

1. SME Definition

A public company with post issue paid up capital of not less than Rs. 25 million and not more than Rs. 200 million.

2. Initial Offering

- a. The offer shall be made through fixed price method or book building method or any other method acceptable to the Exchange.
- b. For efficient price discovery, book building is allowed only for sufficiently sized issues.
- c. Book building is allowed where SME's post listing paid up capital is not less than Rs.100 million and offer size is not less than 2 million shares.
- d. Initial subscribers at least five. Initial subscriber should at least buy Rs. 1 million shares each.

3. Eligible Investors

Qualified Institutional Buyers (QIBs) and High Net Worth Individuals (HNWI).

4. Shares of Sponsors

- a. 100% to be frozen in CDC for 1 year.
- b. 25% to be frozen in CDC for 3 years.

5. Listing Fee

- a. Initial listing fee = 0.05% of paid up capital (max. Rs.40K).
- b. Annual listing fee = Rs. 20K to Rs. 40K. (slabs)

6. Information Memorandum (IM)

No prospectus required. Only IM is required.

7. Advisor and Consultant

- a. SME shall, through an agreement in writing, must appoint an "Advisor and Consultant" to the issue for a period till the date of its formal listing.
- b. Corporate brokerage houses, CA firms, investment banks etc. licensed by SECP could act Advisor and Consultant.
- c. Advisor and Consultant shall examine the technical, managerial, commercial, economic and financial aspects of the project and/or the SME.
- d. The Advisor and Consultant shall appraise the SME & its project and submit the feasibility report containing the financial plan and atleast five years' financial projections to the Exchange.

8. Market Maker (MM)

- a. Appointment of MM is optional.
- b. Can be brokers or FIs.
- c. MM Provides two-way quotes i.e. bid price and offer price, however, spread shall not be more than 10%.
- d. MM must hold at least 5% of free float.

9. Trading

- a. Trading through KATS.
- b. In secondary market min. order size is Rs.100,000
- c. Short/Blank Sale ... Prohibited.
- d. Circuit Breakers ... $\pm 10\%$ (Proposed)

- e. Minimum Free Float: 20% of paid up capital.

10. Risk Management Clearing & Settlement

- a. Fixed Margin of 25% or VaR whichever is lower. Rest of RM measures are same to that of Main Market.
- b. Clearing & Settlement and Risk management through NCCPL.

11. Code of Corporate Governance: Not applicable.

12. Substantial Acquisition Laws:

Provisions of the Securities Act, 2015 pertaining to substantial acquisition of voting shares shall apply.

13. Financial Statements (FS)

FS needs to be audited by a chartered accountant firm which has successfully passed quality control review of Institute of Chartered Accountant of Pakistan.

14. SME Website:

- a. SME website is mandatory. Info like Information Memorandum and FS are disseminated through SME website.
- b. No need to send printed Financial Statements to PSX. FS shall be available on SME's website.

15. Compliance of SME Regulations - CEO / MD of an SME shall be responsible for ensuring compliance of the SME with all regulatory requirements and send half yearly compliance status to the Exchange.

16. Reporting & Disclosure by SME - SME shall report & disseminate various information like price sensitive Information, related party transactions etc.

17. Disciplinary Actions against SME - Could be initiated in case of significant violations and include suspension of trading, fine etc.

18. Exit from SME Board: SME company can be excluded in the following manner;

- a. Voluntary de-listing;
- b. Compulsory de-listing,
- c. Migration from SME board to the Main Board after completion of atleast 3 years on the SME Board.