

ROYAL GOVERNMENT OF BHUTAN

MINISTRY OF ECONOMIC AFFAIRS



REGULATIONS FOR ISSUE OF CORPORATE BOND, 2012

COMPANY REGISTRY DIVISION



དཔལ་ལྷན་འབྲུག་གཞུང་། བཟུང་རྒྱལ་ལྷན་ཁག།

MINISTRY OF ECONOMIC AFFAIRS

ROYAL GOVERNMENT OF BHUTAN

Tashichho Dzong

THIMPHU



འབྲུག
BHUTAN

བཟུང་རྒྱལ་ལྷན་ཁག་གི་

MINISTER

FORWARD

In accordance with section 138 of the Companies Act of the Kingdom of Bhutan, 2000, the Ministry is pleased to adopt the Regulations for Issue of Corporate Bond, 2012. The purpose of this Regulation is to provide framework within which the companies can mobilize alternative source of finance for investment. In recent years the importance of direct debt financing in the course of doing business has been gaining momentum. It has become essential due to the fact that, as the economy develops, companies need to secure fund through more important sources like direct debt financing rather than relying on the Bank systems. This is where the importance of debt securities like Corporate Bonds and debentures in the capital markets gain significance.

In a complex and volatile business environment, bond should be the part of any careful investor's diversified portfolio. Bond can be issued by all registered Companies, who can meet the prerequisites of the Regulation. Moreover corporate bond is considered to be the easy source of external finance for businesses at cheaper terms than commercial banks. The introduction of concept of corporate bond will ensure that there are more securities introduced into the Capital Market, achieving a vibrant Capital Market.

The access to finance among Bhutanese businesses especially corporate bodies is increasingly becoming difficult. This is evident from the slow growth rate of new investments and also as pointed out in the Doing Business Report of the World Bank. The Companies are all looking for an alternative source of finance, and the corporate bond is the solution which was not explored by many Companies due to lack of legal framework. This is a step taken on our part to ease the access to finance barrier to doing business in Bhutan.

Finally, with the adoption of this Regulation, the Companies – Public Sector, Private Sector and Financial Institutions would take full advantage of the avenue created by this Regulation and work towards vibrant and sustainable Capital Market growth in particular and growth of our Economy in general.

Tashi Delek.

(Khandu Wangchuk)

REGULATIONS FOR ISSUE OF CORPORATE BOND, 2012

These Regulations are issued in pursuance to the power vested with the Ministry of Economic Affairs, under section 138(b) of the Companies Act, 2000. These regulations shall govern the issuance of Corporate Bond in Bhutan.

1. Short Title and Commencement:

- (a) These Regulations may be called, "The Regulations for issue of Corporate Bond, 2012".
- (b) These Regulations shall come into force on the date of public notification by the Ministry of Economic Affairs.

2. Definitions:

The terms and phrases used in this regulation, unless the context requires otherwise, shall mean:

- (a) **Bond** is a long term debt sold to the investors by the issuer.
- (b) **Capital Fund** means the sum total of paid up capital and the free reserves of the issuer.
- (c) **Charge** means an interest or right which a subscriber or creditor obtains in the property of the issuer by way of security that the issuer will pay back the bond money at the time of maturity.
- (d) **Issuer** means an issuing Company which shall be a Company incorporated under Companies Act of the Kingdom of Bhutan, 2000 and amendment thereto.
- (e) **Prospectus** means offer document as prescribed in Companies Act of the Kingdom of Bhutan, 2000 and amendment thereto.

