

SECURITIES REGISTRATION AND ISSUANCE (SEVENTH AMENDMENT) REGULATION, 2080

BRIEF ON THE AMENDMENT



DISCLAIMER: This publication is not intended to be used as a basis for undertaking any significant transactions, financial or otherwise without consulting appropriate professional advisers.

Securities Registration and Issuance (Seventh Amendment) Regulation, 2080 (2023)

1. The Securities Board of Nepal ("**SEBON**" or "**Board**") has brought the following amendments through the **Seventh Amendment to the Securities Registration and Issuance Regulation, 2073 (2016)**:
2. Definitions added:
 - 2.1. "Paid-up capital" means the amount paid by the shareholders of an incorporated entity in accordance with the number of shares that they have agreed to subscribe."
 - 2.2. "Green bond" means a bond issued by an incorporated entity to fund environmentally friendly projects, and the term also includes bonds issued for investments in projects aimed at mitigating the adverse effects of climate change through sustainable development.
3. For businesses, excluding those subject to periodic license renewal, if the remaining term of the business operator's license is less than ten years, such an incorporated entity cannot apply for securities registration and public issuance with the Board.
4. The earlier regulation required public companies to undergo a full financial year of business operations before they could qualify for public securities issuance. However, under the seventh amendment, if a

company initially registered as a private limited company, conducted business for a minimum of two financial years, and later converted into a public limited company, and if the audit report for the most recent financial year has been endorsed by the general meeting held after the conversion into a public limited company, the necessity to meet this time requirement will be waived.

5. Likewise, in addition to the successful conclusion of the audit and the general meeting, the same audit report of the entity must not have been qualified by the auditor raising concerns over the entity's status as a going concern.
6. Issuance of Green Bond:
 - 6.1. An incorporated entity is eligible to issue green bonds or debentures following approval from the Board. These bonds and debentures are also available for investment by foreign investors, in compliance with applicable laws. Further details and arrangements will be specified in the Directive.
7. Incorporated entities with a paid-up capital of at least one billion rupees can issue securities at a premium, provided they have recorded a net profit for the preceding two years.
8. The calculation of premiums in an initial public offering or sale offer shall be determined as follows:

- 8.1. For incorporated entities with a paid-up capital of at least one billion rupees, the premium calculation for an initial public offering is determined by taking into account the average of capitalized earnings from the audit reports of the last two financial years, as endorsed by the company's general meeting, present value of future cash flows (discounted cash flows), and internationally practiced valuation methods acknowledged by the relevant Nepalese laws. For other entities, the premium calculation shall be based on the capitalized earnings from the audit reports of the last three financial years, while the remaining methodology remains unchanged.
 - 8.2. The premium value determined in such a way needs to be certified and submitted by the respective underwriter.
 - 8.3. The price, inclusive of the premium, should be the lower of the average price as determined above and a price that is twice the net worth per share, as per the most recent audited financial statement approved by the incorporated entity's general meeting.
9. The shares owned by private equity, venture capital, hedge funds, or similar types of funds registered with the Board, or funds registered abroad, or entities with foreign government investment having approval for investment in Nepal under the prevailing laws, can be sold one year after the date of share allotment of the initial public offering made to the general public.

10. Securities to be issued by an investment company established as a joint investment:

10.1. An investment company established through joint investment between the Government of Nepal and Non-resident Nepali in compliance with applicable regulations is authorized to issue securities exclusively for Non-resident Nepali holding foreign citizenship or a permanent residence permit in a foreign country, for investing in shares, bonds, and debentures of infrastructure projects subject to approval by the Nepal Rastra Bank. The issuance of securities shall adhere to the prescribed regulations. The trading of securities issued for investment in foreign currency shares, bonds, or debentures shall be limited to transactions involving non-resident Nepalese who possess foreign citizenship or a permanent residence permit from a foreign country.

10.2. Other arrangements regarding such transactions shall be as provided in the Directives, which will be formulated with the approval from the Nepal Rastra Bank.

11. Incorporated entities will be able to submit their documents and prospectus regarding the issuance of securities to the Board through an electronic medium as prescribed by the Board.

KEY CONTACTS

If you have any questions or would like to know how this might affect your business, get in touch with these key contacts



BISHAL PANTHI
CHARTERED ACCOUNTANT
JOINT PARTNER



TANIJA SINGH
ATTORNEY AT LAW,
ASSOCIATE



RELIANCE CORPORATE ADVISORS

C/O Corporate Services Pvt. Ltd.
Milap House, Sanepa Main Road,
Lalitpur, Nepal

+9771 5423316, 5441262 / 3

enquiry@relianceecs.co

www.relianceecs.co