

Draft Regulatory Provisions Associated with the Draft to Enhance IPO Practices

Draft Objective:

The project aims to enhance the initial public offering (IPO) framework by improving the efficiency of underwriting, book-building, and pricing processes in public offerings, in a manner that contributes to higher levels of transparency and investor protection, and supports investors' ability to make investment decisions based on clear and comprehensive information.

Regulatory Provisions:

First: With reference to paragraph (a) of Article (24) of the Rules on the Offer of Securities and Continuing Obligations, which provides that: "(a) The offer of securities must be fully underwritten by one or more Capital Market Institutions licensed to carry out underwriting activities, and that Capital Market Institution must comply with the Prudential Rules," and to paragraph (c) of item (Third) of the Instructions for Book Building Process and Allocation Method in Initial Public Offerings, which provides that: "(c) The issuer must sign an underwriting agreement before the beginning of the subscription process," then, with respect to underwriting in a public offer, the underwriting agreement must be signed and effective before the beginning of the book building process, provided that the underwriter's commitment to purchase all offer shares is effective upon the beginning of the book building process. Where the underwriter's ownership of the offer shares results in a breach of the requirements necessary for listing under the Listing Rules, the issuer's shares shall not be listed, with the underwriter purchasing all offer shares.

Second: The terms and conditions of the participation request forms during the book building process in public offers must include the following controls:

- (a) Acceptance of the book building participation requests submitted by the participating parties through the official channel specified by the issuer's financial advisor and within the timeframe set out in the prospectus, provided that any amendment to such request shall be in accordance with paragraph (i) of item (Third) of the Instructions for Book Building Process and Allocation Method in Initial Public Offerings, which provides that: "The participating entities may change or cancel their bids at any time during the book building period, provided that the change must be made by submitting an amended bidding participation application or an appended bidding application (as applicable)."
- (b) The participation request submitted by the participating entities must reflect the true value of the liquidity available to the investor, taking into account that the verification of financial solvency for the requests submitted by the participating entities is limited to cash or cash equivalents only (for example: securities convertible into cash during the subscription payment period in accordance with the timeframe set out in the prospectus).
- (c) A participating party's request at any specified price within the offering price range shall be deemed to include all prices lower than it.
- (d) The official requests received from the participating parties shall be binding for payment by the final subscription payment deadline — at the latest — in accordance with the timeframe set out in the prospectus.

Third: Taking into account paragraph (b) of Article (27), and paragraphs (a) and (b) of Article (82) of the Rules on the Offer of Securities and Continuing Obligations, the prospectus/registration document must include the issuer's forward-looking statements and expectations, including the forward-looking indicators of financial performance (provided that they cover no less than one financial year), and make them available within the section of documents available for inspection, while verifying that the forward-looking statements and performance expectations are clear, not misleading, and based on reasonable and measurable grounds. In addition, the financial advisor, when advising the issuer on these forward-looking statements and performance expectations, must exercise the necessary professional care and reach a reasonable opinion thereon.