



CIRCULAR

F. No. 41/IFSCA/SEBI/REITs-InvITs/2020-21

October 21, 2020

To,
All Stock Exchanges in the International Financial Services Centre

Dear Sir/Madam,

Sub: Real Estate Investment Trusts (REITs) in International Financial Services Centres (IFSCs)

1. The framework for listing and trading of Real Estate Investment Trusts (REITs) on recognised stock exchanges in International Financial Services Centres (IFSCs) have been provided by Securities and Exchange Board of India (SEBI) vide circular SEBI/HO/DDHS/DDHS/CIR/P/2020/174 dated September 16, 2020.
2. Based on the representations received from market participants, it has been decided to prescribe the following regulatory framework for listing of REITs in IFSCs:

A. Listing of a REIT on a recognised stock exchange in IFSCs

(a) Any person/entity from India (IFSC or outside IFSC) or a foreign jurisdiction (as defined in **Annexure - I**) desirous to operate as a REIT in the IFSC shall obtain registration with International Financial Services Centres Authority (IFSCA) and get listed on a recognised stock exchange in IFSC in accordance with the requirements prescribed at **Annexure - I** of this circular.

(b) In addition, the recognised stock exchange(s) in IFSC shall specify the detailed framework for REITs including initial disclosure requirements in the offer document, continuous obligations and disclosure requirements, rights of unit holders, trading, clearing and settlement etc. The REIT shall comply with the requirements prescribed by the recognised stock exchange(s).

B. Listing of a REIT listed in India or Permissible Jurisdiction

(a) A REIT may be allowed to list and trade on a recognised stock exchange in IFSC provided:

- i. The REIT is listed in India (outside IFSC) or in a permissible jurisdiction as notified or may be notified by the Government of India from time to time pursuant to notification no. G.S.R. 669(E) dated September 18, 2019 in respect of sub-rule 1 of rule 9 of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005; and
 - ii. The REIT is in compliance with the law of its home jurisdiction.
- (b) The recognised stock exchange(s) in IFSC may exempt the continuous obligations and disclosure requirements for REITs (under clause B) listed on the recognised stock exchange(s) in IFSC, provided that the REIT releases all information and documents in English to the recognised stock exchange(s) in IFSC at the same time as they are released to the home exchange where it has a primary listing.
- (c) The application for secondary listing of REIT shall be filed with the recognised stock exchange(s) in the format and manner prescribed by the stock exchange(s).
3. The detailed requirements for listing and trading of REITs in IFSC shall be prescribed by the recognised stock exchanges in IFSC pursuant to approval by IFSCA.
4. This circular is issued in exercise of powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres.
5. A copy of this circular is available on the website of International Financial Services Centres Authority at www.ifsc.gov.in.

Yours faithfully,

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Annexure - I

Listing of Real Estate Investment Trusts

Chapter I: Preliminary

Definitions

1. The terms defined herein shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,—

a. "change in control" means,-

(i) in case of a company or body corporate, change in control where 'control' shall have the meaning as provided in sub-section (27) of section 2 of the Companies Act, 2013;

(ii) in any other case, change in the controlling interest;

Explanation.— For the purpose of sub-clause (ii), the expression “controlling interest” means an interest, whether direct or indirect, to the extent of not less than fifty percent of voting rights or interest;

b. "foreign jurisdiction" means a country, other than India, whose securities market regulator is a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding (IOSCO's MMOU) (Appendix A signatories) or a signatory to bilateral Memorandum of Understanding with the IFSCA, and which is not identified in the public statement of Financial Action Task Force as:

i. a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or

i. a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;

c. “holdco” or “holding company” means a company or LLP.,-

(i) in which REIT holds or proposes to hold not less than fifty percent of the equity share capital or interest and which it in turn has made investments in other SPV(s), which ultimately hold the property(ies);

(ii) which is not engaged in any other activity other than holding of the underlying SPV(s), holding of real estate/properties or infrastructure projects, as the case may be, and any other activities pertaining to and incidental to such holdings;

d. “IFSC” or “International Financial Services Centre” shall have the same meaning as assigned to it in clause (q) of section 2 of the Special Economic Zones Act, 2005;

- e. "IFSCA" means the International Financial Service Centres Authority established under the International Financial Services Centres Authority Act, 2019 (50 of 2019);
- f. "investment management agreement" means an agreement between the trustee and the manager which lays down the roles and responsibilities of the manager towards the REIT;
- g. "manager" means a company or LLP or body corporate incorporated in India which manages assets and investments of the REIT and undertakes operational activities of the REIT;
- h. "parties to the REIT" shall include the sponsor group(s), re-designated sponsor(s), manager, and trustee;
- i. "real estate related assets" shall mean listed or unlisted debt securities and listed shares of or issued by property corporations, mortgage-backed securities, other property funds, and assets incidental to the ownership of real estate;
- j. "REIT" or "Real Estate Investment Trust" means a trust registered as such under these provisions;
- k. "REIT assets" means real estate assets and any other assets held by the REIT, on a freehold or leasehold basis, whether directly or through a holdco and/or a special purpose vehicle;
- l. "SEBI" means the Securities and Exchange Board of India;
- m. "special purpose vehicle " or "SPV " means any company or LLP, -
 - (i) in which either the REIT or the holdco holds or proposes to hold not less than fifty percent of the equity share capital or interest;
 - (ii) which holds not less than eighty percent of its assets directly in properties and does not invest in other special purpose vehicles; and
 - (iii) which is not engaged in any activity other than holding and developing property and any other activity incidental to such holding or development;
- n. "sponsor" means any person(s) who set(s) up the REIT and designated as such at the time of application made to the IFSCA;
- o. "sponsor group" includes:
 - (i) the sponsor(s);
 - (ii) in case the sponsor is a body corporate:
 - (a) entities or person(s) which are controlled by such body corporate;
 - (b) entities or person(s) who control such body corporate;

(c) entities or person(s) which are controlled by person(s) as referred at clause b.

(iii) in case sponsor is an individual:

(a) an immediate relative of such individual (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and

(b) entities or person(s) which are controlled by such individual;

p. “stock exchange” means the recognised stock exchange in IFSC;

q. “trustee” means a person who holds the REIT assets in trust for the benefit of the unit holders; and

r. “valuer” means any person who is authorised to practise as a valuer under the law of the state or country where the valuation takes place.

Chapter II: Registration and Eligibility Criteria

Registration

2. (1) An application for grant of certificate of registration as REIT shall be made, by the sponsor on behalf of the trust in the format specified by the stock exchange(s) to IFSCA, and shall be accompanied by a non-refundable fee amounting to 0.05% of the offer size payable to IFSCA.

(2) The IFSCA may, in order to protect the interests of investors, appoint any person to take charge of records, documents of the REIT and for this purpose, also determine the terms and conditions of such an appointment.

Eligibility

Trust

3. The following are the eligibility conditions for the trust:

a) The trust has been incorporated under the laws of India (IFSC or outside IFSC) or foreign jurisdiction;

b) the trust deed has its main objective as undertaking activity of REIT and includes responsibilities of the Trustee in accordance with the requirements prescribed in this circular;

c) persons have been designated as sponsor(s), manager and trustee and all such persons are separate entities.

Sponsor

4. The following are the eligibility conditions for a sponsor of a REIT:

- a) Each sponsor shall hold or propose to hold not less than five percent of the number of units of the REIT on post-initial offer basis; and
- b) Each sponsor has a net worth of not less than USD 3 million and the sponsor(s), on a collective basis, have a net worth of not less than USD 15 million;
- c) the sponsor or its associate(s) has not less than five years experience in development of real estate or fund management in the real estate industry:

Provided that where the sponsor is a developer, at least two projects of the sponsor have been completed.

Manager

5. The following are the eligibility conditions for a manager of a REIT:

- a) the manager should be incorporated in IFSC and have a physical office in IFSC;
- b) the manager has a net worth of not less than USD 1.5 million if the manager is a body corporate or a company or net tangible assets of value not less than USD 1.5 million in case the manager is a LLP;
- c) the manager or its associate has not less than five years experience in fund management or advisory services or property management in the real estate industry or in development of real estate;
- d) the manager has not less than two key personnel who each have not less than five years experience in fund management or advisory services or property management in the real estate industry or in development of real estate; and
- e) the manager has not less than half, of its directors in the case of a company or of members of the governing Board in case of an LLP, as independent and not directors or members of the governing Board of the manager of another REIT.

Trustee

6. The following are the eligibility conditions for a trustee of a REIT:

- a) The trustee is registered as a trustee with SEBI or IFSCA or the securities regulator of its home foreign jurisdiction and shall not be an associate of the sponsor(s) or manager; and
- b) The trustee has such wherewithal with respect to infrastructure, personnel, etc. to the satisfaction of the IFSCA and the stock exchange(s) in IFSC.

Fit and Proper

7. The registration shall be granted only if the REIT and parties to the REIT are fit and proper persons after taking into account any consideration as it deems fit by the IFSCA, including but not limited to the following criteria:

- a) integrity, reputation and character;
- b) absence of convictions and restraint orders;
- c) competence including financial solvency and networth; and
- d) absence of categorization as a wilful defaulter.

Currency

8. The units of REIT shall be listed and traded in a currency other than Indian Rupee.

Chapter III: Rights and responsibilities

Trustee

9. (1) The trustee shall hold the REIT assets in trust for the benefit of the unit holders in accordance with the trust deed and the requirements prescribed in this circular.

(2) The Trustee shall enter into an investment management agreement with the manager on behalf of the REIT.

(3) The trustee shall oversee activities of the manager in the interest of the unit holders and ensure that the manager complies with the responsibilities and shall obtain compliance certificate from the manager on a quarterly basis.

(4) The trustee shall make distributions in accordance with this circular and ensure that the manager makes timely declaration of distributions to the unit holders.

(5) The trustee shall ensure that subscription amount is kept in a separate bank account with IFSC banking unit in name of the REIT and is only utilized for adjustment against allotment of units or refund of money to the applicants till the time such units are listed.

(6) The trustee shall ensure that the remuneration of the valuer is not linked to or based on the value of the asset being valued.

(7) The trustee shall ensure that the manager convenes meetings of the unit holders and oversee the voting by unitholders and declare outcome of the voting.

(8) In case of any change in manager due to removal or otherwise,-

- a) prior to such change, the trustee shall obtain approval from unit holders and approval from the IFSCA;
- b) the trustee shall appoint the new manager within three months from the date of termination of the earlier investment management agreement;

- c) the previous manager shall continue to act as such at the discretion of trustee till such time as new manager is appointed;
- d) the trustee shall ensure that the new manager shall stand substituted as a party in all the documents to which the earlier manager was a party;
- e) the trustee shall ensure that the earlier manager continues to be liable for all its acts of omissions and commissions notwithstanding such termination.

(9) Prior approval of unitholders and IFSCA shall be necessary for effecting any change of control in manager. The Trustee shall obtain the prior approvals including convening and handling the meeting of the unit holders.

(10) The trustee of a REIT shall not invest in units of the REIT in which it is designated as the trustee.

Manager

10. (1) The manager shall make the investment decisions with respect to the underlying assets of the REIT including any further investment or divestment of the assets.

(2) The manager shall ensure that the real estate assets of the REIT or holdco and/or SPV have proper legal and marketable titles.

(3) The manager shall ensure that the investments made by the REIT are in accordance with the investment conditions and in accordance with the investment strategy of the REIT.

(4) The manager, in consultation with trustee, shall appoint an auditor for a period of not more than five consecutive years:

Provided that the auditor, not being an individual, may be reappointed for a period of another five consecutive years, subject to approval of unit-holders in the annual meeting.

(5) The manager shall ensure that the real estate assets of the REIT are adequately insured.

(6) The manager shall ensure that it has adequate infrastructure and sufficient key personnel with adequate experience and qualification to undertake management of the REIT at all times.

(7) The manager and the merchant banker(s) shall be responsible for dealing with all matters relating to issue and listing of the units of the REIT.

(8) The manager shall declare distributions to the unit holders in accordance with the distribution policy as provided in this circular.

(9) The manager shall ensure that adequate controls are in place to ensure segregation of its activity as manager of the REIT from its other activities.

(10) The manager shall submit to the trustee, -

a) quarterly reports on the activities of the REIT;

b) valuation reports within fifteen days of the receipt of the valuation report from the valuer;

(11) The manager shall ensure that the audit of accounts of the REIT by the auditor is done not less than once in a year and such report is submitted to the stock exchange(s) within sixty days of end of such financial year ending March 31st.

(12) The manager may appoint a custodian in order to provide such custodial services as may be authorised by the trustees.

(13) The manager shall place, before its board of directors in the case of a company or the governing board in case of an LLP, a report on activity and performance of the REIT every three months.

Sponsor

11. (1) The sponsor(s) and sponsor group(s) shall set up the REIT and appoint the trustee of the REIT.

(2) The sponsor(s) and sponsor group(s) shall transfer or undertake to transfer, subject to a binding agreement and adequate disclosures in the initial offer document, their entire shareholding or interest and rights in the holdco and/or SPV or entire ownership of the real estate assets to the REIT prior to allotment of units of the REIT to the applicants:

Provided that this shall not apply to the extent of any mandatory holding of shares or interest and rights in the holdco and/or SPV by the sponsor(s) and sponsor group(s) as required under any Act or regulations or circulars or guidelines of government or regulatory authority as specified from time to time.

(3) With respect to holding of units in the REIT,

(a) the sponsor(s) and sponsor group(s) shall collectively hold a minimum of twenty five percent of the total units of the REIT after initial offer on a post-issue basis for a period of atleast three years from the date of listing of such units;

(b) Any holding of the sponsor (s) and sponsor group(s) exceeding the minimum holding of twenty five percent of the total units of the REIT shall be held for a period of atleast one year from the date of listing of such units;

(c) the sponsor(s) and sponsor group(s) together shall hold not less than fifteen percent of the outstanding units of the listed REIT at all times;

(d) each of the sponsor individually shall hold not less than five percent of the outstanding units of the listed REIT at all times.

(4) If the sponsor(s) and sponsor group(s) propose(s) to sell its units below the limit specified in sub-clauses 3 (c) or (d) above -

(a) such units shall be sold only after a period of three years from the date of listing of the units;

(b) prior to sale of such units, the sponsor(s) and sponsor group(s) shall arrange for another person(s) or entity(ies) to act as the re-designated sponsor(s) where the re-designated sponsor shall satisfy the eligibility norms for the sponsor:

Provided that such units may also be sold to an existing sponsor;

(c) The proposed redesignated sponsor shall obtain approval from the unit holders or provide option to exit to the unit holders in accordance with guidelines as may be specified:

Provided that this clause shall not apply where the units are proposed to be sold to an existing sponsor or member of sponsor group.

Valuer

12. (1) The valuer(s) shall ensure that the valuation of the REIT assets is impartial, true and fair and is in accordance with chapter X of this circular.

(2) The valuer(s) shall ensure that it has sufficient and adequate financial, human and other resources to enable it to perform valuations.

(3) The valuer(s) and any of its employees involved in valuing of the assets of the REIT, shall not,-

(i) invest in units of the REIT or in the assets being valued; and

(ii) sell the assets or units of REITs held prior to being appointed as the valuer,

till the time such person is designated as valuer of such REIT and not less than six months after ceasing to be valuer of the REIT.

(4) The valuer(s) shall conduct the valuation of the REIT assets with transparency and fairness and shall render, at all times, high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment.

(5) The valuer(s) shall act with independence, objectivity and impartiality in performing the valuation.

(6) The valuer(s) shall not accept remuneration, in any form, for performing a valuation of the REIT assets from any person other than the REIT or its authorized representative.

(7) The valuer(s) shall before accepting any assignment, from any related party to the REIT, shall disclose to the REIT any direct or indirect consideration which the valuer may have in respect of such assignment.

Auditor

13. (1) The auditor shall conduct audit of the accounts of the REIT and prepare the audit report based on the accounts examined by him and after taking into account the relevant accounting and auditing standards.

(2) The auditor shall, to the best of his information and knowledge, ensure that the accounts and financial statements, including profit or loss and cash flow for the period and such other matters as may be specified, give a true and fair view of the state of the affairs.

(3) The auditor shall have a right of access at all times to the books of accounts and vouchers pertaining to activities of the REIT.

(4) The auditor shall have a right to require such information and explanation pertaining to activities of the REIT as he may consider necessary for the performance of his duties as auditor from the employees of REIT or parties to the REIT or holdco or SPV or any other person in possession of such information.

Chapter IV: Issue and Listing

14. (1) A REIT shall make an initial offer of its units by way of public issue only.

(2) The initial offer of units of REIT shall be made in compliance with the following requirements:

- a) The REIT is registered with IFSCA;
- b) the value of the REIT assets is not less than USD 75 million;
- c) the offer size is not less than USD 37.5 million;
- d) the units proposed to be offered to the public through such initial offer shall be in compliance with the following:

<i>Post Issue Capital</i>	<i>Minimum number / value of units to be offered</i>
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Less than USD 240 million	Not less than 25% of the total of the outstanding units of the REIT and the units being offered by way of the offer document
USD 240 million or more and less than USD 600 million	Atleast USD 60 million
Equal to or more than USD 600 million	Not less than 10% of the total of the outstanding units of the REIT and the units being offered by way of the offer document

Provided that any units offered to sponsor or the manager or their related parties or their associates shall not be counted towards units offered to the public.

(3) Any subsequent issue of units by the REIT may be by way of follow-on offer, preferential allotment, qualified institutional placement, rights issue, bonus issue, offer for sale or any other mechanism and in the manner as may be specified by the IFSCA.

(4) REIT, through the merchant banker, shall file a draft offer document along with the fee, with the stock exchange(s) and the IFSCA, not less than thirty working days before filing the offer document with the stock exchange and the IFSCA.

(5) The draft offer document filed with the IFSCA shall be made public, for comments, if any, by hosting it on the websites of the IFSCA, stock exchange(s) and merchant bankers associated with the issue, for a period of not less than fourteen days.

(6) The draft offer document and/ or offer document shall be accompanied by a due diligence certificate signed by the lead merchant banker.

(7) The IFSCA may communicate its comments to the lead merchant banker within twenty one working days from the date of receipt of satisfactory reply from the lead merchant bankers or manager.

(8) The lead merchant banker shall ensure that all comments received from the IFSCA on the draft offer document are suitably taken into account prior to the filing of the offer document with the stock exchange(s).

(9) The offer document shall be filed with the stock exchange(s) and the IFSCA not less than five working days before opening of the offer.

(10) The initial offer or follow-on offer or rights issue shall be made by the REIT within a period of not more than one year from the date of issuance of observations by the IFSCA.

Provided that if the initial offer or follow-on offer or rights issue is not made within the specified time period, a fresh draft offer document shall be filed.

(11) The REIT may invite for subscriptions and allot units to any person in IFSC (whether from India or foreign jurisdiction), subject to the applicable investment guidelines and permissions issued by regulators at home jurisdiction, if any.

(12) The minimum subscription from any investor in initial and/or public offer shall be USD 700.

(13) The initial offer and follow-on offer shall not be open for subscription for a period of more than thirty days.

(14) In case of over-subscriptions, the REIT shall allot units to the applicants on a proportionate basis rounded off to the nearest integer subject to minimum subscription amount per subscriber.

(15) The REIT shall allot units or refund application money, as the case may be, within twelve working days from the date of closing of the issue.

(16) The REIT shall issue units only in dematerialized form to all the applicants.

(17) The price of REIT units issued by way of public issue shall be determined through the book building process or any other process in accordance with the circulars or guidelines issued by the IFSCA or the stock exchange(s).

(18) The REIT shall refund money, -

- a) to all applicants in case it fails to collect subscription amount of exceeding ninety percent of the fresh issue size as specified in the offer document;
- b) to applicants to the extent of oversubscription in case the money received is in excess of the extent of over-subscription as specified in the offer document:

Provided that right to retain such over subscription cannot exceed twenty five percent of the issue size;

Provided further, that the offer document shall contain adequate disclosures towards the utilisation of such oversubscription proceeds, if any, and such proceeds retained on account of oversubscription shall not be utilised towards general purposes.

(19) Units may be offered for sale to public if such units have been held by the existing unitholders for a period of at least one year prior to the filing of draft offer document with the IFSCA:

Provided that the holding period for the equity shares, compulsorily convertible securities (from the date such securities are fully paid-up) or partnership interest in the holdco and/or SPV against which such units have been received shall be considered for the purpose of calculation of one year period referred in this clause:

Provided further that the compulsorily convertible securities, whose holding period has been included for the purpose of calculation for offer for sale, shall be converted to equity shares of the holdco or SPV, prior to filing of offer document.

(20) The amount for general purposes, as mentioned in objects of the issue in the draft offer document filed with the IFSCA, shall not exceed ten per cent of the amount raised by the REIT by issuance of units.

Offer Document

15. (1) The offer document of the REIT shall contain material, true, correct and adequate disclosures to enable the investors to make an informed decision.

(2) The offer document shall include all information as prescribed by the stock exchange(s) and in the format prescribed by the stock exchange(s), including:

- a) Introduction
- b) Details of parties to the REIT
- c) Brief background of the REIT
- d) Description of the assets under the REIT
- e) Business Details and Strategy
- f) Conflict of interest and Related party transactions
- g) Valuation
- h) Financials
- i) Rights of Unit Holders
- j) Title disclosures, litigations and regulatory actions
- k) Risk Factors
- l) Taxation

(3) The following documents shall be submitted to the IFSCA:

- a) Full valuation report along with the offer document;
- b) Due diligence certificate along with the offer document; and
- c) In principle approval from the exchange(s).

Chapter V: Listing and Trading

16. (1) After the initial offer it shall be mandatory for all units of REITs to be listed on a stock exchange within a period of twelve working days from the date of closure of the offer.

(2) The listing of the units of the REIT shall be in accordance with the listing agreement entered into between the REIT and the stock exchange(s).

(3) The units of the REIT listed in stock exchange(s) shall be traded, cleared and settled in accordance with the requirements specified by stock exchange(s) and such conditions as may be specified by the IFSCA.

(4) Any person other than the sponsor(s) holding units of the REIT prior to initial offer shall hold the units for a period of not less than one year from the date of listing of the units.

Chapter VI: Continuous obligations and Disclosure Requirements

17. The REIT listed on a stock exchange shall comply with the continuous obligations and disclosure requirements specified by the stock exchange(s).

Chapter VII: Investment Conditions

18. (1) The investment by a REIT shall be either directly or through an SPV or through holdco.

(2) The REIT may invest in properties through SPVs subject to the following -

- a) no other shareholder or partner of the SPV shall exercise any rights that prevents the REIT from complying with the regulatory requirements specified by IFSCA and stock exchange(s) and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the SPV:

Provided that the shareholders' agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the REIT and the other shareholders or partners in the SPV:

Provided further that the provisions specified by IFSCA and stock exchange(s) shall prevail in case of inconsistencies between such agreement(s) and the obligations cast upon a REIT by IFSCA and stock exchange(s).

- b) the manager, in consultation with the trustee, shall appoint at least such number of nominees on the board of directors or the governing board of such SPVs, as applicable, which are in proportion to the shareholding or holding interest of the REIT in the SPV;
- c) the manager shall ensure that in every meeting including annual general meeting of the SPV, the voting of the REIT is exercised.

(3) The REIT may invest in properties through holdco subject to the following:

- a) the ultimate holding interest of the REIT in the underlying SPV(s) is not less than twenty six per cent;
- b) no other shareholder or partner of the holdco or the SPV(s) shall exercise any rights that prevent the REIT, the holdco or the SPV(s) from complying with the regulatory requirements prescribed by IFSCA and stock exchange(s) and an agreement has been entered into with such shareholders or partners to that effect prior to investment in the holdco and/or SPVs:

Provided that the shareholders' agreement or partnership agreement shall provide for an appropriate mechanism for resolution of disputes between the REIT and the other shareholders or partners in the holdco and/or SPV;

Provided further that the provisions specified by IFSCA and stock exchange(s) shall prevail in case of inconsistencies between such agreement(s) and the obligations cast upon a REIT by IFSCA and stock exchange(s).

- c) the manager, in consultation with the Trustee, shall appoint atleast such number of nominees on the board of directors or the governing board of the holdco and/or the SPV, which are in proportion to the shareholding or holding interest of the REIT/holdco in the SPV;
- d) the manager shall ensure that in every meeting including annual general meeting of the holdco and/or SPV(s), the voting of the REIT is exercised.

(4) The investment shall be only in the following:

- a) real estate, whether freehold or leasehold, in or outside IFSC;
- b) real estate related assets;
- c) listed or unlisted debt securities or listed shares of local or foreign non-property corporations;
- d) government securities;
- e) securities issued by a supranational agency; and
- f) cash and cash-equivalent items.

(5) The investments of REITs either directly or through an SPV or through holdco can be in either IFSC or India or foreign jurisdiction.

Provided that where an investment is made in a foreign real estate asset, the manager should ensure that the investment complies with all the applicable laws and requirements in that foreign country.

(6) The investments should be in compliance with the following requirements:

- a) at least 75% of the REIT assets should be invested in income-producing real estate;
- b) should not undertake property development activities, unless it intends to hold the developed property upon completion;
- c) should not invest in vacant land and mortgages except for mortgage-backed securities:

Provided that this shall not apply to any land which is contiguous and extension of an existing project being implemented in stages;

- d) the total contract value of property development activities undertaken and investments in uncompleted property developments should not exceed 10% of the REIT assets:

Provided that the total contract value of property development activities may exceed 10% subject to a maximum of 25% of the REIT assets only if:

- i. the additional allowance of up to 15% of the REIT assets is utilised solely for the redevelopment of an existing property that has been held by it for at least three years and which the REIT will continue to hold for at least three years after the completion of the redevelopment; and
 - ii. it has obtained specific approval of the unit holders.
- e) for investments in debt securities or listed shares of local or foreign non-property corporations, or government securities or securities issued by a supranational agency, or cash or cash-equivalent items, not more than 5% of the REIT assets can be invested in any one issuer's securities or any one manager's funds; and
- f) should not derive more than 10% of its revenue from sources other than:
- i. rental payments from the tenants of the real estate held by it, or

Explanation: rental payments include income that is ancillary or incidental to the leasing of real estate such as income from use of signage space and advertising contributions by tenants.

- ii. interest, dividends and other similar payments from permissible investments.

(7) The investment restrictions and requirements in clauses 18 (6) (d) and (e) are applicable at the time the transactions are entered into.

(8) If the investment conditions at clauses 18(6) (a) and (f) above are breached on account of market movements of the price of the underlying assets or securities or change in tenants or expiry of lease or sale of properties, the manager shall inform the same to the trustee and ensure that the conditions as specified in this circular are satisfied within six months of such breach:

Provided further that the period may be extended by another six months subject to approval from unit holders.

(9) A REIT shall hold any completed and rent generating property, whether directly or through holdco or SPV, for a period of not less than three years from the date of purchase of such property by the REIT or holdco or SPV.

(10) For any sale of property, whether by the REIT or holdco or the SPV or for sale of shares or interest in the SPV by the holdco or REIT exceeding ten percent of the value

of REIT assets in a financial year, the manager shall obtain approval from the unit holders.

(11) A REIT shall not invest in units of other REITs.

(12) A REIT shall not undertake lending to any person other than the holdco/special purpose vehicle(s) in which the REIT has invested in:

Provided that investment in debt securities shall not be considered as lending.

Chapter VIII: Distribution policy

19. (1) With respect to distributions made by the REIT and the holdco and/or SPV,-

- a) not less than ninety percent of net distributable cash flows of the SPV shall be distributed to the REIT /holdco in proportion of its holding in the SPV;
- b) with regard to distribution of net distributable cash flows by the holdco to the REIT, the following shall be complied:
 - i. with respect to the cash flows received by the holdco from underlying SPVs, 100% of such cash flows received by the holdco shall be distributed to the REIT; and
 - ii. with respect to the cash flows generated by the holdco on its own, not less than 90% of such net distributable cash flows shall be distributed by the holdco to the REIT;
- c) not less than ninety percent of net distributable cash flows of the REIT shall be distributed to the unit holders;
- d) such distributions shall be declared and made not less than once every six months in every financial year and shall be made not later than fifteen days from the date of such declaration;

(2) If any property is sold by the REIT or holdco or SPV or if the equity shares or interest in the holdco/SPV are sold by the REIT, then,-

- a) if the REIT proposes to reinvest sale proceeds, if any, into another property, it shall not be required to distribute any sale proceeds from such sale to the unit holders;
- b) if the REIT proposes not to invest the sales proceeds made into any other property, within a period of 1 year, it shall be required to distribute not less than ninety percent of the sales proceeds.

Chapter IX: Borrowings and deferred payments

20. (1) A REIT, whose units are listed on a stock exchange, may issue debt securities in the manner specified by the IFSCA or the stock exchange(s):

Provided that such debt securities shall be listed on a stock exchange(s).

(2) The aggregate consolidated borrowings and deferred payments of the REIT, holdco and/or the SPV(s), net of cash and cash equivalents shall never exceed forty nine percent of the value of the REIT assets:

Provided that such borrowings and deferred payments shall not include any refundable security deposits to tenants.

(3) If the aggregate consolidated borrowings and deferred payments of the REIT, holdco and/or the SPV(s), net of cash and cash equivalents exceed twenty five percent of the value of the REIT assets, for any further borrowing,-

- a. credit rating shall be obtained from a credit rating agency; and
- b. approval of unit holders shall be obtained.

(4) If the conditions specified in clauses (1) and (2) above are breached on account of market movements of the price of the underlying assets or securities, the manager shall inform the same to the trustee and ensure that the conditions as specified in this chapter are satisfied within six months of such breach.

Chapter X: Valuation of assets

21. (1) A full valuation shall be conducted by the valuer atleast once in every financial year:

Provided that such full valuation shall be conducted at the end of the financial year ending March 31st within three months from the end of such year.

(2) A half yearly valuation of the REIT assets shall be conducted by the valuer for the half-year ending on September 30 for incorporating any key changes in the previous six months and such half yearly valuation report shall be prepared within forty five days from the date of end of such half year.

(3) Valuation reports received by the manager shall be submitted to the stock exchange(s) and unit holders within fifteen days from the receipt of such valuation reports.

(4) Prior to any issue of units to the public and any other issue of units as may be specified by the IFSCA, the valuer shall undertake full valuation of all the REIT assets and include a summary of the report in the offer document:

Provided that such valuation report shall not be more than six months old at the time of such offer:

Provided further that this shall not apply in cases where full valuation has been undertaken not more than six months prior to such issue and no material changes have occurred thereafter.

(5) In case of any material development that may have an impact on the valuation of the REIT assets, then manager shall require the valuer to undertake full valuation of the property under consideration within not more than two months from the date of such event and disclose the same to the trustee, investors and the stock exchange(s) within fifteen days of such valuation.

(6) The valuer shall not value any assets in which it has either been involved with the acquisition or disposal within the last twelve months other than such cases where valuer was engaged by the REIT for such acquisition or disposal.

Chapter XI: Miscellaneous

Inspection

22. The IFSCA may suo motu or upon receipt of information or complaint appoint one or more persons as inspecting officers to undertake inspection of the books of accounts, records and documents relating to activity of the REIT or holdco or SPVs or parties to the REITs to ascertain whether the regulatory provisions are being complied with.

Submission of reports

23. The IFSCA or the stock exchange(s) may at any time call upon the REIT or parties to the REIT to file reports with respect to the activities relating to the REIT.

Power to call for information

24. The IFSCA or the stock exchange(s) may at any time call for any information from the REIT or holdco or SPV(s) or parties to the REIT or any unit holder or any other person with respect to any matter relating to activity of the REIT.

Power to relax

25. The IFSCA may, in the interest of investors or for the development of the financial market in IFSC, relax the strict enforcement of any requirement of the regulatory provisions relating to REITs, if IFSCA is satisfied that

- a) requirement is procedural or technical in nature; or
- b) the requirement may cause undue hardship to investors; or
- c) the disclosure requirement is not relevant for a particular industry or class of listed entities; or
- d) the non-compliance was caused due to factors beyond the control of the REIT or parties to the REIT; or
- e) such relaxation will be in the interest of the financial market in IFSC; or

- f) any provision of Act(s), Rule(s), regulation(s) under which the listed entity is established or is governed by, is required to be given precedence to.

Suspension of Listing and Trading

26. (1) The IFSCA or the stock exchange(s) may suspend the listing and trading of units of a REIT if:

- i. The REIT or parties to the REIT is in non-compliance with the regulatory provisions prescribed by IFSCA or the stock exchange(s).
- ii. The REIT is suspended in any other stock exchange.

(2) The Exchange may restore the listing and trading of any securities that have been suspended if it considers that the suspension is no longer required.

Delisting by stock exchange

27. The stock exchange may delist REIT if it is satisfied that -

- (a) the REIT is suspended for trading for more than six months without the REIT or parties to REIT taking adequate action to obtain restoration of listing and trading;
- (b) the REIT or parties to REIT is no longer eligible for listing or trading; or
- (c) it is directed to do so by the IFSCA or any other relevant authority or any court order of applicable jurisdiction

Voluntary Delisting

28. The stock exchange may delist REITs, based on request received from the REIT, in the manner prescribed by the stock exchange.