

Securities and Exchange Commission of Pakistan

Securities Market Division

June 27, 2002

Guidelines for Preparation of Prospectus

The Securities Market Division of the Securities and Exchange Commission of Pakistan had initiated a review of the prospectus and supporting documents to improve the level of quality of disclosure and rationalize the supporting documents that are submitted to the Commission. After consultation with the stakeholders viz. issuers of securities, advisers & arrangers, and stock exchanges, the Commission has made the following guidelines to help the issuers in providing a full, true, and fair disclosure of all material information to a common investor.

1. Language & Sequencing

The language of the prospectus should be simple, clear, and brief. Relative emphasis on and sequencing of different information in a prospectus should be from the perspective of a common investor.

2. Risk Factors

The risk factors and management perception of these factors should be adequately disclosed. Risk factors should include macro-economic risks, industry risks, company specific risks, security specific risks etc. In addition, the issuer should make a clear statement that all material risk factors have been disclosed. Where a security is credit rated, the credit rating report shall be reported in full including the disclaimer, if any.

3. Primary Purpose

The primary purpose of the issue should be explained in appropriate detail specifying the use of the subscription proceeds.

4. Dividend Policy

The disclosure of dividend policy should be meaningful. It should be made explicit whether the company intends to follow a consistent dividend payout policy or policy of retention of profit etc.

5. Material and Immaterial Information

All material information such as change in key personnel, statement on capital structure before and after the issue, management profile, etc. should be reported.

Immaterial information such as voting rights of TFCs, dividend policy of other

associated companies in which there is cross-directorship etc should not be reported.

6. Publication of Prospectus in Urdu Language.

In order to further facilitate the investors, broaden the circulation and readability, SEC would encourage publication of the abridged prospectus in Urdu language in addition to English. The translation should be functional and words from English may be borrowed, where necessary.

7. Use of Photos and Formatting

The prospectus being a legal document should not be used as a marketing tool. Its layout should be simple and plain. Photos and fancy formatting are not to be used.

8. Expenses to the Issue

All material expenses to the issue should be disclosed in full including advisory & arrangement fees, trustee fee, stamp duties, listing fee, SEC fee etc.

9. Elimination or Substitution of Supporting Documents

The list of supporting documents for approval of the Prospectus has been revised. Therefore, the Issuers/Advisors need to provide only those documents, given in the prescribed checklists, now available at www.secp.gov.pk.