



# **OFFERING OF SECURITIES MODULE**

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<b>CHAPTER</b>	<b>OFS-A:        Introduction</b>

## OFS-A.3    Module History

### *Evolution of Module*

OFS-A.3.1    This Module was first issued in January 2014 by the CBB. Any material changes that are subsequently made to this Module are annotated with the calendar quarter date in which the change is made; Chapter UG-3 provides further details on Rulebook maintenance and version control.

OFS-A.3.2    The most recent changes made to this Module are detailed in the table below:

Module Ref.	Change Date	Description of Changes
OFS-1.6.11, OFS-1.10.5, OFS-3.5.26, OFS-4.1.1, OFS-4.3.2, OFS-4.4.1, OFS-4.4.4, OFS-7.1.2, OFS-7.1.3	04/2014	Added links to Glossary for the words 'days' and 'licensed exchange'.
OFS-1.14	04/2014	Corrected reference to Glossary for the term 'overseas issuer(s)'.
OFS-3.2.6	04/2016	Added reference to securities market regulation certification and other qualifications.
OFS-3.3.8	04/2016	Corrected cross reference to CBB Law.
OFS-1.4.1(e)	10/2017	Amended sub-paragraph based on changes made to the definitions section.
OFS-7.5.1	01/2018	Amended Paragraph.
OFS-2.6.7A	07/2018	Deleted Paragraph.
OFS-3.2.19 (c)	07/2018	Amended sub-paragraph.
OFS-3.4.6 (a)	07/2018	Amended sub-paragraph.
OFS-3.5.7 (c)	07/2018	Amended sub-paragraph.
OFS-A.1.2	01/2021	Added reference to Resolution No (1) of 2007.
OFS-8.2.3	01/2021	Amended the fee schedule as per Resolution No (2) of 2020.
OFS-1.11.3, OFS-1.11.12, OFS-2.3.9, OFS-7.1.6, OFS-7.4.17	08/2024	Amended Paragraphs and changed Market Makers to Liquidity Providers.

### *Superseded Requirements*

OFS-A.3.3    This Module supersedes the following provisions contained in circulars or other regulatory instruments:

Circular/ other references	Provision	Subject
BSE Resolution No. 4 of 1992	All	Prospectus Requirements
ODG/407/03 Disclosure Standards	Chapter 1	Prospectus and ongoing disclosure requirements in relation to equity securities
ODG/74/04 Guidelines for the Issuing, Offering and Listing of Debt securities	All parts	Issue, offer and listing of debt securities
EDBS/KH/0688/2008 on Private Placement of Securities Issued by or Promoted by Banks Licensed in Bahrain.	All parts	Private placement requirements
EDFIS/C/039/2017	Module	Issuance of the Amended Offering of Securities Module – Volume 6

<b>MODULE</b>	<b>OFS:           Offering of Securities</b>
<b>CHAPTER</b>	<b>OFS-1:        Issuance of Securities</b>

## OFS-1.11   Eligibility to Issue Warrants and Other Securities

### *Warrants*

**OFS-1.11.1**   Where the issuer directly issues warrants, he must satisfy the requirements relating to the underlying securities in accordance with this Module.

### *Structured Warrants*

**OFS-1.11.2**   Structured warrants or such similar instruments must be issued by a third-party issuer which is:

- (a) A Volume 1, or Volume 2 licensee authorised by its relevant supervisory directorate of the CBB to conduct such issue (offer); or
- (b) A foreign financial institution subject to appropriate supervision acceptable to the CBB.

**OFS-1.11.3**   Structured warrants and other similar instruments may only be issued in relation to:

- (a) Securities that are listed on a licensed or regulated exchange;
- (b) Commodities or metals, provided that they are traded on a licensed or regulated exchange and regularly operating open market;
- (c) Currencies; or
- (d) Stock indices or basket of listed securities.

### *Placement and Holder Size*

**OFS-1.11.4**   At least 50% of an issue must be placed out to a minimum of 50 persons. This requirement does not apply if there is an appointed liquidity provider ~~designated market maker~~ for the structured warrants or other instruments.

**OFS-1.11.5**   The minimum board lot size, the issue size, issue price and any other details for structured warrants based on listed or quoted securities are subject to the licensed exchange business rules.

### *Tenure of Issue*

**OFS-1.11.6**   The tenure of the structured warrant must not exceed three years from the date of issue, or such longer time as the CBB may allow.

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<b>CHAPTER</b>	<b>OFS-1:       Issuance of Securities</b>

## OFS-1.11   Eligibility to Issue Warrants and Other Securities (continued)

### *Exercise Settlement*

**OFS-1.11.7**   On exercise, structured warrants must cash settled unless the CBB has approved physical settlement where the underlying securities are cash or cash equivalent securities. The settlement method must be specified in the offering document. The issuer thereafter must not have an option to elect for settlement either in shares or cash upon exercise of the structured warrants.

**OFS-1.11.8**   An issuer must decide on the method for determining the cash settlement price at the time of the launch of an issue, and this must be stipulated in the offering document and or term sheet. The settlement price must be either:

- (a) The average of the closing prices of the underlying securities (subject to any adjustment to reflect any capitalisation issue, rights issue, distribution or the like) for the five market days prior to, and including, the market day immediately before the relevant exercise/expiry date;
- (b) The closing price of the underlying securities on the market day immediately before the exercise/expiry date; and
- (c) For securities regarded as illiquid, a cash settlement price determination agreed between the issuer and the CBB for that particular security.

### *Conversion Ratio*

**OFS-1.11.9**   For the exercise of structured warrants based on individual securities, the conversion ratio must avoid using fractions of securities.

### *Adjustments*

**OFS-1.11.11**   The terms of the issue must provide for adjustment to the exercise price and, where appropriate, the number of securities which each structured warrant carries the right to sell or purchase, in the event of any capitalisation issue, rights issue, distribution or the like relating to the underlying securities.

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CHAPTER	OFS-1:        Issuance of Securities

## OFS-1.11   Eligibility to Issue Warrants and Other Securities (continued)

### *~~Designated Market Maker~~ Liquidity Enhancement Arrangement*

OFS-1.11.12   If there is ~~an designated market maker~~ appointed liquidity provider in respect of the issue, the CBB together with the licensed exchange must be satisfied that the ~~designated market maker's~~ appointed liquidity provider's obligations are being fulfilled.

### *Underlying Securities*

OFS-1.11.13   Necessary arrangements must be made for the underlying securities to be held by a trustee or custodian to meet the exercise of all obligations of the outstanding warrants.

OFS-1.11.14   Where the warrants relate to securities issued by a third party, the declaration by the issuer should take the following form:  
 “Subject as set out below, the issuer whose name appears on page [the issuer’s Board of Directors and management] accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect such information.  
 The information contained herein with regard to [name of issuer of underlying securities], its subsidiary undertakings and the [description of underlying securities], consists of extracts from or summaries of information contained in financial and other information released publicly by [name of issuer of underlying securities] and summaries of certain provisions of [jurisdiction of issuer of underlying securities] law. The issuer accepts responsibility for accurately reproducing such extracts or summaries. The issuer accepts no further or other responsibility in respect of such information.”

OFS-1.11.15   In the case of warrants related to anything other than securities, the declaration in Paragraph OFS-1.11.14 should be appropriately modified.

OFS-1.11.16   Where the issue of warrants is guaranteed, the information requirements which apply to the issuer must also be applied to the guarantor, depending on whether the guarantor is listed or is the guarantor of other listed securities.



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CHAPTER	OFS-1:        Issuance of Securities

## OFS-1.11   Eligibility to Issue Warrants and Other Securities (continued)

**OFS-1.11.17**   The equivalent offering document must include details of conditions of and procedures for exchange, exercise or cash settlement and details of the situations in which they may be amended, including any provisions for the adjustment of the terms of the warrants.

<b>MODULE</b>	<b>OFS:           Offering of Securities</b>
<b>CHAPTER</b>	<b>OFS-2:       Offering of Securities</b>

## OFS-2.3   Public Offering

**OFS-2.3.1**   All public offering applications must meet the eligibility criteria under Section OFS-1.5 and the eligibility criteria related to the type of security or issuer and follow the requirements outlined in Appendix OFS-1.

### *Corporate Governance*

**OFS-2.3.2**   Issuers of securities in a public offering must confirm to the CBB before the registration of the offering document that it is able to comply with the CBB Law, rules and regulations, as well as with all other applicable laws, rules and regulations.

**OFS-2.3.3**   The issuer must meet the following requirements in order for a public offer to be approved by the CBB:

- (a) The issuer is a duly incorporated entity under the laws of the Kingdom of Bahrain, or in case of an overseas issuer, under the laws of its place of incorporation;
- (b) The issuer operates in conformity with its Memorandum and Articles of Association or equivalent constitutional documents;
- (c) The securities are freely transferable and free from any encumbrances;
- (d) The offered securities are to be listed on a licensed exchange in the Kingdom of Bahrain, and there are adequate assurances between the issuer and the licensed exchange that they will be admitted to such a platform;
- (e) The necessary custodial and/or central depository arrangements have been made including the deposit of securities with an entity eligible to provide depository services under Article 94 of the CBB Law;
- (f) The necessary clearing and settlement arrangements have been made that give effect to Article 108 of the CBB Law;
- (g) The issuer has made the appointment of the eligible advisors, as per this Module including the appointment of a listing agent to liaise with the licensed exchange and the CBB where the CBB deems necessary; and
- (h) The issuer meets such other requirement as determined by the CBB from time to time.

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<b>CHAPTER</b>	<b>OFS-2:       Offering of Securities</b>

## OFS-2.3   Public Offering (continued)

**OFS-2.3.4**   The issuer must appoint a lead manager for any public offer.

**OFS-2.3.5**   An issuer in an initial public offering of equity securities must ensure that the issue is underwritten, unless an exception is made by the CBB, in accordance with Paragraph OFS-2.3.6.

### *Underwriting*

OFS-2.3.6   The CBB may approve an issue without an underwriter where:

- (a) More than one institution who are not related parties provide the proposed offering price; or
- (b) The lead manager has established the issue price through a book building mechanism; and
- (c) The lead manager has signed a declaration of due diligence and has submitted a declaration confirming to the issuer and the CBB that the issue will be fully subscribed, which declaration must be included in the offering document.

**OFS-2.3.7**   Where the issue is to be underwritten, full details of the underwriter and the underwriting arrangement must be disclosed in the prospectus and the full underwriting agreement as signed by the parties must be made available for inspection by the subscribers.

OFS-2.3.8   Where the issue is not to be underwritten, the CBB retains its right to impose full or partial underwriting based upon pricing of the securities to be issued and market conditions.

**OFS-2.3.9**   Where the issue is underwritten the:

- (a) Underwriter must not be a related party; and
- (b) Lead manager and/or underwriter must directly or through an authorised market maker appointed liquidity provider, establish a price stabilisation mechanism for the securities for a period of at least six months starting from the first day of trading on a licensed exchange. The CBB may require a longer period of price stabilisation where it considers it necessary.

**OFS-2.3.10**   Details of underwriting agreements must be disclosed in the offering document and the agreement must be capable of being enforced under any circumstance.

<b>MODULE</b>	<b>OFS:           Offering of Securities</b>
<b>CHAPTER</b>	<b>OFS-2:       Offering of Securities</b>

## OFS-2.3    Public Offering (continued)

**OFS-2.3.11**   In respect of public offers of debt securities, where the issue is to be underwritten or sold through primary dealer arrangements, full details of the underwriter, primary dealer, the underwriting arrangement and/or primary dealer arrangements must be disclosed in the prospectus and the underwriting agreement must be made available for inspection by the subscribers.

### *Book Building*

**OFS-2.3.12**   The preliminary/red herring prospectus containing all the information except the information regarding the price at which the securities are offered, must be filed with the CBB prior to it being used in any manner by the issuer or its advisors.

**OFS-2.3.13**   The lead manager and/or the underwriter to the issue must be nominated by the issuer as a book runner and his name must be disclosed in the prospectus.

OFS-2.3.14    The preliminary/red herring prospectus to be circulated may indicate the price band within which the securities are being offered for subscription.

**OFS-2.3.15**   The book runner, on receipt of the offers must maintain a record of the names and number of securities ordered and the price at which the investors are willing to subscribe to securities under the placement portion.

**OFS-2.3.16**   On receipt of the information, the book runner and the issuer must determine the price at which the securities are to be offered to the public.

**OFS-2.3.17**   The book runner and other appointed advisors associated with the book building process must maintain records of the book building process and the CBB has the right to inspect and obtain a copy of such records.

**OFS-2.3.18**   Details of the outcome of the book building process must be disclosed in the prospectus or offer document and must include information such as the general range of the prices at which the institutional investors are willing to subscribe to under the placement portion, the total number of securities ordered and the total number of institutions involved. The CBB shall have the right to require the disclosure of any other additional information if it deems necessary.

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## OFS-2.3      Public Offering (continued)

**OFS-2.3.19**   The issuer, lead manager and/or underwriter must consider the outcome of the book building process and/or any other processes or arrangements employed, when establishing the final offer price at which the securities are to be offered to the public. A statement to the effect must be duly disclosed in the prospectus.



MODULE	OFS: Offering of Securities
CHAPTER	OFS-7: Distribution and Subscription

## OFS-7.1 Prior Request for Announcement and Invitation for Subscription

### OFS-7.1.1

No person may make an announcement for invitation for subscription of an offering of securities, unless he makes sure that the following requirements are met:

- (a) The prospectus or offering document has been duly approved and registered with the CBB;
- (b) All designated advisors have been duly appointed and are ready to undertake their roles and responsibilities;
- (c) All requirements and arrangements related to the offer are in place or it has made sure that such requirements and arrangements will be in place in due course before the announcement of the offer, or commencement of the offering period;
- (d) The availability of a sufficient number of final printed copies of the prospectus or offering document being not later than the date of the commencement of the offering period, and free of charge to potential subscribers on request;
- (e) Confirmation to the CBB that no more changes, amendments or alterations in respect of the information contained in the prospectus or offering document, appointment of the advisors or any information related to the issuer itself, or to the issue will take place after the announcement of the offer or thereafter and a supplementary or replacement prospectus will have to be made as per Paragraph OFS-5.1.11;
- (f) No press releases, press articles and/or interviews or any other form of dissemination of information related to the issue will take place before the subscription invitation announcement in the local daily newspaper; and
- (g) Ensure that all permanent and temporary insiders fully adhere to the insiders' trading rules and confirmation to this extent is submitted to the CBB not later than the commencement of the offering period.

#### *Timetable and Record Date*

### OFS-7.1.2

No person may make an announcement or invitation for subscription of securities, without determining the final record date, which must be a future date after the announcement of the offer but before the commencement of the offering period:

- (a) In relation to a public offer, the CBB must be notified at least 10 days before the intended record date;

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<b>CHAPTER</b>	<b>OFS-7:       Distribution and Subscription</b>

## OFS-7.1   Prior Request for Announcement and Invitation for Subscription (continued)

- (b) The offering document and public announcement must disclose the record date; and
- (c) Once announced, the issuer must not make any subsequent alterations to the record date.

### *Offer Period*

#### OFS-7.1.3

Unless otherwise determined in law or agreed by the CBB, the offer period for subscription of securities must be open for subscription as follows:

- (a) For equity securities, the offer period cannot be less than 10 calendar days after the day of commencement of the offer and must not exceed a maximum period of 6 months;
- (b) For a secondary listing involving an offer of shares or in the case of a rights issue, 5 days from the issue of an announcement stipulating the issue is fully subscribed;
- (c) For other securities the offer period must not be less than 15 calendar days after the day of commencement of the offer. Additionally, it must not exceed a maximum period of 6 months from the date of opening unless extended by the CBB in writing;
- (d) For any offering of securities, the offering period must not extend beyond the validity of the date of the prospectus or offering document, which is a period of 6 months; and
- (e) Must not allow for the closing of the offering period to be less than 1 month from the publication of annual audited financial statements, or interim unaudited but reviewed financial statements.

### *Offer Price*

#### OFS-7.1.4

An issuer, when stating an offer price must also make reference to and provide a description in the prospectus or offering document of the bookbuilding, underwriting, price stabilisation or other relevant price factors.

#### OFS-7.1.5

Where an issuer is making a public offer following a rights share offering or a private offer, it may price the offers differently for the public offer or private placement. In such cases, the differential pricing must also consider the market trends and the justification for the price difference must be outlined in the offering document. The CBB will determine whether the differential pricing is in the best interests of the investors and the market in general.

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CHAPTER	OFS-7: Distribution and Subscription

## OFS-7.1 Prior Request for Announcement and Invitation for Subscription (continued)

### *Listings*

#### OFS-7.1.6

Where the securities are to be listed on a licensed exchange, this must be disclosed in the offer and must provide the following information:

- (a) Location and name of the exchange;
- (b) Listing agent, if any;
- (c) Planned listing timeline;
- (d) The percentage of the total issued and outstanding securities to be made available for public subscription and trading on a licensed exchange;
- (e) Any market making liquidity enhancement arrangement or price stabilisation arrangements;
- (f) Any anticipated buy back agreement or related intention of the issuer;
- (g) Any lock up period of major or other class of securities holders;
- (h) The necessary clearing, settlement, central depository and securities transfer ownership arrangements; and
- (i) Any intention or agreement for a secondary (cross) listing.

#### OFS-7.1.7

Where the offering document states that the offer will be listed on issue, the CBB may prevent allotment from taking place where the issuer has not obtained the authority to list from the licensed exchange at the time of issue, and order that the issuer refund any monies paid by subscribers in respect of such issue.

#### OFS-7.1.8

The issuer, lead manager and/or any other appointed advisor must ensure that the requisite listing agreement is signed within a maximum of 10 calendar days from the closing date of the offering period, and that the date for commencement of trading on a licensed exchange is within a maximum of 15 calendar days from the closing date of the offering period. Immediately upon the signing of the listing agreement with the licensed exchange, the lead manager must notify the CBB confirming the signing of the listing agreement and inform the CBB of the date for the commencement of trading.

#### OFS-7.1.9

As the listing authority under Article 86 of the CBB Law, the CBB shall retain the right to determine and decide on the final date of listing and/or date of commencement of trading of securities on a licensed exchange.





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## OFS-7.4 Subscription Results and Allotment

### *Announcement of Subscription*

**OFS-7.4.1** Subscription monies received in respect of a public offer must be held in a separate bank account with an approved receiving bank, until the final allotment of such securities has been approved by the CBB.

**OFS-7.4.2** The issuer, lead manager or other principal advisor must publish the results of the subscription of a public offer in at least two local newspapers, one in Arabic and the other in English, stating all facts related to the outcome of the subscription in at least a 26 cm x 31.5 cm format. The announcement must be published within a maximum period of two calendar days from the closing date of the offering period and must include the final allotment basis. The declared allotment basis must not be subject to any change thereafter.

**OFS-7.4.3** The issuer must allot or allocate securities within 6 calendar days of the closing date of the offer in accordance with the allotment basis stipulated in the offering document or otherwise approved by the CBB upon the subscription results and publication referred to in Paragraph OFS-7.4.2.

### *Under-subscription*

**OFS-7.4.4** The offering document must provide full information about the possibility of an under-subscription event, particularly regarding the treatment of unsubscribed shares for those issues which are not fully underwritten.

**OFS-7.4.5** In the event that the issue is not underwritten no allotment may be made of any securities unless the subscription received is, at least equal to the minimum subscription amount set out in the offering document.

**OFS-7.4.6** If a public offering of equity securities has not been fully subscribed and the offer is underwritten, the underwriter must purchase the unsubscribed shares and after obtaining the CBB approval, may then re-offer or resell the unsubscribed shares. For the avoidance of doubt, any unsubscribed shares that might be re-offered or re-sold to a related company of the underwriter such as the company that controls it, its subsidiary, a subsidiary of the company that controls it and a company affiliated with it, shall be subject to the same underwriting commitment of the underwriter.



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## OFS-7.4 Subscription Results and Allotment (continued)

OFS-7.4.7 If a rights offering of equity securities which is underwritten has not been fully subscribed during the offering period, the underwriter may either re-offer the unsubscribed shares to the public or purchase the unsubscribed shares.

**OFS-7.4.8** If a public offering of debt securities or other which is underwritten has not been fully subscribed for during the offering period, the underwriters must purchase the unsubscribed securities and after obtaining the CBB approval, may then resell these securities.

### *Over-subscription*

**OFS-7.4.9** If an offer of securities is over-subscribed after the closing of the offering period, the issuer must allot the shares in accordance with the pre-determined basis of allotment which must be described in the offering document or otherwise approved by the CBB.

**OFS-7.4.10** Issuers and lead managers must make sure conditions relating to allotment basis and minimum subscription amounts are in compliance with the Memorandum and Articles of Association, or equivalent constitutional documents of the issuer, as well as in accordance with the applicable laws, rules and regulations.

### *General Guidance on the Allotment*

**OFS-7.4.11** The basis of allotment of any securities offered, must be clearly stated in the offering document.

**OFS-7.4.12** While exercising the allotment of securities the issuer, lead manager, or any appointed advisor must ensure that:

- For any new public offering of equity securities, no subscriber is allotted more than 10% of the total shares offered;
- All subscribers are treated equally and in accordance with the allotment basis in all aspects, particularly when the rounding up rule is applied;
- No payment, direct or indirect in the nature of a discount, commission and allowance or otherwise may be made either by the issuer or the promoters in any public offer to the parties who received firm allotment;
- No shareholder of the issuer may receive, directly or indirectly, any consideration in the nature of fees, commission, allowance or other benefit, whether in cash or in kind, in a public offering;



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## OFS-7.4 Subscription Results and Allotment (continued)

- (e) The total securities allotted must in any case not exceed the total securities offered and approved by the General Assembly and the issuer, lead manager and any other appointed advisor must establish the allotment basis to avoid such possibility;
- (f) Allotment of securities must avoid allocation of any securities fraction, and therefore the issuer must provide provisions related to the possibility of fractions of securities remaining after final allotment; and
- (g) For any rights issue, the pro-rata allotment basis must be applied, or otherwise the General Assembly of securities holders must have approved such other allotment basis.

### *Over-allotments*

**OFS-7.4.13** The “over-allotment option” may only be exercised if such an option is disclosed and provided for in the offering document.

**OFS-7.4.14** While exercising the over-allotment option, the issuer, lead manager or any other appointed advisor must fully adhere to general guidelines under Paragraph OFS-7.4.12.

OFS-7.4.15 The CBB may allow the extension of the allotment period up to 6 calendar days to exercise the over-allotment option upon the request of the issuer, lead manager or any other appointed advisor on application, which contains the reasons and justifications for such extension.

**OFS-7.4.16** In the event of the over-allotment option, the issuer, lead manager or any other appointed advisor is not allowed to exercise any discrimination, whether in cash or in kind among the subscribers or allottees.

### *Trading of Underwritten Securities Subscribed by the Underwriter*

**OFS-7.4.17** Where the underwriter has subscribed for, or purchased securities under an underwriting or sub-underwriting agreement following the under-subscription of the offering of securities, any intention to sell those securities in the ordinary course of trading on a licensed exchange shall, in the interest of maintaining market integrity, not be sold against any price stabilisation fund or the designated market maker appointed liquidity provider as the buying counterparty.