

## **GUIDELINES FOR ISSUANCE OF DEPOSITORY RECEIPTS (DR)**

### **I. Eligibility Criteria:**

1. The bank/DFI interested in issuing DR must meet the following criteria:
  - i. CAMELS-S rating of at least “satisfactory” for the past three years.
  - ii. Have minimum investment grade rating i.e. at least ‘A’ by credit rating agency.
  - iii. Meet minimum capital requirements as stipulated by State Bank of Pakistan (SBP) from time to time.
  - iv. Should be listed on a local stock exchange for at least 3 years.
  - v. Ensure that the proposed issue does not exceed 15% of paid up capital of the bank.
  - vi. Ensure that none of the directors/ associated/allied/sister concerns acquires the securities/depository receipts outside Pakistan in any manner whatsoever.

### **II. Processing of Application:**

- i. As soon as the Board of Directors (BoD) of the interested bank/DFI decides to issue DRs through listing in foreign markets, the bank should immediately inform SBP. However, formal application shall follow the normal course.
- ii. Application along with detailed proposal for the issuance of DR and documents required as listed at para ‘III’ below shall be submitted to Banking Policy and Regulations Department (BPRD) for approval.
- iii. The initial application should include request seeking approval for issuance of DRs and conducting due diligence. The request should include details of proposed Lead Managers, Underwriters, Foreign Counsels, Local Counsels, Financial Advisors, Accountants, Depositories and Custodians to be involved in due diligence. The conduct of such due diligence shall be governed by the BPD Circular No. 8/2003.

- iv. In addition to the above, the issue of DR involves a number of approvals at different stages of the transaction. The bank/DFI should allow SBP at least three weeks for processing of such requests. However, SBP will convey its decision on initial request and for conducting due diligence of the bank/DFI within 4-6 weeks. Following are some other areas where SBP approval is necessary:
  - a. Approval for custodian/depository to hold more than 5% shares under the provisions of BPRD Circular No. 4 of 2007.
  - b. Approval and exemptions, if any, under Foreign Exchange Regulations Act (FERA), 1947 and the relevant clauses of Foreign Exchange Manual.
  - c. Any other approval including those required under the registration & listing requirements of DR.
- v. A cross cheque amounting to Rs. 5/- million (non-refundable) in favor of SBP shall also accompany the initial application as processing fee.

### **III. Information(s)/Documents to be Submitted with Application**

Application for approval of issuance of DRs must contain following:

- i. Proposal along with purpose of issue, size of issue and plan and timelines.
- ii. Approval of BoD to issue DRs and particulars of authorized persons to lead & decide matters relevant to the DR offering.
- iii. Copies of the past three years annual reports & ratings by credit rating agency.
- iv. Performance of share in the local capital market over past 3 years.
- v. The bank shall clarify whether the depository receipt holders have voting rights or not along with the nature and extent of such right, if proposed.
- vi. Features of depository receipt along with their regulatory requirements.

- vii. Location(s) of the issue and listing along with host country's requirements for listing of DR.
- viii. Estimated foreign currency cost of the proposed issue.
- ix. Any other information relevant to the DR issue.

**IV. Miscellaneous**

It will be the responsibility of the bank/DFI to fulfill all the local legal and regulatory requirements for issue and listing of DR.