Basics

Prospectus

*any document* described or issued as a prospectus &

includes any document, notice, circular, material, advertisement, offer for sale document, publication or other invitation

*offering to the public or*

*inviting offers from the public for the subscription or*

*purchase of any securities of a company, body corporate or entity,*

other than deposits invited by a bank & certificate of investments & certificate of deposits issued by non-banking finance companies;
Basics

Shelf-Prospectus
A shelf-prospectus is a single offering document allowing companies to make multiple offerings.

Supplement to Prospectus
A supplement to the prospectus invites the general public for subscription of the securities earlier offered to the public through shelf-prospectus. The supplement to the prospectus for each offering contains updated disclosures.

Why Prospectus?
The purpose of prospectus is to invite offers from public for the subscription.

Offer to public has special meanings because securities can be issued by the Company by private arrangement with some friends or relatives of the promotors or directors etc. but if the company wants to issue securities to public at large it has to offer this to the general public and the requirement of the law is to issue a prospectus.
Approval of prospectus

The prospectus and shelf-prospectus or supplement to the prospectus is issued with the approval of the Commission.

A prospectus approved by the Commission shall be valid for a period of sixty days from the date of such approval but it can be extended.

In case of shelf registration approval for a period longer than sixty days may be approved.

The issuer shall, not less than twenty one days before the proposed date of publication of the prospectus, submit a copy to the Commission for approval.
Availability of prospectus

The prospectus shall be published at least in one Urdu and one English daily newspaper.

It shall not be published in the newspapers less than 7 days or more than 30 days before the commencement of the public subscription.

A sufficient number of copies of the prospectus shall be made available, free of charge, till the closing of the subscription, with all the securities exchanges, with all the bankers to the issue, the concerned share registrar, the concerned ballotter and the concerned credit rating agency, if any.

The prospectus shall be uploaded on the website of the issuer.
Contents of prospectus

The prospectus must contain sufficient material to enable any person to reach a decision on the investment in the company.

The prospectus needs approvals from the Commission and clearance from the stock exchanges because any security which is offered to the general public should be listed on stock exchange otherwise company is not allowed to allot that security to the applicants.

Hence the stock exchanges in addition to the Commission are also regulators, who regulate the listings of securities and issuance of prospectus.

The company would want that all the good aspects are given and people are attracted to invest in the company but regulators, i.e. Commission, Stock exchange etc. can ask the company about every fact written in or omitted from the prospectus, before approving.
Timing of prospectus

• The company can issue a prospectus at any point in time.

• If the company wants to issue shares to the public before commencement of business it can.

• Otherwise the company can also opt to not to issue shares to the general public initially and start the business without involving the general public in the company, in such a case company would be required to file a statement in lieu of the prospectus with the registrar before obtaining a certificate to commence the business.
Expert to be independent

A prospectus shall not contain a statement purporting to be made by an expert unless the expert is a person who is not, engaged or interested in the formation or promotion or in the management of the company.

Expert

“Expert” includes banker, securities advisor, engineer, valuer, accountant, lawyer and any other person whose profession gives authority to a statement made by him.
Expert’s consent to issue of prospectus containing statement made by him

A prospectus that contains a statement purporting to be made by an expert shall not be issued, circulated or published unless:

- The expert has given, his written consent; and

- There appears in the prospectus a statement that the expert has given and has not withdrawn his consent.
Criminal liability for defective prospectus

A person commits an offence, who:

• Makes a misleading, incorrect, untrue or deceptive statement in a prospectus; or

• Omits information or a statement from a prospectus that Securities Act, 2015 requires to be included in the prospectus.
Compensation for false or misleading prospectus

Every

• offeror,
• issuer,
• director of an offeror or issuer or
• any person who has signed the prospectus

shall be liable to pay compensation to any person who acquires any of the securities, relying on the prospectus and suffers loss.