of the machineries, name of the suppliers, date of placement of order and the date or expected date of supply, etc.	This information cannot be readily given as quotation and procurement can take a long time as well as this information might not be ever correct in long-term.
(xi) If plant is purchased in brand new condition then it should be mentioned	This information is redundant.
(xiii) A physical verification report by the issue manager(s) regarding the properties as submitted to the Commission;	The content of this report should be mentioned.
(xv) Other properties	This information is redundant.
f) Plan of Operation and Discussion of Financial Condition	
(c) Causes for any material changes from period to period in revenues, cost of goods sold, other operating expenses and net income.	Redundant, covered in management discussions (section VII (c))
(t) Business strategies and future plans - projected financial statements shall be required only for companies not started commercial operation yet and authenticated by Chairman, two Directors, Managing Director, CFO, and Company Secretary;	Redundant, can be merged with section VI (d)(i)
(u) Discussion on the results	This part is redundant.

(v) Comparison of recent financial year with the previous financial years on the major heads of the profit and loss statement, including an analysis of reasons for the changes in significant items of income and expenditure, inter-alia, containing the following	Redundant, covered in management discussions (section VII (c))
(cc) Quarterly Financials	This part should not be in the middle of the prospectus, rather added to the annexure.
Section VII: Management's discussion and analysis of financial condition	
c) Analysis of the financial statements of last five years with reason(s) of fluctuating revenue/sales, other income, total income, cost of material, finance cost, depreciation and amortization expense, other expense; changes of inventories, net profit before & after tax, EPS etc.	
Section VIII: Directors and Officers	
a) Name, Father's name, age, residential address, educational qualification, experience and position of each of the directors of the company and any person nominated/represented to be a director, showing the period for which the nomination has been made and the name of the organization which has nominated him	Here some information is not useful to any investor, such as fathers name, residential address etc.
b) The date on which he first became a director and the date on which his current term of office shall expire	This is covered by the previous point.
c) If any director has any type of interest in other businesses, names and types of business of such organizations. If any director is also a director of another company or owner or partner of any other concern, the names of such organizations	
k) A profile of the sponsors including their names, father's names, age, personal addresses, educational qualifications, and experiences in the business, positions/posts held in the past, directorship held, other ventures of each sponsor and present position;	Information of sponsors unless they are currently directors is redundant for the investors.
o) All interests and facilities enjoyed by a director, whether pecuniary or non-pecuniary	
p) Number of shares held and percentage of shareholding (pre issue)	This section is already reported beforehand.
r) Director's engagement with similar business	This section might be removed as it has been covered before.
Section XI: Options Granted to Directors and Subscribers to the Memorandum	Should be included elsewhere as this point is uncommon to have a separate header.
Section XIII: Ownership of the Company's Securities	
a) The names, addresses, BO ID Number of all shareholders of the company before IPO, indicating the amount of securities owned and the percentage of the securities represented by such ownership, in tabular form;	BO ID is presented in several places, we recommend to include it in only place

b) There shall also be a table showing the name and address, age, experience, BO ID Number, TIN number, numbers of shares held including percentage, position held in other companies of all the directors before the public issue;	BO ID is presented in several places, we recommend to include it in only place
d) A detail description of capital built up in respect of shareholding (name-wise) of the issuer's sponsors/ directors;	This information has been discussed beforehand in the capital structure section.
e) Detail of shares issued by the company at a price lower than the issue price;	This information has been discussed beforehand and so is redundant.
f) History of significant (5% or more) changes in ownership of securities from inception	This information has been discussed beforehand and so is redundant.
Section XXI: Description of the Issue	
g) Objective of the issue including financing requirements and feasibility in respect of enhanced paid-up capital	This section is redundant as it has been discussed in the next section extensively.
Section XXII: Use of Proceeds	
Section XXIII: Lock-In	
	Rather than having a separate section for lock-in, keep one where all the shareholder information is given at once.
Section XXVI: Financial Statements	
e) Financial Spread-Sheet Analysis	This is redundant.
f) Earnings Per Share (EPS) on fully diluted basis	This is redundant.
g) Extra-ordinary Income	This is redundant.
h) Quarterly or half-yearly EPS should not be annualized while calculating the EPS	This might be a rule but not a section header.
i) Net-Asset Value	This is redundant.

ix **Confirmation and authentication is required from the auditors, other than statutory auditors, while submitting IPO/QIO**

1. Paid-Up Capital raising:

- a) Has been raised from the shareholders through banking channel.
- b) Will be reflected in the bank statements of the company and shareholders.
- c) If capital raised other than cash consideration, it should be checked thoroughly.
Capital machinery – will be valued after transfer pricing exercise.
Share against land/building – valuation of land/building will have to be ascertained by auditor. Share will be issued after transfer of property.
- d) The allotment shall be supported by IT-10B and Form X of RJSC.

2. Revenue: Assurance on revenue or turnover has to be taken from auditors duly reconciled with VAT challan, invoice, PRC. And finally with the production records. For Five years.

3. COGS:

Auditor will work on Input output relation.

The cost of revenues shall be authentic for the periods presented in the prospectus/ information memorandum/ information documents through verification of bank statements.

4. Receivables and Payables: All the receivables and payables of the audited report, as presented in the prospectus/ information memorandum/ information documents shall be authentic. No need to do it for the last five years.

5. Ownership of Assets: All the assets purchased by the company shall be in the possession/titled of the company. The transactions of purchase/disposal of assets shall be executed through banking channel.

6. Related Party Transactions: The transactions shall be in an arm's length basis and complied with relevant rules.

7. Material event/extraordinary transactions: Auditor shall highlight.

8. Tax, Deferred Tax and VAT: Shall comply with relevant rules. Update is already provided in the prospectus. That should be authenticated.

9. Loans and Advance: Covered under related party transaction.

10. Compliance: All transactions are done in accordance with IAS/IFRS/relevant laws.

× Due diligence criteria for lead underwriters and issue managers

Pakistan:

In Pakistan, the Securities and Exchange Commission of Pakistan (SECP) has established specific due diligence criteria for lead underwriters and issue managers involved in Initial Public Offerings (IPOs). These criteria are outlined in the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017, which prescribe the eligibility conditions, registration procedures, duties, and responsibilities of underwriters and consultants to the issue.

Key Aspects of Due Diligence Responsibilities:

1. **Comprehensive Review:** Underwriters and issue managers are required to conduct thorough investigations into the issuer's business operations, financial statements, legal matters, and overall organizational structure. This includes examining the company's business plan, market research, management team, articles of incorporation, bylaws, legal issues, patents, financial statements, and major contracts and agreements.
2. **Verification of Information:** They must ensure that all information presented in the prospectus and other offering documents is accurate and complete, free from material misstatements or omissions. This involves verifying statements made in the registration statement and supporting them with appropriate evidence.
3. **Ongoing Compliance:** Underwriters and issue managers are responsible for ensuring that the issuer complies with all applicable laws and regulations throughout the IPO process. This includes adherence to corporate governance standards, financial reporting requirements, and other regulatory obligations.
4. **Documentation and Record-Keeping:** Proper documentation of the due diligence process is essential. This includes maintaining records of all investigations, meetings, and communications related to the due diligence activities. Such documentation serves as evidence of the underwriter's compliance with their duties and can be crucial in the event of legal scrutiny.

By adhering to these due diligence criteria, lead underwriters and issue managers play a vital role in maintaining the integrity of the IPO process, protecting investor interests, and ensuring that companies entering the public market meet the necessary standards of transparency and accountability.

India:

The Securities and Exchange Board of India (SEBI) mandates a comprehensive due diligence process for IPOs. Merchant bankers, acting as lead managers, are required to submit a Due Diligence Certificate as per Form A of Schedule V of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. This certificate confirms that all disclosures specified under the Companies Act and SEBI regulations have been made.

Additionally, SEBI provides an "Indicative Due Diligence Questionnaire and Requisition Checklist of Documents," which outlines the necessary documents and information to be reviewed during the due diligence process. This includes approvals, licenses, financial statements, and other pertinent records.