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**ROYAL SECURITIES EXCHANGE OF BHUTAN**



**RSEB**

**RULES FOR ALTERNATIVE INVESTMENT  
MARKET BOARD**

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## **Listing of Cottage and small Industries (CSIs) and Start-up incorporated companies on AIM Board**

### **Rationale**

The Royal Government of Bhutan (RGoB) has accorded highest priority to CSIs sector and identified CSIs sector as one of the five jewels under the Economic Development Policy 2016. However, the growth of CSIs in Bhutan are limited to the extent of challenges faced in terms of access to cheaper source of long-term capital and prevalence of collateral based lending by financial institutions.

Recognizing the role of CSIs in Bhutanese Economy and Royal Government of Bhutan's emphasis on the importance of CSIs sector to foster innovation and increase employment opportunities in the economy, the RSEB has launched a Market Board for CSIs and Start-up company is to raise long term capital.

The idea to launch the AIM board is to create a platform for the CSIs and other start-up companies to raise long-term capital from the institutional investor and at the same time inculcate sustainable business practices.

While it is important to consider the risk in investing in CSIs and start-ups and usually the business viability of these companies in the early stages are assessed by the promoters, invariably there are no other platforms to show case the investment opportunities to other potential investors who are equally willing to take up the risks. On the other hand, institutional investors in Bhutan are constrained by limited avenues for investment opportunities combined with lack of structured institutional framework for institution such as investment bank, venture capital and hedge funds which are able to assess the risk and return of the CSIs and start-up companies. Under such a scenario, the AIM Board aims to bring together the CSIs and start-ups seeking funds with the potential investors who are willing to take up the risk and invest thereby promoting efficient allocation of capital in the economy.

The AIM Board will require the companies listed to follow certain disclosure policy and comply with the minimum standards of corporate governance code. Furthermore, those companies that fulfil the requirements as stipulated under the IPO Regulations would gain access to issue its shares at a premium to the general public and qualify for subsequent listing on the Main Market Board.

## **Interpretation**

### **Definitions**

These Rules shall apply to all the issuer and securities applying for listing on the exchange.

In these Rules, unless the context otherwise requires:

“Act” means the Companies Act;

“AIM Board” means Alternative Investment Market Board;

“Articles” means the Articles of Incorporation;

“Authority” means the Royal Monetary Authority of Bhutan.

“Board” means the governing body of the issuing company of AIM Board comprising persons elected or appointed under the articles of Incorporation or during the AGM;

“Controlling Shareholders” shall mean a person owning more than 51% of the paid up shares of the issuing company;

“Director” includes any person who occupies the position of a Director, by whatever name called;

“Exchange” means the Security Exchange, and its securities market, established by the Royal Securities Exchange of Bhutan (RSEB);

“High Net Worth Individuals” means an individual having liquid financial assets worth Nu. 1 million and skills to understand equity investment and taking risk to invest in new startup companies in the AIM Board;

“Institutional Investors” means Banks, Non-Banks Financial Institutions, Pension Funds, Insurance Companies, Trust Funds or any institution that has the ability to assess the risk of the companies.”

“Issuer” means a company whose equity securities are already listed, or intended to be listed on the aim Board;

“Listing” means the grant of a listing on the AIM Board, and permission to deal in securities on the Exchange and “listed” shall be construed accordingly;

“Listing Committee” has the same meaning and functions under the Rules Governing the Official Listing of Securities;

“Listing undertaking” means the undertaking (in the form set out in Appendix 2) by an issuer to the exchanger specifying the continuing obligations which the issuer undertakes to comply with as condition of listing;

“Lock-in Period” means the period, whereby the promoter of the issuer is restricted from disposing his/her holdings;

“Listed Securities” means securities listed or authorized to be traded on the Exchange.

“New Applicant” means in the case of equity securities, an applicant for listing, none of whose equity securities is already listed;

“Offer Documents” means letter of offer which contains all the relevant information to help an investor to make his/her investment decision.

## **Rules of Alternative Investment Market (AIM) Board**

The Rules of AIM Board are not exhaustive and the Exchange with the approval of the RMA may impose additional requirements, may waive, and modify it.

This Rule shall be interpreted, administered and enforced by the Exchange. The decision of the exchange shall be conclusive and binding on an issuer. The Exchange may issue practice notes and guidance notes, from time to time, to assist issuers or their advisers in interpretation while complying with this Rules.

### **1. Qualification for listing on AIM Board**

Any incorporated company can be eligible for listing on AIM Board provided the issuer fulfils the requirements under these Rules:

### **2. Minimum Paid-up Capital**

To qualify for listing on the AIM Board, the issuer must have minimum Paid-up Capital of Nu. 5 million post issue, with or without having institutional investors as its shareholder at the time of application.

### **3. Investor**

At the time of offers for sale, Institutional Investors and High Net Worth Individuals (HNWI) can participate in the subscription of shares for this Market Board. However, any founding individual shareholder at the time of application for AIM Board shall be allowed to continue as its shareholders/promoters.

### **4. Application for Listing on AIM Board**

A letter of application along with the offer document shall be submitted to the Exchange. Each application for listing shall consist of the following:

- a) A formal letter of application for listing on the Exchange signed by the Chief Executive Officer of the issuer;
- b) Duly completed Listing Undertaking form as set out in Annexure A;
- c) Duly completed Directors Undertaking form as set out in Annexure B;
- d) Duly completed Certificate of Independent Directors form as set out in Annexure C;
- e) Shall pay the appropriate listing fees as per Section 15 of this Rule; and
- f) Copy of Article of Incorporation

## **5. The Contents of the Offer Documents**

The Offer Documents shall contain the following information:

- a) General Information:
  - i. Name and address of the registered office;
  - ii. Copy of the business license;
  - iii. Date of the opening of the issue;
  - iv. Date of the closing of the issue; and
  - v. Name and address of the auditor.
  
- b) Capital Structure of the Company:
  - i. Authorized Capital,
  - ii. Issued, subscribed and paid up capital
  
- c) Terms of the Present issue:
  - i. Terms of payment;
  - ii. Rights of the shareholders;
  - iii. How to apply – availability of forms and mode of payment; and
  - iv. Any special tax benefits for the company and its shareholders.
  
- d) Particulars of the issue:
  - i. Objective;
  - ii. Use of fund;
  - iii. Project Cost;
  - iv. Means of financing (including contribution of promoters); and
  - v. Availability of raw materials and steadiness of power supply.
  
- e) Company, Management and Project:
  - i. History and present business of the company;
  - ii. Subsidiary(ies) of the company, if any;
  - iii. Promoters and their back ground;
  - iv. Name, Addresses and occupation of Chief Executive Officer, Directors and giving the information of their directorship in others companies;
  - v. Location of the project;
  - vi. Future prospects – expected capacity utilisation during the first three years from the date of commencement of the productions and the expected year when the company would be able to earn the cash profits and net profits.



- f) Litigation:
  - i. Particulars of any litigations or claims of material importance pending or threatened against the applicant and its subsidiaries, or an appropriate negative statement.
- g) Description of Properties
  - i. All assets real and tangible along with their ages and life span
- h) Risk Factors
- i) Financial Information
  - i. The issuer shall prepare the abridged audited accounts for the past two years, if any, in case of an existing company; and
  - ii. Shall prepare the future projection for 5 years in case of a new company and shall contain the following information
    - a) Balance Sheet;
    - b) Income Statement;
    - c) Cash flow Statement;
    - d) Other Comprehensive statement; and
    - e) Statement of Change in Equity

## **6. Additional Supporting Documents**

The Exchange may ask the issuer for additional supporting documents as and when required.

## **7. Review of Application and Offer Documents**

The Listing Committee of the Exchange shall review the application and the offer documents within 10 working days after receiving the documents.

## **8. Acceptance/Rejection of the Listing Application**

The Exchange reserves the right to accept or reject the application for listing on the AIM Board.

## **9. Corporate Disclosure Requirements**

Upon listing on the AIM Board of the RSEB, the issuer shall be required to provide to its shareholders and investors the following material information.

**a) Audited Annual Account**

The issuer shall send a copy of its Audited Annual Accounts to its shareholders via email and a copy to the Exchange which shall be uploaded on the RSEB's website.

**b) Interim Report**

All issuer shall provide a half yearly interim reports to the Exchange which shall be uploaded on the RSEB's website. Further the interim reports shall contain the following information:

- i. operating revenue;
- ii. profit (or loss) before taxation;
- iii. any proposed/declared rates of interim dividend;
- iv. transfers to and from reserves;
- v. earnings per share calculated on the basis of profits before net of taxation; and
- vi. Comparative figures of the matters specified for the corresponding previous period.

**c) Notice of AGM**

The issuer shall send the notice of every Annual General Meeting to its shareholder via email and a copy to the Exchange which shall be uploaded on the RSEB's website.

- d) The issuer, its associated persons and entities shall be in good standing and shall not:
- a. Be in any defaulters list;
  - b. Have a pending petition on winding-up or bankruptcy; and
  - c. Have a regulatory action against the company, its promoters or its directors within the last 3 years.

- e) The company form an audit committee in case the paid-up capital is more than Nu 100 million.

- f) The issuer shall have active website to disseminate information including:

- a. Business active of the issuer;
- b. Details of board of directors;
- c. Past financial performance;
- d. Details of management;
- e. Capital structure;
- f. Shareholding details;

- g. Name of groups and associated companies; and
- h. Half-yearly progress on the statues of commitment mentioned in the listing application.

## **10. Notification to the Exchange**

### **a) Changes**

The issuer shall inform the Exchange immediately of any decision made in regard to:

- i. any change in the issuer's Articles;
- ii. any changes in its Board of Directors, its company's secretary, auditors or registered address; and
- iii. any change in the rights attaching to any class of listed securities and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable.

### **b) Winding-up and Liquidation**

All issuer shall inform the Exchange on the happening of any of the following events as soon as the same shall come to their attention:

- i. the presentation of any winding-up petition or equivalent application in the country of incorporation or other establishment or the making of any winding-up order or the appointment of a provisional liquidator in respect of the issuer or its subsidiaries;
- ii. the passing of any resolution by the issuer or its subsidiaries by way of shareholders' or creditors' voluntary winding-up; and
- iii. the making of any judgement, declaration or order by any court.

## **11. Approval of Documents**

In addition to the specific requirements set out in this Rule, the issuer shall submit to the Exchange, for approval:

- i. copies of drafts, before they are issued, of any announcements or advertisements relating to the issue of new or further securities (other than pursuant to a capitalisation issue) or any announcements or advertisements the subject matter of which may involve a change in or relate to or affect arrangements regarding trading in its listed securities (including a suspension of dealings);
- ii. copies of drafts, before they are issued, of any documents issued in connection with takeovers, mergers or offers; and

- iii. copies of drafts, before they are issued, of any proposed amendments to its articles.

## **12. Disclosure of information**

### **i. Before Board meetings**

All issuer shall, on a confidential basis, inform the Exchange of the details of the declaration, recommendation or payment of a dividend is expected to be decided or at which any announcement of the profits or losses for any year, half-year or other period is to be approved for publication or any other major event (such as issue of new shares, rights issue and bonus) that is likely to have an influence on the price of the securities or would affect an investors decision to purchase or sell the securities is to be decided upon, at least three clear business days in advance of the date fixed for such board meeting.

### **ii. After Board Meetings**

All issuer shall inform the Exchange immediately (within 48 hours) after approval by or on behalf of the Board of:

- a) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities and the rate and amount thereof;
- b) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course;
- c) any preliminary announcement of profits or losses for any year half year or other period;
- d) any proposed change in the capital structure, including any redemption of its listed securities; and
- e) any decision to change the general character or nature of the business of the issuer and its subsidiaries if any.

### **iii. Equality of Treatment**

The issuer shall ensure equality of treatment for all holders of securities of the same class who are in the same position.

**iv. Sufficient Operations**

The issuer shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Exchange to warrant the continued listing of the issuer's securities.

**v. Response to Enquiries**

The issuer shall respond promptly to any enquiries made by the Exchange concerning unusual movements in the price or trading volume of its listed securities or any other matters by giving such relevant information as is available to the issuer or, if appropriate, by issuing a statement to the effect, that the issuer is not aware of any matter or development that is or may be relevant to the unusual price movement or trading volume of its listed securities and shall respond promptly to any enquiries made of the issuer by the Exchange.

**vi. Minimum Disclosure Requirements (Accounting and Auditing Standards)**

All issuer shall follow the Bhutanese Accounting Standards.

- vii. The company may be required to avail the services of the underwriter if an agency for writing is duly licensed by competent authority.
- viii. The company may be required to obtain a credit rating from licensed credit rating agency for itself or for its debt securities if:
- a. The appropriate agency on credit rating agency is established by law or delegated legislation; and
  - b. It is mandated by the competent authority.
- ix. If deemed necessary, the issuer shall appoint an advisor to the issue through a written agreement till the date of its listing on the Alternative Investment Market Board. The advisor to the issue shall:
- a. Draft the Listing Application in consultation with the issuer;
  - b. Conduct road shows and pitch the issue to eligible investor; and
  - c. Submit the listing application to the exchange on behalf of the issuer.

### **13. Corporate Governance Standards**

All issuer shall ensure compliance of the following code of Corporate Governance.

#### **I. Appointment of Board of Directors**

- a. The nominees for Directorship other than the Director representing the minority shareholders shall be recommended by the Board of the issuer and their appointment on the Board shall be endorsed by the shareholders during the Annual General Meeting.
- b. The subscriber of the Articles of Incorporation who are individuals shall be deemed to be the Directors of the issuer until such Directors are duly appointed in the General Body Meeting.
- c. All Directors are required to submit themselves for re-election or reappointment in accordance to Section 138 of the Companies Act 2016.
- d. While re-appointing the members, the issuer shall give the attendance record of the concerned Directors. If the Director has been absent with or without leave for 50% or more during the meetings, the Director is not eligible for re-election or re-appointment.

#### **II. Qualification and Eligibility to Act as a Director**

- a. No Director of the issuer should hold Directorship in more than five companies as per section 141 of the Companies Act 2016.
- b. No person shall be elected or nominated as a Director of the issuer if:
  - I. He/she is ,or has been convicted by a court of a criminal offence whether or not involving moral turpitude;
  - II. He/she is of unsound mind declared by a court;
  - III. He/she has not paid any call in respect of shares of the issuer held by him/her;  
and
  - IV. He/she is insolvent and adjudicated bankrupt by court

### **III. Composition of the Board of Directors**

Subject to compliance of the provisions under the Companies Act 2016 the following shall apply for the issuer:

- a. Every issuer shall have minimum of three Directors and the Board shall be comprised of a majority of non-executive Directors.
- b. A minimum of 1/3rd of the total non-executive Directors (subject to a minimum of 1) shall comprise of Independent Directors.
- c. To ensure an appropriate balance of power and increased accountability, the roles of CEO and Chairperson shall not be combined.
- d. A maximum of two Executive Directors shall be permissible on the Board.
- e. If an Independent Director resigns or is removed from the office, the issuer shall notify the Exchange of the reasons.

### **IV. Board Meeting Time Gap**

The Board shall meet at least 2 times in a year with a maximum time gap of 6 months. The minimum information required to be placed before the Board shall be as stated in the Annexure D.

### **V. Independent Director**

- a) An Independent Director means a person who:
  - I. is not an employee of the issuer or any of its subsidiaries;
  - II. has not been employed by the issuer the period of two years prior to the appointment as the Director of the issuer;
  - III. receives no remunerations other than the Director's fees and compensation as approved by the shareholders;
  - IV. provides no services to the issuer or to the Chief Executive Officer or senior management of the issuer as an adviser, consultant or otherwise;
  - V. is not employed by an entity which provides services to the issuer;
  - VI. is not affiliated with a supplier, service provider or significant client of the issuer;
  - VII. is not an immediate family member of any promoter or management of the issuer; and

- VIII. is not a substantial shareholder of the issuer, i.e. owning one percent or more of the paid-up shares.
- b) Independent Directors shall be nominated by the Board and their appointment shall be endorsed by the shareholders.
  - c) The issuer shall put in place a policy for specifying criteria of Independent Directors such as experience and expertise, foresights, managerial quality and ability to read and understand financial statements. Such policy should be accepted by the Board and endorsed by the shareholders.
  - d) The issuer must submit a copy of certificate as outlined in Annexure C duly signed by the Independent Directors to the Exchange at the time of their appointment.
  - e) The tenure for any Independent Directors must not exceed for a period more than 5 years and the maximum number of the issuer in which an individual Director may serve as an Independent Director should be restricted to 5 provided the individual doesn't hold Directorship in other unlisted companies.

## **VI. Interactions with the Management**

To enable the Independent Directors to perform their duties effectively, the issuer should give the option and opportunity to interact with the management periodically including access to additional information for the purpose to carry out study and analyze various aspects of the issuer.

## **VII. Roles of the Board of Directors**

The Board of Directors' key role is to ensure the issuer's prosperity by collectively directing the issuer's affairs, at the same time meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, Boards of Directors must also deal with challenges and issues relating to Corporate Governance, corporate social responsibility and corporate ethics. The roles of the Board are given below:

### **a) Establish Vision, Mission and Values**

The Board should determine the issuer's vision and mission to steer and set the pace for its current operation and future development. The Board is also responsible to implement and promote corporate values which are found desirable to the issuer.



#### **b) Stewardship of the Company**

The Board of Directors of the issuer should explicitly assume the role of stewardship and should assume the responsibility for overseeing operation of the business and supervising management. Further, the Board shall establish a sound internal control which is effectively implemented at all levels within the issuer.

#### **c) Set Strategy and Structure**

The Board is responsible for reviewing and approving the issuer's business and financial policy in order to meet the business objectives and to maximize shareholders' value. While doing so the Board must evaluate present and future opportunities, threats and risks in the external environment and current and future strengths, weaknesses and risks relating to the company. The Board is also responsible for determining business strategies and plans that support the corporate strategy and ensure that the issuer's organizational structure and capability are appropriate for implementing the chosen strategies.

#### **d) Appoint Chief Executive Officer and Senior Executive**

The Board is responsible for the appointing, training and monitoring of the CEO and other senior management of the issuer. The Board is also responsible for overseeing management succession planning related to the replacement of the current senior management team and ensure that processes are in place to recruit senior managers with highest standard of integrity and competence.

#### **e) Delegation of Power to the Management**

The Board should delegate certain authority to the management as specified in the charter or internal regulations to manage day to day affairs of the issuer. The Board should approve the internal regulations of the issuer regarding routine activities specifying the responsibilities and the authorities of the executive management.

#### **f) Communication with the shareholders and relevant stakeholders**

The Board must ensure that the communication policies of the issuer both to and from shareholders and relevant stakeholders are effective. The Board should approve all the major communications, including annual reports and financial

documents .The Board must also ensure that the issuer complies with timely and continuous disclosure requirement as prescribed by the acts and by laws.

The Board must make constructive use of the Annual General Meeting to communicate with the shareholders.

## **VIII. Code of Business Conduct and Ethics**

Every issuer must adopt the code of business conduct and ethics for members of the Board of Directors and employees. The code shall provide guidance to Directors and employees to help them recognize and deal with ethical issues provide mechanisms to report possible unethical conduct and foster a culture of honesty and accountability. All Directors and employees must comply not only with the terms, but also the intent, of the Code. Among other requirements the code must contain the following provisions:

### **A) Conflict of Interest**

Conflict of interest arises when the Director's or employees' personal interest interferes or appears to interfere over the interest of the issuer in general. A conflict situation can arise when a Director or an employee takes actions or has interests that may make it difficult to discharge his/her responsibilities effectively. Conflicts of interest may also arise when a Director or an employee or a member of his or her immediate family, receives improper personal benefits as a result of his or her position as a Director or an employee of the issuer.

Every Director/ employee must avoid any conflicts of interest arising between him/her and the issuer. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the issuer, should be disclosed promptly to the Board or the management.

Board members shall recuse themselves if it involves, or may reasonably be expected to involve a conflict of interest and shall not participate in the consideration of any matter or attempt to affect the outcome of any issue before the Board.

Directors may not accept compensation (in any form) for services performed for the issuer from any source other than the issuer.

## **B) Corporate Opportunities**

Directors/employees are prohibited from: (a) taking opportunities to gain personal benefits from the issuer's business; (b) using the issuer's property, information, or position for personal gain; or (c) competing with the issuer for business opportunities, provided, if the issuer decides not to pursue an opportunity that relates to the company's business, a Director/employee may do so.

## **C) Confidentiality**

Directors/ employee should maintain the confidentiality of information entrusted to them by the issuer including any other confidential information about the issuer that comes to them, except when disclosure is authorized by the Board/Management or legally mandated. For this purpose "confidential information" includes all non-public or proprietary information relating to the issuer.

## **D) Compliance with Laws, Rules and Regulations**

Directors shall comply, and oversee compliance by employees, officers and other Directors, with laws, rules and regulations applicable to the issuer, including insider trading laws as specified under Section 113 of the Companies Act 2016.

## **E) Encouraging the Reporting of Any Possible Illegal or Unethical Behavior**

Directors should take extra steps to ensure that the issuer (a) promotes ethical behavior; (b) encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; (c) encourages employees to report violations of laws, rules, regulations or the issuer's Code of Ethics and Business Conduct to appropriate personnel; and (d) informs employees that the issuer will not allow retaliation for reports made in good faith.

## **IX. Independence of the Board of Directors**

- a. Every Board should have in place appropriate structure beyond these guidelines to ensure that the Board functions independently of the management. The Board should appoint its Chairperson who is not a member of the management with the responsibility to ensure that the Board discharges its task effectively.

- b. The non-executive Directors should play a material role in the decision making and should become active participants in the Board and should have defined responsibilities within the Board and other committees.
- c. An issuer shall be separated from its substantial shareholders in such aspects as personnel, assets and financial affairs and shall be independent in institution and business, shall practice independent business accounting and shall independently bear risks and obligations.
- d. The personnel of an issuer shall be independent from the substantial shareholders. The management, employees and secretary of the Board of Directors of the issuer shall not take posts other than as a Director in a substantial shareholder's entities. In the case where a member of a substantial shareholder's senior management concurrently holds the position of Director of the issuer, such member shall ensure adequate time and energy to perform the work for the issuer.
- e. The assets invested by a substantial shareholder in an issuer shall be independent, complete and with clear indication of ownership. Where substantial shareholders invest non-cash assets into an issuer, ownership registration procedures shall be completed and explicit boundaries for such assets shall be clarified. The issuer shall independently register such assets, independently set up account for such assets, and independently carry out business accounting and management for such assets. The substantial shareholders shall not misappropriate or control such assets or interfere with the issuer's management of such assets.

## **X. Related Party Transaction**

- a. A 'related party transaction' is a transfer of resources, services, or obligations between the parties, in which (a) the aggregate amount involved exceeds Nu.200, 000 (b) the issuer is a participant, and (c) the related party has or will have a direct or indirect material interest. For this purpose the definition of related party shall include the following:
  - I. Any person who is a Director of the issuer/ parent issuer/ subsidiaries/ fellow subsidiaries;
  - II. Any person who was Director in the last 12 months in the issuer/ parent issuer/ subsidiaries/ fellow subsidiaries;

- III. Chief Executive Officer or any employee having significant influence in the issuer or reports directly to the Board;
  - IV. Any person who is a significant shareholder (holds or controls 10% or more of the paid up shares) of the issuer or any other issuer which is its subsidiary or parent issuer or is a fellow subsidiary of its parent undertaking;
  - V. Any person who is an associate of any natural person as mentioned under i, ii, iii and iv above; and
  - VI. Any person who is an associate of any juristic person as mentioned under i, ii and iii above.
- b. The related party shall not engage in any transactions with the issuer where the party holds direct or indirect interest except under following conditions:
- I. Any transactions or contracts carried out between the related party and the issuer in the ordinary course of business shall be without any differential advantage accruing to the related party. Such transactions shall be notified in the Annual General Meeting on post-facto basis.
  - II. The issuer shall have a policy in place to address any related party transactions and such policy shall be approved by the Board.
  - III. Where the amount of any transaction or contract is below Nu. 200, 000, the issuer shall disclose to the Board the nature of such transaction, direct or indirect interest of the party and the name of the related party.
  - IV. Where the transaction or contract exceeds Nu. 200, 000, the issuer shall obtain approval from the Chairperson of the Board prior to the execution of the transaction. Such transactions shall be approved only if the Chairperson of the Board is satisfied that it doesn't involve any conflict of interest, it is carried out at arm's length and absence of such transaction may lead to nonattainment of the issuer's objective.
  - V. Where the transaction or contract exceeds Nu. 200, 000, the issuer shall obtain approval from the Chairperson of the Board prior to the execution of

the transaction. Such transactions shall be approved only if the Chairperson of the Board is satisfied that it doesn't involve any conflict of interest, it is carried out at arm's length and absence of such transaction may lead to nonattainment of the issuer's objective.

- VI. Any contracts or transactions in which the Director of an issuer is interested must conform to Section 161 of the Companies Act 2016.
- VII. A statement in a prescribed or structured format giving details about all related party transactions taken place in a particular year should be included in the Board of Director's report for disclosure to the stakeholders.
- VIII. The record of the related party transaction shall include the following particulars in respect of each transaction:
  - a. Name of related party;
  - b. Nature of relationship with the related party;
  - c. Nature of transaction;
  - d. Amount of transaction;
  - e. Terms and conditions of transactions, including the amount of consideration received or given;
  - f. Basis or method for determining such consideration;
  - g. Detailed assumption and estimates underlying the transfer price and details of computation and transfer price; and
  - h. A statement whether, in management's opinion, such consideration is an arm's length price along with appropriate explanation in case of exception to arm's length price.

## **XI. Shareholders' Rights and Privileges'**

1. As the owner of an issuer, the shareholders shall enjoy the legal rights stipulated by Companies Act 2016 administrative regulations and the issuer's articles of incorporation.
2. The corporate governance structure of an issuer shall ensure fair treatment toward all shareholders. All shareholders are to enjoy equal rights and to bear the corresponding duties based on the shares they hold.

3. The issuer must make every effort to educate its shareholders regarding their rights and responsibilities through engaging in regular, effective and fair communication with the shareholders at the General Body Meeting or through any other means.
4. The Directors should ensure that shareholders' statutory and general rights are protected at all times.
5. Shareholders shall be responsible for appointing Directors and approving the terms and conditions of their Directorships.
6. Voting rights and procedures must be clearly explained to shareholders so they may fully assert their rights in the General Body Meetings. The shareholders can either be present at the shareholders' meetings in person or they may appoint a proxy to vote on their behalf.
7. In establishing the voting procedures and rights, its articles of incorporation and the provision specified under Section 193 of the Companies Act 2016 must guide every issuer.

## **XII. Rules for Controlling & Substantial Shareholders**

1. The controlling and substantial shareholders owe a duty of good faith toward the issuer and other shareholders. The controlling shareholders of an issuer shall strictly comply with the laws and regulations while exercising their rights as investors, and shall be prevented from damaging the issuer's or other shareholders' legal rights and interests, through means such as assets restructuring, or from taking advantage of their privileged position to gain additional benefit.
2. The important decisions of an issuer shall be made through a shareholders' meeting or Board of Directors' meeting in accordance with the Companies Act 2016 or this rules. The controlling or substantial shareholder shall not directly or indirectly interfere with the issuer's decisions or business activities conducted in accordance with the laws; nor shall they impair the issuer's or other shareholders' rights and interests.
3. The controlling or substantial shareholders shall have the right to nominate their candidates for Directors in strict compliance with the terms and procedures provided for by the Companies Act 2016 or this rules. The nominated candidates shall possess certain relevant professional knowledge and the capability to make decisions or supervise.

4. The resolutions passed by the shareholders' meetings, electing personnel or the Board of Directors' resolutions appointing personnel shall not be subjected to approval of the controlling or substantial shareholders. The controlling or substantial shareholders are forbidden to appoint senior management personnel by circumventing the shareholders' meetings or the Board of Directors.

#### **14. Lock-in period for the Promoters**

The lock-in period for the promoters shall be 3 years in which the equity holding of the promoter cannot be transacted in the secondary market.

- a. A company listed with the Alternative Investment Market Board may be excluded from the Alternative Investment Market Board in case of:
  - I. Voluntarily delisting as per relevant rules and regulations;
  - II. Compulsory delisting by the exchange as per relevant rules and regulations; or
  - III. Migration from Alternative Investment Market Board to the Main Board.
- b. A company Listed with the Alternative Investment Market Board shall automatically qualify for listing on the main board if:
  - a. The Company fulfills the minimum paid-up capital requirement of the main board;
  - b. Increase its investor base to that required by the Main Board through either:
    - i. An offer for the Sale of existing shares by the shareholder; or
    - ii. An initial public offering by fulfilling the requirements of initial public offering regulation.
  - c. The company's net asset value is positive;
  - d. After fulfilling the migration criteria is given in (a) and (b) above, the company will have maximum of 1 year to fulfill all other listing requirements of the main Board and will be required to migrate to the Main Board as soon as these requirements are met.



## **15. Fees**

The Board of the Exchange may revise the fees or any of the slabs or add new slabs.

### **1. Initial Listing Fee**

- (1) In the case of an issue of equity securities by a new applicant, an initial listing fee of Nu. 25,000/- shall be payable on the application for listing.

### **2. Annual Listing Fee**

- (1) In addition to the initial listing fee, an annual listing fee of Nu. 10,000/- per annum shall be payable by the issuer to the Exchange; and
- (2) Annual listing fees shall be payable during the month of January every year.

## 16. Forms

### ANNEXURE A

#### Listing Undertaking Form for Issuer

Form of Listing Undertaking required to be entered into by an issuer in support of its application for admission to the AIM Board:

"TO : The Royal Securities Exchange of Bhutan Ltd.

FROM : (. .....) )

In consideration of the Royal Securities Exchange of Bhutan ("the Exchange") granting the Company's application for admission to the Official List of the Exchange ("the Official List"), and for permission to deal in the securities specified in the issuer's application, the issuer, **HEREBY ACKNOWLEDGES** that it shall remain on the Official List, and that trading in the issuer's listed securities shall continue being listed till the Exchange deems inadequate. The issuer **HEREBY UNDERTAKES AND AGREES** to comply with the rules of the AIM Board from time to time issued by the Exchange.

Signature:

Name:

Dated: ...../...../..... (Seal of the Issuer Company)

Signed for and on behalf of the issuer as authorised thereto by resolution of the Board of Directors dated:...../...../.....

Director's Undertaking

Form of Undertaking required to be entered into by each Director of a issuer in support of its application for admission to the Official List of the Royal Securities Exchange of Bhutan Ltd.

To: The Royal Securities Exchange of Bhutan Ltd.

I..... director of.....(the "issuer") hereby undertake that in the exercise of my powers and duties as a Director, I shall:-

- a. comply to the best of my ability with the Rules on the AIM Board from time to time;
- b. use my best endeavours to procure that any alternate of mine shall so comply; and
- c. use my best endeavours to ensure that the issuer complies with the Rules on the AIM Board from time to time.

Signature: \_\_\_\_\_ Name \_\_\_\_\_

Date:.....

Certificate of Independent Directors Form

I, Dasho/Dr./Mr./Mrs./Ms.....of.....  
sincerely and truly affirm and declare as follows in terms of Corporate Governance under the Rule on the AIM Board:

- a. I am an independent director of.....(company) being so appointed on .....
- b. I am affiliated with the following issuers or organizations:

Issuer/Organization	Relationship	Period of service (if applicable)

- c. I possess all the qualification to serve as an independent director of the issuer as provided in Section 13 (v) of this rule.
- d. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Corporate Governance Rule of the AIM Board.
- e. I shall inform the issuer and the RSEBL of any changes in the aforementioned information within five working days from its occurrence.

Affirmed by .....

(Signature and name of the independent Director)

On this day.....of .....at..... (Place)

Information to be placed before the Board of Directors

1. Annual operating plans and budgets and any updates.
2. Capital Budget and any updates.
3. Quarterly results of the issuer.
4. Minutes of the meetings of the Board.
5. Information on the recruitment, resignation and removal of the key position holders.
6. Any material defaults in financial obligations to and by the issuer.
7. Issues involving public and product liability claims of substantial nature.
8. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend.
9. Sale of material nature, of investments, assets, subsidiaries which is not in normal course of business.
10. Wage negotiation and settlement, significant labor problems and their proposed solutions.
11. Brief on statutory developments, change in Government policies etc. with impact thereof.
12. Proposal for investments, mergers and acquisitions.
13. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.

Amendment to rules for Alternative Investment Market

RMA approved the amendment vide letter no RMA/DFRS/66/2020-2021/661 dated August 19 2021.