



Effective date: 2077.4.22

Book Building Directives, 2077

Preamble: It is expedient to make provision to determine the price of securities by the market and price determination process transparent and competitive in public offering of securities by a body corporate;

Now, in exercise of the power conferred by section 118 of the Securities Act, 2063 (2007), Securities Board of Nepal hereby makes and issues the following directives for the purpose of rule 25gã of the Securities Registration and Issue Rules, 2073;

Chapter-1

Preliminary

1. Short name and commencement: (1) These directives may be called Book Building Directives, 2077(2020).

(2) They shall come into effect on the date as prescribed by the Board.

2. Definitions: In these directives, unless the context otherwise requires:—

- (a) “Act” means the Securities Act, 2063 (2007);
- (b) “Cut-off price ” means a bid price to be fixed for the selling of securities issued through bidding process to qualified institutional investors;
- (c) “Stock exchange market” means a market, place or facility where securities are purchased, sold or exchanged continuously bringing securities seller and purchaser in a one place;

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- (d) "Regulations" means the Securities Registration and Issue Regulations (with amendment), 2073;
- (e) "Issue and Sale Manager" means a securities trader having obtained a license to act as specified in clause (a) of regulation 16 of the Merchant Banker Regulations, 2064;
- (f) "Book building method" means a price determination method and procedure of securities in the initial public offering by a body corporate ;
- (g) "Qualified institutional investor" means an institution having obtained the approval by the Board in accordance with sub-regulation (5) of regulation 25gã;
- (h) "Prospectus" means a prospectus to be published in accordance with section 30 of the act before the public offering of securities by a body corporate.

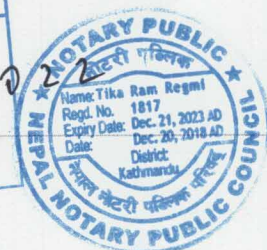
Chapter-2

Provision on obtaining approval by Qualified Institutional Investors

3. To act as a qualified investor: subject to sub-regulation (5) of regulation 25gã of the Regulations, the following may purchase securities through a book building method by obtaining the approval of qualified investor from the Board:-

- (a) A securities trader;
- (b) A portfolio company incorporated with an objective of making investment in securities.
- (2) The net worth of the institution as specified in clause (b) of sub-section (1) shall be **ten crore rupees** at minimum.

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4. Application to be made to obtain approval to act as a qualified institutional investor: (1) One willing to purchase securities through a book building method under these directives shall have to make an application in a format as prescribed in schedule-1 along with Rs. 10,000 (in words ten thousand rupees) as application fee to the Board to obtain an approval of qualified institutional investor.

(2) The Board may grant the approval to act as a qualified institutional investor in a format as prescribed in schedule-2 after making inquiry into the application received in accordance with sub-section (1).

Chapter-3

Provision on the determination of threshold price of securities in public issue

5. To be made agreement: (1) A body corporate willing to issue securities through a book building method shall enter into an agreement with an issue and sale manager licensed by the Board for the completion of the works as per this method.

(2) The body corporate shall enter into an agreement with the stock exchange market to carry out the works related to a book building method by an automated electronic system.

(3) Such matters shall be incorporated in the agreement to be entered into in accordance with sub-section (1) as may be prescribed by the Board.

6. Initial prospectus to be prepared: (1) A body corporate shall prepare an initial prospectus in consultation with an issue and sale manager in order to issue securities through a book building method. In a front page of the initial prospectus, it shall read as

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follows: “a prospectus on the issue of securities through a book building method to the qualified institutional investors”.

(2) The following matters shall be stated in the initial prospectus:-

- (a) Matters as specified in schedule-5 of the Regulations;
- (b) Number of securities to be issued;
- (c) Projected price of securities;
- (d) Basis and rationale for valuation.

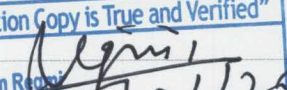
7. To conduct discussion programme : (1) A body corporate shall conduct a discussion program on the initial prospectus prepared in accordance with section 6 by inviting qualified institutional investors in participation of an issue and sale manager.

(2) A notice specifying time and place of the programme to be conducted in accordance with sub-section (1) shall be provided in writing to the qualified institutional investors, or published in a national daily newspaper(s) prior at least to seven days.

(3) The issue and sale manager and the body corporate shall upload the initial prospectus to the website prior at least to seven days of the programme.

(4) The body corporate shall make available its audited financial reports of the previous three fiscal years.

8. Intent price to be received: (1) A body corporate shall solicit suggestions from the qualified institutional investors on the initial prospectus, including minimum numbers to be purchased, intent price and its valuation method with the support of an issue and sale manager.

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(2) The qualified institutional investors may furnish its suggestions in writing on the initial prospectus, including numbers of securities to be purchased, intent price for purchase and a basis for valuation within five working days following the completion of the discussion programme.

(3) A body corporate shall, in receiving intent price for purchase, require to obtain at least ten letters of intent from the qualified institutional investors on being able to sell all securities allotted.

(4) In the case where letters of intent are not received in accordance with sub-section (3), the body corporate may solicit letters of intent by revising the projected price.

(5) Whenever the intent price submitted by the qualified institutional investors is kept within the limit of threshold price as specified in section 9 or more, such investors shall have to compulsorily participate in a bidding process under these directives.

9. To determine threshold price of securities: (1) A body corporate shall fix the base price of securities by reviewing the intent price received from the qualified institutional investors.

(2) Threshold price of securities shall be determined following the fixing of base price in accordance with sub-section (1).

(3) For determination of threshold price of securities, the upper threshold price shall be calculated by adding 20 percent to the base price and the lower threshold price by subtracting 20 percent.

10. To submit application to the Board to register and issue securities through book building method: (1) For the registration of

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securities and issue through a book building method, a body corporate shall make an application to the Board specifying threshold price along with a prospectus via an issue and sale manager.

(2) By making examination of the application and other documents filed in accordance with section (1), the Board may, registering the securities, provide the approval to publish the prospectus prepared to issue securities through a book building method.

Chapter-3

Issue of securities and determination of price

11. Bidding Process: An issue and sale manager shall publish an offer document inviting all qualified institutional investors to participate in a bidding process within 10 days at maximum from the approval date of prospectus in accordance with sub-section (2) of section 10.

(2) Participation in the bidding process shall be open after seven working days from the publication date of offer document.

(3) The bidding process shall remain open for four working days from the bid opening date.

(4) The qualified institutional investor shall make an application for the purchase of securities within the threshold of selling price.

(5) The qualified institutional investors shall not make a bid offer quoting a lesser number of securities and price than that of letters of intent.

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(6) Any qualified institutional investors shall make a bid offer not exceeding 20 twenty percent than the total securities issued.

(7) Any qualified institutional investor shall not participate in a bidding process, if it bears conflict of interest with the body corporate.

(8) The qualified institutional investor shall deposit all the moneys in the bank account of an issue bank, or hold in the account of the applicant, or provide a good for payment cheque.


12. Operation of automated electronic system: (1) The stock exchange market shall run an automated electronic bidding system under these directives.

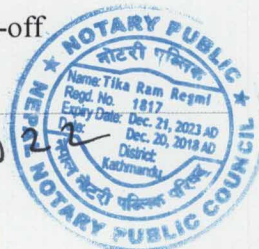
(2) The stock exchange market shall provide a User's Identity and password of the automated electronic bidding system as specified in sub-section (2) to the qualified institutional investors.

(3) The stock exchange market shall charge Rs. 10,000/ to the qualified institutional investor for providing User's Identity and Password of the automated electronic bidding system and Rs. 5,000/ for its annual renew.

(4) The stock exchange market shall charge a fee of 0.1 percent at the face value of total securities allotted to the qualified institutional investors or 2, 00,000/ (in words two lakh rupees) for setting up the automated electronic bidding system to the qualified institutional investors.

13. To determine cut-off price : (1) For determination of cut-off price of the securities issued to the qualified institutional investors, the stock exchange market shall determine the cut-off

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price in next day of the final date of bid submission as per the model as specified in schedule-3.

(2) Following the determination of cut-off price of securities in accordance with sub-section (1), securities at the cut-off price shall be allotted to all applicants as per their demand bidding at cut-off price or above.

(3) In the case where securities seem inadequate to allot as per the demands to the applicants bidding at the cut-off price, allotment of securities shall be made in a pro-rata basis.

(4) Where the price quoted by the qualified institutional investors in the bid seems less than cut-off price, securities shall not be allotted to such investors.

(5) The money not used for the payment of securities shall be refunded with interest or released the account within three working days from the date of allotment.

Chapter-5

Provision on the Issue of Securities to Public

14. Issue price of securities: Securities to be issued to public shall be discounted by 10 percent at the cut-off price determined in accordance with section 13.

15. Prospectus to be submitted to the Board for Public Offer: (1) A body corporate shall make an application along with an amended prospectus to the Board for approval within seven working days following the completion of allotment of securities to the qualified institutional investors.

(2) The cut-off price, name list of the qualified institutional investors to which securities were allotted, number of securities allotted and the changes on the technical, financial

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and managerial aspects in the prospectus, if any, shall be incorporated in the amended prospectus in accordance with sub-section (1).

(3) If the Board satisfied with the matters or facts stated in the prospectus, the approval shall be granted to publish the prospectus within seven working days.

(4) A body corporate shall publish an offer document within seven working days following the approval of the prospectus in accordance with sub-section (3).

(5) The body corporate shall make public the offer document prior to seven working days of the opening of the securities for sale.

16. Provision on issue, purchase, and allotment: (1) Number of securities that public may request for the purchase shall be fifty at minimum.

(2) For allotment of securities, each applicant shall be entitled to get at least fifty shares.

(3) Other provisions about public offer of securities, their purchase and allotment shall be in accordance with the securities purchase (public offer) directives, 2073, securities issue and allotment directives, 2074 and the directives on the operation of online service for public offer of securities, 2074.

Chapter-5

Miscellaneous

17. To underwrite securities: (1) A body corporate willing to issue securities through a book building method for public shall require to underwrite the securities, except the securities to be

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issued to the qualified institutional investors through a book building method.

(2) The underwriter who gets allotment of securities on applying as a qualified institutional investor may underwrite the securities.

(3) The relevant issue and sale manager shall underwrite at least five percent of securities out of the total underwritten.

18. To invite bidding through sealed quotation: Notwithstanding anything contained elsewhere in these directives, a body corporate may invite applications through a sealed quotation method until the automated electronic bidding system comes into operation.
19. To remove difficulties: The Board may remove any difficulties or ambiguity arisen in the application of these directives.
20. Action to be taken in non-compliance of these directives: The Board shall take actions if a system or procedure as specified in of these directives are not complied with.

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Schedule-1

(Relating to sub-section (1) of section 4)

A format of application to be made for approval of qualified institutional investors

Date:

The Securities Board of Nepal,
.....

Ref: Regarding approval of qualified institutional investor.

This application is hereby made in order to get approval as a qualified institutional investor on being able to participate in a process of securities purchase through a book building method in accordance with section of the book building directives, 2077

Name:

Signature:

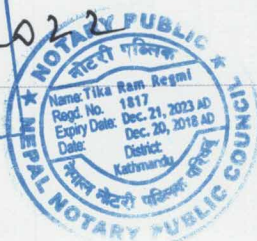
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Documents attached:

1. A copy of memorandum of association and articles,
2. A copy of audited financial statements of last fiscal year,
3. A certified copy of the decision of the board of directors regarding getting approval of qualified institutional investor,
4. A copy of tax clearance certificate and tax payment receipt.

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Schedule-2

(Relating to sub-section (2) of section 4)

To.....

Ref: Granting approval as a qualified institutional investor

This approval is hereby granted to that organization as a qualified institutional investor to participate in a process of securities purchase through a book building method in accordance with section..... of the book building directives, 2077.

Signature of Officer:

Name:

Designation:

Date:

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Schedule-3

(Relating to sub-section (1) of section 13)

A format (formula) to determine cut-off price

- 1 Where number of shares issued for the qualified institutional investors are 1, 000,000/ and applications made through a bidding process are as follows, the cut-off price shall be determined in accordance with No. 2 below.

S.N.	Number of qualified institutional investors	Price bided	Number bided shares	Number of shares allotted
1	3	250	50,000	50,000
2	7	245	1,50,000	2,00,000
3	10	235	2,00,000	4,00,000
4	17	230	2,50,000	6.50,000
5	15	228	2,75,000	9,25,000
6	21	225	5,00,000	10,00,000 (Number of 75,000 shares shall be allotted 21 applicants in pro-rata basis.
7	15	220	3,00,000	
8	20	218	3,50,000	
9	20	215	2,85,000	
10	10	212	1,50,000	

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Total	138		25,10,000	
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- 2 The cut-off price shall be Rs. 225 where all the securities issued are completely subscribed by the qualified institutional investors bidding from Rs. 250 to Rs. 225.

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