

**KEY CHANGES
INTRODUCED IN
BANGLADESH SECURITIES AND EXCHANGE COMMISSION
(PUBLIC OFFER OF EQUITY SECURITIES) RULES, 2025
vs. BSEC (PUBLIC ISSUE) RULES, 2015**



Key Takeaways from Public Offer of Equity Securities Rules, 2025 (vs 2015)

Public Offer of Equity Securities Rules, 2025 marks a structural shift in Bangladesh's IPO regime. The new framework moves away from a largely clerical, documents-based approach and introduces a more **merit-driven, fundamentals-focused, and market-development oriented** regulatory architecture.



Merit & Fundamentals Take Center Stage: Stronger focus on company fundamentals, backed by deeper due diligence, accountability across experts, with Exchange(s) empowered as gatekeepers.



Lottery Allotment — Retail Excitement is Back: Lottery-based allotment for General Investors reintroduces the thrill-factor of IPO participation to boost primary market demand and secondary market activity.



Global Valuation Standards Introduced: Internationally accepted valuation methods with Eligible Institutional Investor price justification to give fair value to issuers, improve investor confidence in IPO pricing.



Mutual Funds Empowered: Higher MF participation to strengthen institutional depth, improve demand quality that will likely encourage retail investors to participate via MFs, supporting long-term market behavior.

Eligible Investor (EI) Capability Requirement

New Rules (2025): what it says

- Requires institutional EI to **have resources and personnel** for equity valuation



Old Rules (2015): what it used to be

- Did not explicitly require valuation capability

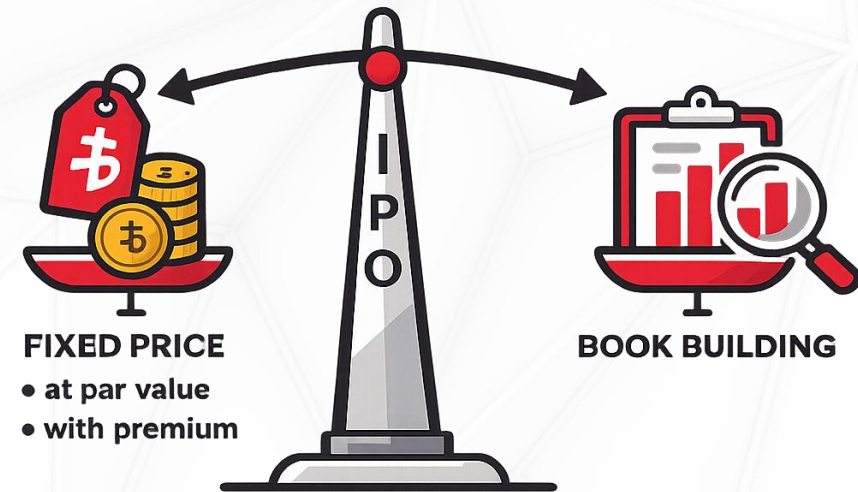
Key Change / Newly Introduced: Valuation competency expectation added.

Impact / Implication: Strengthens institutional capacity and pricing discipline.

Public Offer Methods

New Rules (2025): what it says

- Public offer can be made through: **(i) Fixed Price Method** or **(ii) Book Building Method**
 - Under Fixed Price, the issuer may offer at **Par / Premium / Discount**
 - Book Building remains the institutional price discovery route: **indicative price** → **EI bids** → **cut-off price**



Old Rules (2015): what it used to be

- Fixed Price method was essentially Par value-led. Premium pricing was primarily through Book Building (cut-off price discovery)

Key Change / Newly Introduced: Premium fixed price route introduced.

Impact / Implication: Strong issuers can pursue **premium fixed price IPO** (simpler than book building), but only if they meet stricter fundamentals + rating requirements.

Fixed Price at Premium: New Eligibility Gate + Justification Discipline

New Rules (2025): what it says

- Premium fixed price is allowed only if issuer meets all of the following:
 - **Commercial operation ≥ 3 years**
 - **NPAT + positive NOCF in preceding 2 years**
 - **Minimum single-A (long-term) credit rating**



Old Rules (2015): what it used to be

- No structured “Premium Fixed Price” option under fixed price method. Premium pricing was effectively linked to book building price discovery

Key Change / Newly Introduced: Premium Fixed Price is newly introduced as a separate eligibility-driven route.

Impact / Implication: Premium fixed price is now possible, but it is **not discretionary**; it demands **strong fundamentals + rating readiness**.

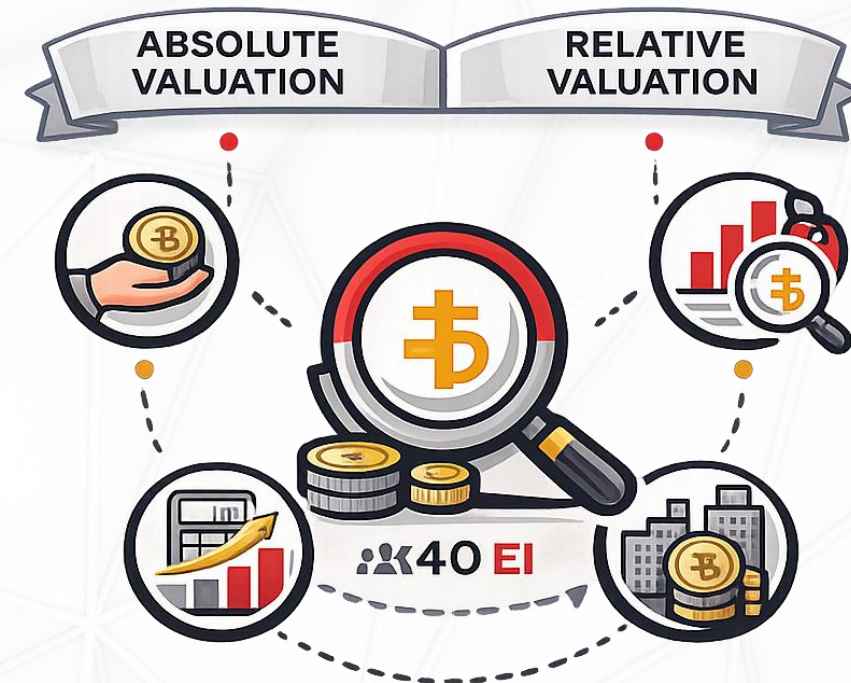
Book Building: Indicative Price Must Be Institutionally Justified

New Rules (2025): what it says

- Indicative price must be justified using **≥ 4 valuation methods (2 absolute + 2 relative)** and backed by **≥ 40 EI valuations** with category minimums

Old Rules (2015): what it used to be

- Book building required valuation report conducted by issue manager only, no minimum valuation method count and no minimum EI valuation count



Key Change / Newly Introduced: Book building becomes methodology-anchored and institutionally validated via minimum EI requirement.

Impact / Implication: Stronger price discovery credibility; issuers must ensure wider institutional participation and stronger valuation groundwork.

Minimum Pre-IPO Paid-up Capital Raised

New Rules (2025): what it says

- Issuer must have **minimum existing pre-IPO paid-up capital of Tk. 30 crore**



Old Rules (2015): what it used to be

- Fixed Price Method: minimum existing paid-up capital requirement was Tk. 15 crore
- Book Building Method: minimum existing paid-up capital requirement was Tk. 30 crore

Key Change / Newly Introduced: Minimum pre-IPO paid-up capital for eligibility is now standardized at Tk. 30 crore (effectively raising the fixed price threshold from Tk. 15 crore to Tk. 30 crore).

Impact / Implication: Smaller issuers that could previously do fixed price IPO at Tk. 15 crore paid-up will now require **recapitalization / restructuring** before approaching IPO.

Minimum IPO Size / Public Float Requirement

New Rules (2025): what it says

- Offer **at least 10% of post-IPO paid-up capital** through IPO
- Post-IPO paid-up must be at least **Tk. 50 crore**



Old Rules (2015): what it used to be

- (A) Fixed Price Method (Tiered Minimum Offer Size):
Make public offer so that post-IPO paid-up capital increases by at least
- 30% if post-IPO paid-up \leq Tk. 75 crore
 - 20% if post-IPO paid-up $>$ Tk. 75 crore and \leq Tk. 150 crore
 - 10% if post-IPO paid-up $>$ Tk. 150 crore
- (B) Book Building Method (Minimum Raise + Minimum Paid-up Capital)
- Must intend to raise at least Tk. 75 crore
 - Must have minimum pre paid-up capital of Tk. 30 crore

Key Change / Newly Introduced: Uniform 10% float requirement replaces tiered increase structure.

Impact / Implication: IPO structuring becomes simpler and more flexible.

Large Issuer Exception: Minimum Float Can Be 5% (Book Building Only)

New Rules (2025): what it says

- If **pre-IPO paid-up capital or net worth \geq Tk. 500 crore**, issuer may offer **$<10\%$** but **not $<5\%$**



Old Rules (2015): what it used to be

- No explicit "large issuer minimum float reduction to 5%" relaxation under the Rules

Key Change / Newly Introduced: Introduces large issuer float flexibility under Book Building Method.

Impact / Implication: Enables **large issuers** to access IPO market with **lower dilution**, improving sponsor retention and deal structuring flexibility.

Profitability Requirement Strengthened: “Core Business”

New Rules (2025): what it says

- Must have latest FY profit from **core business** and **no accumulated retained loss** (relaxation for regulated/greenfield with business plan)



Old Rules (2015): what it used to be

- No accumulated retained loss required, but “core business profit” emphasis was weaker

Key Change / Newly Introduced: Earnings quality test strengthened.

Impact / Implication: One-off/**non-core gains cannot substitute for core profitability** for eligibility.

Prior Proceeds Utilization Tightened (80% → 90%)

New Rules (2025): what it says

- Must have utilized **≥90%** of previously raised proceeds



Old Rules (2015): what it used to be

- Utilization threshold was **≥80%**

Key Change / Newly Introduced: Tighter utilization rate.

Impact / Implication: Repeat issuers **must show near-complete utilization** before returning to market.

Fixed Price Method Capped: Post-IPO Paid-up \leq Tk. 125 crore

New Rules (2025): what it says

- Under fixed price, post-IPO paid-up capital cannot exceed **Tk. 125 crore**.
- **Exception – Regulated company:** if pre-IPO paid-up is **already above Tk. 125 crore**
- **Exception – Greenfield company:** Post-IPO paid-up capital **may exceed Tk. 125 crore**



Old Rules (2015): what it used to be

- No post-IPO paid-up capital ceiling (offer size was governed by tiered minimum increase rules, not a maximum cap)

Key Change / Newly Introduced: Fixed price method becomes a capped route.

Impact / Implication: Larger issuers are effectively nudged toward **Book Building**.

Greenfield IPO: Dedicated Framework Introduced

New Rules (2025): what it says

- Greenfield IPO can be offered **at Par / Discount**
- Must have **positive projected NPAT from core business within 2 years**
- Sponsors/strategic investors/directors must contribute **≥75% of post-IPO paid-up** and retain until **2 consecutive NPAT years**



Old Rules (2015): what it used to be

- No separate Greenfield IPO category or dedicated conditions

Key Change / Newly Introduced: First-time introduction of a structured Greenfield IPO regime.

Impact / Implication: Enables early-stage IPOs, but **only with strong sponsor “skin in the game”** and explicit risk disclosure.

Roadshow Modernized: Physical + Digital / Electronic Participation Allowed

New Rules (2025): what it says

- Issuer and issue manager may present to EIs **physically or digitally or both**
- EI valuations collected through roadshow may be conducted through **stock exchange(s) digital platform**, when recognized by BSEC



Old Rules (2015): what it used to be

- Roadshow invitation required time and venue (physical roadshow structure); no explicit digital/electronic participation

Key Change / Newly Introduced: Roadshow is formally recognized as physical / digital / hybrid.

Impact / Implication: Makes the roadshow **process more scalable**.

Stock Exchange(s) Review: Post-Application Powers

New Rules (2025): what it says

- Exchange uploads draft/RHP and seeks EI comments; shares EI feedback with issuer/IM; issuer/IM must address
- Exchange may conduct **factory/business visit** and review documents through internal team/expert panel
- Exchange may seek **additional information** from issuer/IM/banker/auditor/valuer/EIs/underwriter/CRA etc. with **BSEC intimation**

RHP: Red-herring Prospectus
IM: Issue Manager
CRA: Credit Rating Agency



Old Rules (2015): what it used to be

- No structured exchange-led EI feedback window, factory visit or formal review timeline

Key Change / Newly Introduced: Exchange becomes a formal verification + disclosure-review gatekeeper before BSEC consent.

Impact / Implication: Issuers must be “exchange-ready” early; weak documentation can delay timeline before reaching BSEC.

Exchange(s) Recommendation a Must for BSEC Consent

New Rules (2025): what it says

- Exchange(s) will recommend **listing/rejection** to BSEC
- For book-building, BSEC will allow bidding only after **positive recommendation from stock exchange(s)**

Old Rules (2015): what it used to be

- Exchange recommendation-driven gating workflow was not codified as explicitly



Key Change / Newly Introduced: Exchange recommendation becomes a formal approval-chain dependency for BSEC.

Impact / Implication: Exchange-led review aligns with their role as the listing and trading venue, improving disclosure quality and investor confidence.

Book Building: Indicative Price Must Use ≥ 4 Valuation Methods

New Rules (2025): what it says

- Indicative price must be justified using **at least 4 valuation methods**, including
 - Minimum 2 Absolute Valuation methods**, such as: DCF, DDM, Residual Income Model (RIM), Gordon Growth Model (GGM)
 - Minimum 2 Relative Valuation methods**, such as: P/E, P/B, P/S, P/EBITDA
- Under fixed price, **offer price cannot exceed NAV per share** (historical/current cost)



Old Rules (2015): what it used to be

- Book building required a valuation report where issue manager would “consider” valuation methods such as NAV, earnings-based value, average market price of similar stocks

Key Change / Newly Introduced: New regime shifts to a comprehensive valuation framework and disclosure transparency.

Impact / Implication: Valuation becomes **more standardized and defensible**; issuers must prepare **multi-method valuation pack** early (not only one/two headline methods).

Book Building: Indicative Price Must Be Backed by ≥ 40 EI Valuations

New Rules (2025): what it says

- Indicative price must be supported by valuation opinions from **at least 40 (forty) Eligible Investors (EIs)**.
- These 40 EI valuations must include
 - Minimum 10 EIs from each of 3 EI categories:**
 - Portfolio Managers
 - Stock Dealers
 - Asset Managers



Old Rules (2015): what it used to be

- No indicative price neither minimum EI valuation requirement

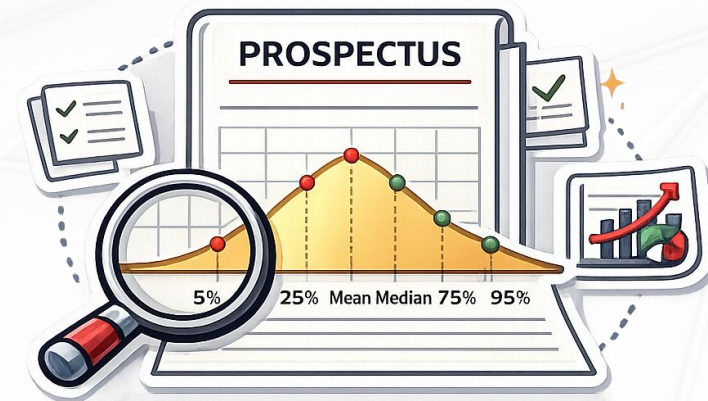
Key Change / Newly Introduced: Indicative price is now introduced and to be institutionally validated.

Impact / Implication: Book-building issuers must ensure **broad institutional engagement** well before filing; roadshow planning and investor targeting become mandatory execution workstreams.

Book Building: EI Valuation Submission + Statistical Disclosure

New Rules (2025): what it says

- EIs attending roadshow and intending to bid must submit **valuation with justification** to the stock exchange within 3 working days
- RHP must disclose **EI valuation distribution statistics**: 5th, 25th, mean, median, 75th, 95th percentiles



Old Rules (2015): what it used to be

- EIs could provide comments/observations on the valuation report during roadshow
- No requirement for time-bound EI valuation submission

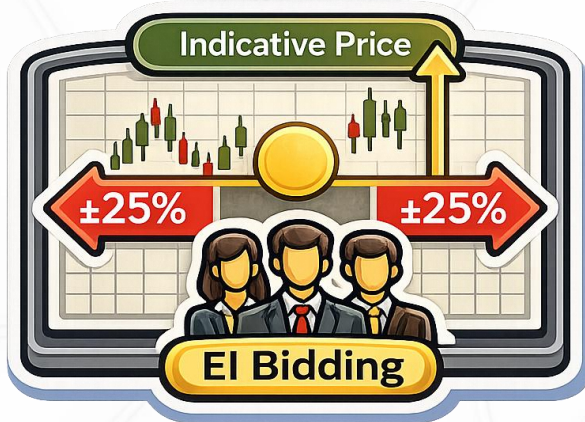
Key Change / Newly Introduced: Introduces mandatory EI valuation submission and disclosure of valuation distribution statistics to the market.

Impact / Implication: Strengthens pricing integrity but increases roadshow coordination and disclosure requirements for issuers and issue managers.

Book Building: Bidding Discipline Tightened

New Rules (2025): what it says

- EI bidding must be within **±25% price band** around the **Indicative Price**
- **Max bid per EI = 1%** of EI portion
- Bid revision allowed **once**, max **±5%** variation



Old Rules (2015): what it used to be

- No explicit price band in Rules; EI bidding discipline later managed through a BSEC directive to curb abnormal bidding (Fair Value = avg. of NAV & Yield)
 - Bid cap = 1.2x Fair Value
- Max bid per EI = 2% of EI portion
- Bid revision allowed once, maximum **±10%** change

Key Change / Newly Introduced: Rules-based bidding discipline strengthened and formalized (price band + tighter bid cap + tighter revision window).

Impact / Implication: Improves **price discovery integrity** and reduces scope for distorted bidding.

Book Building: Retail Discount Removed

New Rules (2025): what it says

- General investors subscribe at **cut-off price** (no discount)



Old Rules (2015): what it used to be

- General public subscribed at minimum 10% discount from cut-off

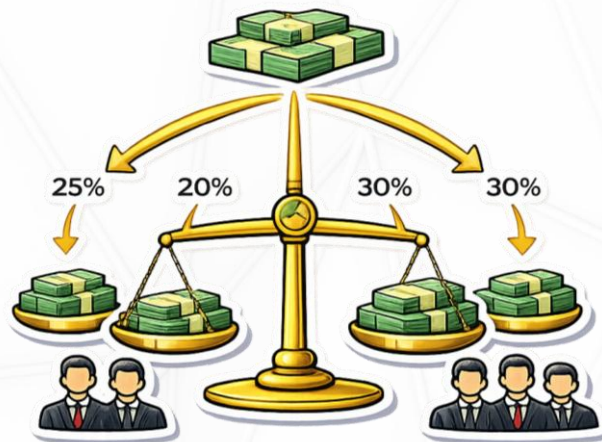
Key Change / Newly Introduced: Retail discount eliminated.

Impact / Implication: Higher IPO price for retail; improves fairness and reduces value transfer from issuers to short-term retail gains.

Book Building: Allocation at Cut-off

New Rules (2025): what it says

- All IPO shares will be allocated at cut-off price
- At cut-off, if demand exceeds remaining shares, allocation done **pro-rata**



Old Rules (2015): what it used to be

- IPO shares were given to successful bidders at their own bidding price
- Allocation at cut-off relied on time-stamping for same-price bids

Key Change / Newly Introduced: Standardized price for all IPO investors at cut-off introduced.

Impact / Implication: Supports institutional fairness and **reduces price ambiguity**.

Anti-Cartel & Tacit Collusion Regime Introduced

New Rules (2025): what it says

- Cartel/tacit collusion prohibited; **BSEC may cancel bids**, ban EIs, **cancel IPO**, suspend/cancel issue manager license, ban persons, take penal actions



Old Rules (2015): what it used to be

- No explicit cartel/tacit collusion regime with enumerated sanctions

Key Change / Newly Introduced: New enforcement toolkit.

Impact / Implication: Higher conduct risk; **issuers/issue managers must monitor** roadshow and bidding integrity closely.

IPO Proceeds: Loan Repayment Tightened (33.33% → 30%)

New Rules (2025): what it says

- Max **30%** of proceeds may be used for loan repayment/investments; only if linked to project/BMRE + loan not classified/rescheduled + banker certificate



Old Rules (2015): what it used to be

- Max 1/3rd for loan repayment or working capital (no BMRE/non-classified restrictions)

Key Change / Newly Introduced: Cap reduced and conditions tightened.

Impact / Implication: Refinancing via IPO constrained; **issuers must focus proceeds toward growth/BMRE.**

Fixed Price Quotas Overhauled

New Rules (2025): what it says

- **Fixed Price distribution:**
EI 10% | Mutual Funds 10% | Employees 5% | HNI 5% | NRB 10% | GI 60%
- **Mutual Fund quota increases to 15% after 5 years**, adjusted from GI portion

**No mutual fund shall subscribe for more than 1% of its Net Asset Value (NAV) at market price.*

***Undersubscription of Mutual Fund/HNI/NRB/Employee reallocates to GI.*

*****Shares to be allotted on *lottery basis* to the GIs and NRBs**



Old Rules (2015): what it used to be

- Fixed price: EI 20% (excl MF 5%), NRB 5%, others/GI 70%

Key Change / Newly Introduced: New bucket (HNI); MF and NRB increased; EI and GI reduced.

Impact / Implication: Over time, the planned MF quota increase will **reduce GI retail allocation**, potentially improving subscription stability but increasing reliance on **fund participation**.

Book Building Institutional Allocation Strengthened

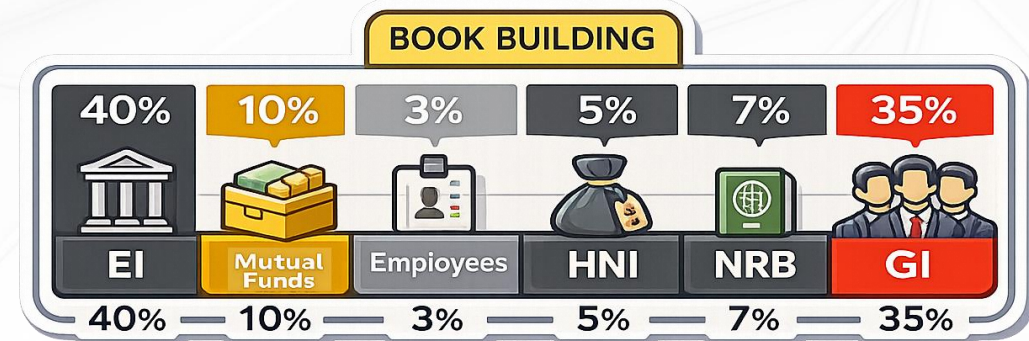
New Rules (2025): what it says

- **Book Building distribution:**
EI 40% | Mutual Funds 10% | Employees 3% | HNI 5% | NRB 7% | GI 35%
- **Mutual Fund quota increases to 15% after 5 years, adjusted from GI portion.**

**No mutual fund shall subscribe for more than 1% of its Net Asset Value (NAV) at market price.*

***Undersubscription of Mutual Fund/HNI/NRB/Employee reallocates to GI.*

*****Shares to be allotted on *lottery basis* to the GIs and NRBs**



Old Rules (2015): what it used to be

- Book building: EI 25% (incl MF 5%), NRB 5%, others/GI 70%

Key Change / Newly Introduced: Book building becomes institution-led: EI allocation increases 25% → 40%, while GI retail reduces 70% → 35%.

Impact / Implication: Book building success will depend materially on **institutional participation**. Reduced GI allocation lowers reliance on retail oversubscription and supports better **price integrity and post-listing stability**.

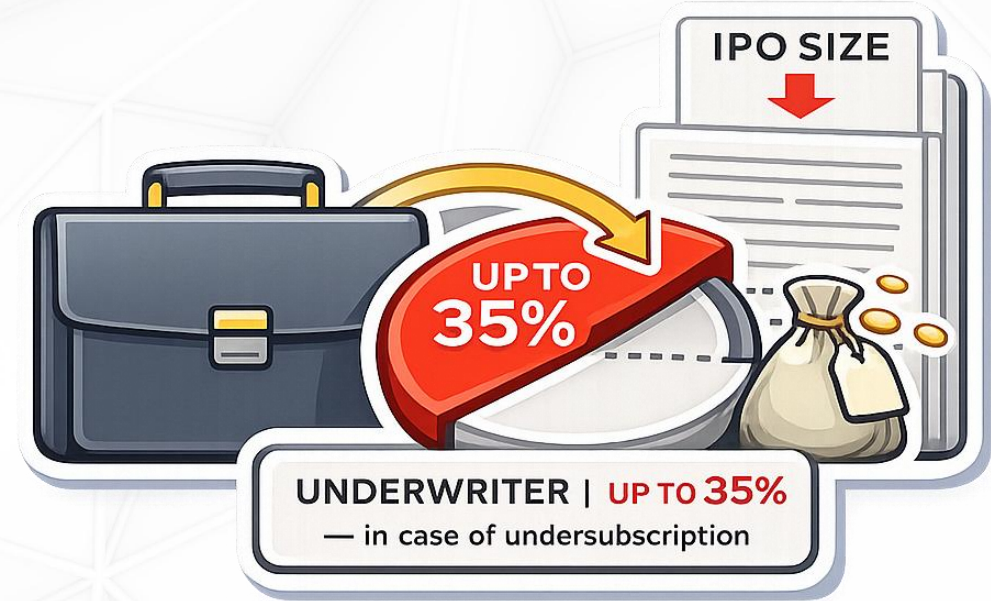
Undersubscription: Underwriter Take-Up vs IPO Cancellation

New Rules (2025): what it says

- **Up to 35% under-subscription** (Mutual Funds, GI & Others) → underwriters must subscribe the unsubscribed securities on **firm commitment**
- **Above 35% under-subscription** — either **collectively or in any of the main categories**: public offer shall be **cancelled** under both methods

Old Rules (2015): what it used to be

- If under-subscription is up to 35% → underwriters take up unsubscribed portion; if above 35% → public offer shall be cancelled (both methods)



Key Change / Newly Introduced: New Rules retain the 35% cancellation threshold.

Impact / Implication: Issuers must ensure balanced demand across institutional and GI buckets —**category-level failure** can trigger cancellation even if overall subscription appears reasonable.

Employee Subscription: Eligibility + Tk. 10 lac Cap

New Rules (2025): what it says

- Employees have a quota: 5% (Fixed Price) and 3% (Book Building)
- Permanent employees eligible; max subscription **Tk. 10 lac**
- **Lock-in:** shares allotted to employees are locked-in for **1 year**



Old Rules (2015): what it used to be

- Issuer could make private offer to employees or any other persons up to 15% of IPO, treated as part of IPO

Key Change / Newly Introduced: Employee eligibility criteria, per-employee subscription cap introduced.

Impact / Implication: Issuers can no longer allocate 15% to “employees/others” as a flexible private placement bucket; employee allocation is now **ring-fenced and capped**, limiting pre-IPO relationship-based allotments.

Lock-in Threshold Tightened (10% → 5%)

New Rules (2025): what it says

- Sponsors/sponsor group/directors/shareholders $\geq 5\%$ **locked in for 3 years**



Old Rules (2015): what it used to be

- Threshold was $\geq 10\%$ for 3 years
- For 5%, it was 2 years

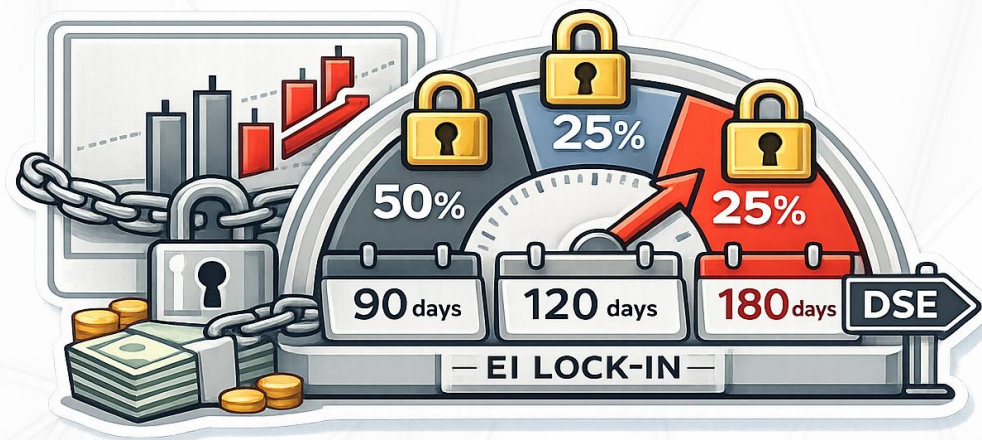
Key Change / Newly Introduced: More shareholders become locked-in for longer period.

Impact / Implication: Affects pre-IPO capital raising and shareholder liquidity expectations.

EI Lock-in in Book Building Introduced (Staggered)

New Rules (2025): what it says

- EI lock-in: **50% 90 days; 25% 120 days; 25% 180 days**



Old Rules (2015): what it used to be

- No EI lock-in

Key Change / Newly Introduced: Institutional supply management introduced.

Impact / Implication: Supports price stability; **may impact EI investment strategy and pricing expectations.**

IPO Fee Caps Reduced

New Rules (2025): what it says

- Issue management fee cap: 1% (min Tk. 25 lac FP / Tk. 30 lac BB)
- Underwriting fee cap: 0.5%
- Registrar-to-issue fee cap: 0.30% (includes ESS service charges)
- **Consent fee: 0.30%**



Old Rules (2015): what it used to be

- Issue management fee cap 2%, underwriting 1%, consent fee 0.40%

Key Change / Newly Introduced: Significant fee reduction and cost structure modernization.

Impact / Implication: Lower transaction cost headline; **issuers to benefit directly.**

Loan Defaulter: Shareholding Threshold Tightened (10% → 5%)

New Rules (2025): what it says

- Issuer, directors, and shareholders holding **≥5%** **must not be loan defaulters** per Bangladesh Bank CIB



Old Rules (2015): what it used to be

- Threshold was **≥10%** shareholders

Key Change / Newly Introduced: Screening net widened: 10% → 5%.

Impact / Implication: Issuers to **ensure CIB clearance for more shareholders**; may require pre-IPO restructuring if any **≥5%** holder is a defaulter.

Expert Liability & Due Diligence Accountability Expanded

New Rules (2025): what it says

- Issue manager, registrar, valuer, auditor, credit rating company, underwriter and others are responsible for **accuracy/authenticity of their reports/certificates**
- Issue manager, registrar, valuer, auditor, and credit rating company are deemed **“experts”** under Companies Act 1994 (s.136/137/139) and Financial Reporting Act 2015 (s.34).



Old Rules (2015): what it used to be

- Due diligence obligations existed, but “expert-role legal responsibility” and statutory expert status were not codified this explicitly in the Rules

Key Change / Newly Introduced: Formal expert-liability framework introduced with explicit statutory linkage.

Impact / Implication: Expect **deeper and more rigorous due diligence**, as IPO intermediaries will be cautious not to validate any disclosure/report that could create **future legal liability** for them.

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