

INITIAL PUBLIC OFFERING PROCEDURES



ROYAL SECURITIES EXCHANGE OF BHUTAN

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IPO Procedures

PART I: INTRODUCTION

1. Short title:

These Procedures shall be called the RSEB Initial Public Offer (IPO) Procedures.

2. Commencement:

These Procedures shall come into effect upon the date of approval by the Authority and upon commencement of the Exchange's IPO Engine.

3. Definitions or Interpretations:

When used in these Procedures and, where applicable, the following expressions shall, unless the context otherwise requires, have the meanings herein below specified:

Authorized Representative	Means any person who has the actual authority of the Lead Manager/Brokers to make transmissions with regard to initial public offering.
Automated Trading System (ATS)	Means the Automated Trading System of the Exchange for the execution of orders by its members and for the purpose of this definition ATS shall be the Trading System as defined in the relevant Trading Rules of the Exchange.
Authority	Means the Royal Monetary Authority.
Blocked Status	The securities of the selling client will be blocked on a sell order entered in the Trading System and shall remain blocked till day end. After ascertaining the actual filled sell order, the securities will be removed from blocked status and will be transferred to "pending out" in the client of the seller till the settlement date.
Board	Means the Board of Directors of the RSEB.
Clearing Member	Means a Licensed Broker of the Exchange admitted as a Member of the Clearing and Settlement House.
Business Day	Means any day on which the House is open for business
	Central Depository

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	Means the Central Depository of the Royal Securities Exchange of Bhutan.
Chief Executive Officer	Means any person occupying the position of the CEO of the Exchange or any person authorized by the Board to perform the functions of CEO during his absence.
Court	Means Royal Court of Justice.
EDS	Means Electronic Depository System
Fees and Charges Schedule	Means such Fees and Charges Schedule for the time being in force as has been made under these Rules, and any amendment, or revision thereof made with the prior approval of the Authority
Force Majeure	Means fire, explosion, earthquake, flooding, power failure, communication breakdown, civil strife, labour dispute, unavailability of data processing, act of God or any other Similar event.
Government Securities	Means any Government Securities that are listed on the Exchange.
Lead Manager	Means any financial Institutional with overall responsibility for new issue including its coordination, distribution and related administration.
Procedures	Means the procedures of the IPO System made under the Regulation and include any amendment, modification, revision and/or substitution thereof.
Stock Exchange or Exchange	Means the Royal Securities Exchange of Bhutan.

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PART II: THE IPO SYSTEM

4. Operations and Powers of the Exchange:

- (a) The IPO System shall be maintained and operated by the Exchange in accordance with these Procedures.
- (b) Unless the contrary intention appears, powers conferred by or under these Procedures shall be exercised in such manner as the Board may from time to time prescribe.

5. Exemptions:

- (a) The Board shall not exempt any person or group of persons from an obligation to comply with:
 - i. A warranty and Indemnity Provision;
 - ii. A Dispute Resolution process under Sub section 18.

6. Exercise and delegation of functions and powers:

- (a) The Board may delegate any of the powers and functions under these Procedures to:
 - i. The CEO.
 - ii. Any one or more officers of the Exchange or any other person or persons.
- (b) A delegation of power or function may be made either generally or as otherwise provided by the terms of the delegation.

7. Binding effect of the Procedures:

- (a) These Procedures shall have the effect of a contract between the Exchange and each Lead Manager/ Broker under which each Lead Manager/Broker covenants with the Exchange to observe the Procedures and to perform the obligations which the Procedures impose on the Lead Manager/Broker, in the manner provided by these Procedures.
- (b) The Exchange and the Lead Manager/Broker are not liable for failure to comply with the requirement of the Procedures (other than a Warranty and Indemnity Provision), if and to the extent to which, compliance has been delayed, interfered with, curtailed or prevented by the occurrence of an event of Force Majeure, affecting the Exchange and or the Lead Manager/broker.
- (c) The Exchange shall not be liable to any Lead Manager/Broker or to any other person, company or other entity whatsoever which may have any rights under these Procedures for any failure or delay in the performance of its functions if such failure, delay, break down or suspension is directly or indirectly attributable to the occurrence of an event of Force Majeure.
- (d) The Exchange's Indemnity under Sub section 10 has the effect of a contract between the Exchange and each Lead Manager/Broker.
- (e) The Lead Manager/Broker warranties and indemnities under Sub section 10 have the effect of a contract between the Lead Manager/Broker and the Exchange.

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(8) Fees and Charges.

- (a) The Board shall, with the prior approval of the Authority, make Fees and Charges Schedule specifying the fees and charges payable for facilities and services provided by the Exchange and the period within which, the fees and charges must be paid.
- (b) The Fees and Charges Schedule may include fees and charges imposed to recover costs, damages and expenses incurred by the Exchange by reason of a failure by a Lead Manager/Broker to comply with these Procedures.
- (c) The Exchange shall have the right, with the prior approval of the Board, at any time to make such changes in the Fees and Charges Schedule as it may deem necessary, provided that the Exchange shall promptly notify the Clearing Members of any changes to the Fees and Charges Schedule prior to implementing those changes.

(9) Disclaimer:

Where any loss or damage is caused to or incurred by any party or person on account of any act of commission or omission or default in complying with the provisions of the Act or the Regulations or these Procedures or the Agreements executed in pursuance thereof or on account of the negligence or fraud on the part of any Lead Manager/Broker, Issuer, or their employees, or agents, the Exchange shall not be held responsible for such loss or damages.

(10) Indemnity:

Each and every Lead Manager/Broker or Issuer shall indemnify and keep indemnified and hold harmless and defend Exchange from and against all harm, loss, damage, injury and penalty suffered or incurred and all costs, charges, and expenses incurred in instituting and / or carrying on and / or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by any Lead Manager/Broker or Issuer on account of or as a result of any act of commission or omission or default in complying with the provisions of the Act or the Regulations or these Procedures in pursuance thereof or on account of the negligence on the part of that Lead Manager/Broker or Issuer and its employees or agents.

(11) Access to IPO System:

- (a) Subject to the payment of fees and charges in accordance with the Fees and Charges Schedule, the Exchange grants to each Lead Manager/Broker, a non-exclusive, non-transferable access to use the IPO System to the extent and in the manner required or permitted by these Procedures.
- (b) Subject to the access granted in Sub section 11(a), the Exchange reserves all rights it has or may have in relation to IPO System and also reserves any rights that it may have in relation to the confidentiality of information passing into or out of, or held within the Exchange.
- (c) The Exchange prohibits each Lead Manager/Broker from:
 - i. Attempting to alter or modify all or any part of the IPO System.
 - ii. Allowing a person that is not an Authorized Person access to the IPO System.

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(12) Securities and Symbols:

- (a) The Exchange shall assign a distinct securities symbol for each issue during the IPO.
- (b) The assigned symbol shall be used as security code of the issuer and shall remain uniform in all the Exchange Systems.

(13) Uploading of Prospectus:

After the approval of the prospectus the Lead Manager/Broker shall have the option to upload the said prospectus into the IPO System.

(14) Creation of Subscriber:

- (a) The Lead Manager/Broker shall create the list of subscribers based on the application received from the investors.
- (b) The system shall have the maker and checker facilities for the creation of subscribers.
- (c) The Lead Manager/Broker can access the demographic information of those subscribers who has participated in the previous issues.
- (d) The CID shall be the primary identification number which shall link the client demographic information with its collateral (cash) and subscriptions.

(15) Collateral and subscriptions:

Once the Lead Manager/Broker confirms that the subscriber has deposited the collateral (cash) with the banker to the issue, the Lead Manager/Broker shall fill in the orders on behalf of the subscriber. Accordingly the system shall calculate the subscription based on the indicated price.

(16) Allocation Process:

- (a) The allocation of subscriptions shall be made by allocating the minimum orders to all the subscribers followed by subsequent minimum average orders.
- (b) In the case where the remaining issue cannot be allocated by the equal allocation method, the system shall use equal weighted method for the remaining allocation.
- (c) The rounding up of fractions, if any shall be allocated based on time priority or through lottery method.

(17) Submission of IPO Data to the Central Depository:

On completion of the allotment, the Lead Manager/Broker shall submit the data to the Central Depository through the system.

(18) Dispute resolution:

Any dispute between Lead Manager/Broker and Investor shall follow the process.

- (a) Lead Manager/Broker or Investor with a complaint shall first lodge it with the administrator/officer In- Charge of the IPO system.

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- (b) If the said official is unable to resolve the complaint, it shall be forwarded to the CEO of the Exchange.
- (c) The CEO of the Exchange shall deal with the complaint expeditiously.
- (d) If the Lead Manager/Broker or Investor is not satisfied, he shall appeal to the Board of the Exchange.
- (e) The Board shall make a decision in not more than 30 days after the appeal has been lodged or filed.
- (f) Lead Manager/Broker or Investor dissatisfied with the decision of the Board shall appeal to the Authority.
- (g) Lead Manager/Broker cannot revert to any court action without exhausting all the steps indicated above.

(19) Reports Available in the IPO System:

Following reports may be obtained from the system by Lead Manager/Broker.

- (a) Payables receivables report.
- (b) Auction report.
- (c) Surveillance report

PART III: COMMUNICATION

(20) Communication by and between Lead Manager/Broker and the System:

- (a) Each Lead Manager/Broker shall:
 - i. Have an access with the IPO System.
 - ii. Ensure that no person other than the authorized person of the Lead Manager/Broker has access to the IPO System.
- (b) A Lead Manager/Broker shall promptly give Notice to the Exchange if its Authorized Person:
 - i. Is aware of any matter.
 - ii. Intends to take any action.
 - iii. That may affect its capacity to communicate reliably with the IPO System.
- (c) If the Exchange gives advice or directions to the Lead Manager/Broker, the Lead Manager/Broker shall observe and give effect to the advice or directions.
- (d) Every Lead Manager/Broker shall file with the Exchange, a list of its Authorized Persons, who will represent the Lead Manager/Broker on matters relating to the IPO.

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(21) Technical Capabilities:

- (a) A Lead Manager/Broker shall at all times ensure that:
 - i. It has the technical capacity to use the IPO System.
 - ii. It employs or retains such personnel familiar with these Procedures as are necessary to allow the Lead Manager/Broker to carry out its obligations in accordance with these Procedures.
- (b) The Exchange may by Notice give advice or directions to a Lead Manager/Broker in order to ensure that the Lead Manager/Broker meets or continues to meet the Technical and Performance Requirements.
- (c) Without limiting Sub section 21, the Exchange may on reasonable Notice require a Lead Manager/Broker to undertake additional testing to meet the technical and performance requirements if the Exchange introduces new IPO Software or make any modification therein, that will affect that Lead Manager/Broker's ability to meet those technical and performance requirements;

(22) Validation of data:

Any data received by the EDS from the IPO system shall be treated as valid, subject to these Procedures.

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PART IV: APPLICATION FOR ADMISSION AND ADMISSION CRITERIA

(23) Application for Admission to the Exchange as Lead Manager/Broker:

Subject to the admission criteria set out in the IPO regulations..... any of the following may apply for admission as Lead Manager/Broker.

- (a) Licensed Broker.
- (b) Financial Institutions approved by RMA as Lead Manager.
- (c) Any other body corporate that is approved by the Authority.

PART V: GENERAL PROVISIONS

(24) Authorized Persons:

- (a) Each Lead Manager/Broker shall be represented in respect of its business by one or more Authorized Persons or Representatives whose name(s) shall be submitted in writing to the Exchange.
- (b) A Lead Manager/Broker is responsible for the action(s) of its Authorized Representative.

PART VI: CHARGES FOR SERVICES

(25) Fees and Charges:

- (a) The Exchange shall prescribe and the Lead Manager/Broker shall pay such fees and charges to the Exchange as specified from time to time for the use of IPO System.
 - i. The categories of fees applicable are as indicated.

	Paid Up Capital (Nu.)	Fees (Nu.)
I.	5 Million – 50 Million	50,000/-
II.	50 Million – 100 Million	100,000/-
III.	100 Million – 300 Million	150,000/-
IV.	300 Million – 500 Million	200,000/-
V.	Above 500 Million	250,000/-

PART VII: FORMS

(26) Prescribing of Forms:

In connection with transactions or matters handled through, with or by the Lead Manager/Broker under or pursuant to these Procedures, such forms and other documents shall be used as the IPO System may from time to time prescribe, and changes to, any such forms or documents may be made by the Exchange at any time in its discretion.