

These Guidelines are issued in pursuant to the power vested with the Regulatory Authority under section 410(b) of the Companies Act of Bhutan, 2016. These guidelines shall govern the public issue of commercial papers organized under Companies Act in Bhutan.

1. Short Title and Commencement:

- (a) These Guidelines shall be called, "Guidelines for public issue of Commercial Papers, 2017".
- (b) These Guidelines shall come into force on 1st March, 2017.

2. Definitions:

The terms and phrases used in these Regulations, unless the context requires otherwise, shall mean:

- (1) **Commercial Paper (CP):** is a money market instruments that are issued for a specified amount and are payable on a fixed date. The CP shall be issued for a maximum maturity period of one year.
- (2) **Issuer** means a Company incorporated under Companies Act of Bhutan and that intends to raise short term finance by issuing commercial papers under these guidelines.
- (3) **Institutional Investors** means a legal person devoted to holding and managing financial assets either for clients or itself, such as Fund Managers and Investment Advisors, financial institutions and pension funds.
- (4) **Net worth** means the total value of paid up capital and the free reserves of a company.
- (5) **Prospectus** means an offer document for issue of CP under Companies Act, 2016.
- (6) **Person** includes a natural person, registered companies, registered Civil Society Organizations and body of persons recognized as a separate legal entity by law.

2. Eligibility for issue of Commercial Papers:

- (1) All incorporated companies including the financial institutions are permitted to raise short term finance through issuance of CP.
- (2) A company shall be eligible to issue CP provided:
 - (a) The net worth of the company is not less than Nu. 5 million as per the latest audited balance sheet.
 - (b) Instrument is backed by collaterals such as time deposits, receivables, inventories and other qualified assets alternatively. The company may also seek corporate guarantee from its holding company; or financial guarantee or standby credit facility from any financial institutions, provided that the issuer and the financial institutions are not related parties as defined in the Financial Services Act, 2011.
- (3) The company must not have overdue loan or defaults in the report obtained from the Credit Information Bureau (CIB).
- (4) The issuer shall fulfill all the relevant requirements as stipulated in the Companies Act 2016.

3. Eligibility to Invest in Commercial Papers:

- (1) Individuals, financial institutions and incorporated corporate entities in Bhutan and unincorporated Bhutanese private firms shall be eligible to invest in CP.
- (2) The Prospectus Approval Committee (PAC) shall review and monitor from time to time the eligibility conditions to invest in CPs, depending on the circumstances and market conditions.
- (3) Financial Institutions may invest their funds including Statutory Liquidity Ratio (SLRs) in CPs with prior approval of the RMA.

4. Forms of the Instrument and mode of issuance:

- (1) CPs shall be issued in a denomination of Nu.100,000 and multiples thereof.
- (2) CPs shall be issued in dematerialized form.
- (3) CPs shall be issued at a discount to face value, in keeping with rate of interest determined by the Issuer.

5. Tenure and Size of Issue:

- (1) CPs shall be issued for a maximum maturity period of one year from the date of issue.
- (2) The size of the CP to be issued shall not exceed more than the value of the collateral, or the extent of the guarantee or standby credit facility provided.

6. Procedure for Issuance:

- (1) The issuer shall submit the draft Prospectus as prescribed in Annexure II, along with Application Form prescribed in annexure - I, to the office of the Registrar of Companies.
- (2) The CP applications shall be approved by RoC. However, all proposal from financial institutions or with cross sectoral issues, determined by RoC, shall be approved by PAC.
- (3) The issuer shall make announcement to general public for issuance of the CP atleast a week before the date of issue.
- (4) The Prospectus shall contain all the elements contained in Annexure- II along with proper disclosure on use of funds raised through CPs.
- (5) The investors shall submit their applications to the Royal Securities Exchange of Bhutan for subscription. The issuer shall enter into agreement on the modalities with the RSEB for the issuance of the CP.
- (6) The RSEB shall allot the CPs to the successful applicant within T+1 after the date of subscription stipulated in the Prospectus.
- (7) The RSEB shall intimate to the office of the Registrar of Companies on the amount of CP issued, accompanied by both settlement and subscribers details. However, if the issuer is a financial institution, the Royal Monetary Authority shall also be furnished with the same information.
- (8) The issuer shall submit approval of its board to issue CPs.

8. Buyback of Commercial Papers:

- (1) Issuers may buyback the CP issued, before maturity, subject to payment of 3% penalty per annum for the remaining period till the maturity date.
- (2) Such buyback shall be carried out through the facilities of RSEB.
- (3) Issuer shall intimate the office of the RoC of the buyback undertaken.

9. Review fees:

At the time of making application to the Office of the RoC, the issuer shall also deposit a copy of draft memorandum for issuance of CP along with the non-refundable review fee of Nu.25,000 in the form of cheque to RSEBL.

APPLICATION FOR PUBLIC ISSUE OF COMMERCIAL PAPERS

The Registrar of Companies,
Office of the Registrar of Companies,
Thimphu.

Subject: Approval for Issuance of Commercial Papers

Dear Sir,

We would like to seek approval for the issuance of the Commercial Papers as per the details provided below:

Serial No:.....

Days to Maturity:.....

Quantity/ Amount:.....

Date of Issue:.....

Terms and Conditions (*Check List*)

1. Maximum Maturity of the Instrument:

- 1.1: Not more than 90 Days
- 1.2: Above 90 Days
- 1.3: Up to One year

2. Potential Investors:

- 2.1: Only the Financial Institutions
- 2.2: Others (*please specify*)

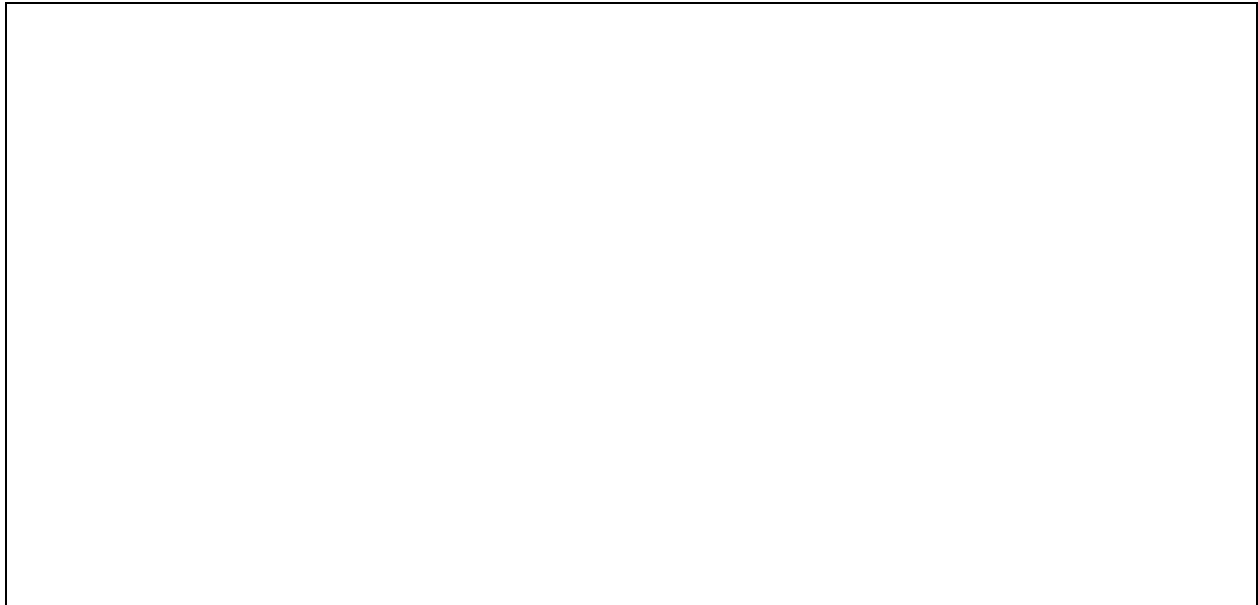
3. Additional Requirements:

3.1: The Instrument is backed by:

- 3.1.1: Deposits/Receivables/Inventories
and other qualified assets (*attach the document*)
OR
- 3.1.2: Corporate/FIs Guarantee (*attach the document*)

3.2: The Instrument is in the denominations of Nu. 100,000/ with multiples of
.....with total face value of Nu.....

- 3.3: The CIB clearance obtained (*attach the CIB report*)
- 3.4: Authorization from the Board obtained (*attach the document*)



HEAD OF THE COMPANY (Seal and Sign of Issuer)

Approval Form *(Official purpose only)*

- 1) The MMI Registration No:.....
- 2) Name of the issuer:.....
- 3) Date of Issue:.....
- 4) Total face value of Issue:.....
- 5) Date of maturity:.....

Approved

Not approved

Official Seal

(REGISTRAR OF COMPANIES)

Prospectus for Public issue of Commercial Papers worth Nu.....million

The following constitutes full and true disclosure of all material facts relating to the commercial papers offered by this Prospectus, as required by the Companies Act of Bhutan 2016:

1. General Information:

Name of the Company :

Registered Office :

Subsidiary Company :

Auditors :

Bankers :

Registration/License :

2. Objective of the issue: (state full objective behind issue of CP).

3. Particulars of offer:

Issue Price per CP	Number of CPs Offered	Subscription Date	Allotment Date	Nature of Script
Face Value Nu.....	No of bond(s)	CPs fully secured by time deposits/receivables/inventories/corporate guarantee/.....

4. Term of the Commercial Paper & Rate of Interest

<u>Term</u>	<u>Interest Rate</u>	<u>Payment of Coupon Amount</u>
..... days %	

5. Maturity Period: The maturity period of the CP will be for.....days from the date of allotment as specified above. In event of premature redemption of the CP, the issuer will redeem only the principal amount and the interest accrued till the date of premature redemption subject to payment of 3% penalty.

6. Method of distribution: In Lump sum amount through RSEBL facility.

7. Use of Fund: *(The issuer shall highlight the details of application of fund raised through CPs under this heading).*

8. Payment of Interest/coupon:

- (1) The CP shall be listed with the Stock Exchange for secondary transactions.
- (2) The interest amount shall be paid to the investors by A/c payee cheque.
- (3) The Central Depository of RSEB shall be the custodian for the debt instrument and facilitate the interest payments.

9. Risk factors:

The investors should make their own assumption/analysis on the general market risks before deciding to invest in the scripts. However, following risks are directly related in the Investment Business:

(Note: Issuer should highlight all risk related to the Business & Please change this text as applicable. The points given below are only for guidance)

- (1) **Operational Risk:** *Operational Risk is associated due to*
- (2) **Market/Economy Risk:** *Market or Economy risk would put the clients' business to risk which may result in loan delinquency.)*
- (3) **ANY other Risks:**

10. Present Capital Structure of the Company:

(Authorized Capital -million)

(Issued and paid up Capital - ... million.)

11. Financial Highlights of the issuer for last three years (audited figure):

(Figures in Nu. Million)

Sources of Fund	2014	2015	2016
Authorized Capital (Shares of Nu.100/- each)			
Issued & Paid up Capital			
Reserves & Surplus			
Deposits/Funds/Borrowings			
Other Liabilities			
Total			
Application of Fund			
Cash & Deposits			
Loans & Advances (Net of Provisions)			

Fixed assets (Net Block)			
Other Assets			
Total			
Profit before tax			
Profit after tax			
Dividend			

12. Particulars of Present Board of Directors and CEO:

NAME	DESIGNATION

13. Statutory dues/Pending cases: *At present, the Company has no outstanding statutory dues. There arenumber of litigation cases*

(Note: Please change this text as applicable)

14. Declaration: We hereby declare that the relevant provisions of the Companies Act 2016 and these guidelines issued by the Regulatory Authority have been complied with and no statements made in the offer memorandum are contrary to the provisions of Companies Act, 2016.

Place -

Date -

**Signature of Chairman/Director
Officer**

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**Seal & Signature of the Chief Executive
Officer**

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