



Securities Issuance and Trading Regulations for Small and Medium Enterprises, 2081 (2025)

The Securities Board of Nepal (SEBON), with the approval of the Government of Nepal, has introduced the 'Securities Issuance and Trading Regulations for Small and Medium Enterprises, 2081' under Section 116 of the Securities Act, 2063 (2006). These regulations pertain to the issuance and trading of securities by Small and Medium Enterprises (SMEs) and will apply to all relevant enterprises engaged in securities issuance and trading in Nepal from the effective date specified by SEBON.

Key Points:

1. Paid up capital limit

The maximum limit for the paid-up capital of a company registering securities with SEBON after its IPO shall be twenty-five million rupees. SEBON may adjust (increase/decrease) this limit with the approval of the Ministry of Finance.

2. Registration of securities

Companies seeking to list their securities must submit an application to SEBON with the required documents. SEBON will review the application and issue a registration certificate within seven working days if the securities meet the requirements.

3. Public issue of securities

Companies may offer an IPO of securities representing 30% to 49% of its issued capital, subject to certain conditions such as completing one full financial year of operations and obtaining all required licenses. Certain entities are prohibited from issuing securities to the public.

4. Credit rating and issue of prospectus

SEBON may require companies to obtain a credit rating before the public issuance of securities. Companies must also prepare a prospectus in the prescribed format and seek SEBON's approval.

5. Issuance and allotment of shares

The application period for publicly issued securities must be at least four working days. If all securities are not sold within this period, the company may extend the application period for up to 15 days. The allotment process involves distributing securities based on valid applications.

6. Process for issue of right shares

Companies may issue the right shares to raise capital by offering them to existing shareholders. The proposal must be submitted to the general meeting within one month of the SEBON's decision.

7. Issue of shares at premium

Companies may issue securities at a premium if they meet certain conditions, such as being profitable for the past three consecutive years and having a net worth per share exceeding the paid-up capital per share and a credit rating of at least average.

8. Bonus share

Companies must distribute bonus shares to shareholders within two months of the general meeting's decision and apply for registration to SEBON.

9. Listing of securities

To trade securities, companies must have them listed on the relevant stock exchange. The listing process involves applying to the stock exchange within seven days of the prospectus approval.

10. Procedure for voluntary cancellation of listing (delisting)

A listed company may apply for voluntary delisting of its securities if the general meeting decides to cancel the listing with at least ninety percent of shareholders present and seventy-five percent agreeing to the decision.

11. Arrangements related to securities transactions, settlement, and transfer of securities

The stock exchange must establish an automated electronic trading system for listed securities, ensuring transactions are carried out based on price-time priority.

12. Restrictions on the Sale of Securities/Lock-in period

Securities not issued to the general public will be subject to a lock-in period of three years from the date of issuance. Exceptions apply for certain funds and shareholder transfers. Securities issued to fund licensed as a SIF is subject to lock in period of 1 year.

13. Reporting requirement

Listed companies must submit quarterly and annual financial reports to SEBON and the stock exchange. Any events affecting market value must be reported within three days.

14. Annexures/schedules

The regulation includes various annexures detailing the format of application forms, applicable fees, securities registration book, and other relevant information.

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PKF Nepal Comment:

This regulatory change aims to create a more structured trading environment for smaller firms by introducing dedicated trading platforms within NEPSE. This could help reduce the influence of small company valuations on the overall market, thereby fostering a safer investment environment for both investors and startups seeking capital. Additionally, the regulation encourages small and medium enterprises (SMEs) to issue shares to the public after completing one full fiscal year of operations.

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