

Measures towards Ease of Doing Business and Investor Protection for Infrastructure Investment Trusts and Real Estate Investment Trusts

1. Objective

1.1. This Board Memorandum proposes amendments to the SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("**InvIT Regulations**") and the SEBI (Real Estate Investment Trusts) Regulations, 2014 ("**REIT Regulations**") to introduce measures for Ease of Doing Business ("**EoDB**") and Investor Protection for Infrastructure Investment Trusts ("**InvITs**") and Real Estate Investment Trusts ("**REITs**").

This Board Memorandum also proposes to apprise the Board of the guidelines to be issued by SEBI by way of circulars to give effect to measures for EoDB and Investor Protection for InvITs and REITs.

2. Background

2.1. SEBI notified InvIT Regulations and REIT Regulations on September 26, 2014. As at March 31, 2024, the value of assets under REITs is Rs. 1,39,992 crores (4 REITs) and under InvITs is Rs. 5,42,385 crores (19 InvITs), cumulatively amounting to Rs. 6,82,377 crores.

2.2. SEBI Hybrid Securities Advisory Committee ("**HySAC**") provides recommendations, inter-alia, on development and regulation of Hybrid Securities (i.e. InvITs and REITs) in India.

3. Recommendations on EoDB and Investor Protection

3.1. SEBI is in receipt of a series of recommendations from various forums, including but not limited to the working group for review of compliance requirements and EoDB for REITs and InvITs, the Indian REIT Association ("**IRA**"), Bharat InvIT Association ("**BIA**") and HySAC. The recommendations received from these forums are primarily in the nature of promoting EoDB and enhancing investor protection.

3.2. Accordingly, considering the importance of such measures for EoDB and investor protection, the recommendations of the working group on EoDB ("**Working Group**") were placed before the HySAC and based on the recommendations of HySAC and internal deliberations, SEBI issued a consultation paper titled "[Consultation Paper on proposals for REITs and InvITs](#)" seeking comments / views / suggestions from the public

on the EoDB and investor protection measures. The recommendations of the HySAC along with public feedback have been considered for the proposals made to the Board.

4. Consultation

4.1. A total of 17 entities responded to the consultation paper with their views/ inputs/ suggestions. The respondents include industry associations, market participants, practicing company secretaries and investors. The respondents are broadly in agreement with the proposed measures and a summary of the respondents agreeing / partially agreeing / disagreeing to the proposals made in the consultation paper is placed at Table 1 of Annexure-A.

4.2. The suggestions received from various forums, HySAC recommendations on the same, feedback received pursuant to public consultation and views of SEBI thereon are summarized at Annexure A (Table 2 to Table 14). The reference to relevant tables of Annexure A has been made in the proposals mentioned in subsequent paras.

PART – A: Ease of Doing Business Measures

5. Permitting transfer of locked-in units amongst sponsor and sponsor group for REITs and InvITs (Table No. 2)

Extant Regulatory Provision

- 5.1. Regulation 11(3) of REIT Regulations and Regulations 12(3), 12(3A), and 12(5) of InvIT Regulations mandate minimum unitholding requirements for sponsors and sponsor groups in case of initial offer which cannot be encumbered or transferred.
- 5.2. Further, Master Circulars for REITs and InvITs mandate a three-year lock-in for units allotted to sponsor through preferential issue, with specific provisions for excess holdings (Para 10.6.1 of the Master Circular for REITs and Para 7.6.1 of the Master Circular for InvITs).
- 5.3. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**ICDR Regulations**”) on Transferability of Locked-In Units: Locked-in specified securities held by promoters can be transferred to another promoter or any person of the promoter group or a new promoter, subject to continuation of lock-in with the transferee (Regulations 14, 16, 22, 167, and 168 of the ICDR Regulations).

- 5.4. In contrast, REIT and InvIT regulations do not currently allow inter-se transfer of locked-in units among sponsors or sponsor groups, unlike the ICDR Regulations.

Proposal

- 5.5. In order to improve the ease of doing business, it is proposed to specify that locked-in units held by a sponsor or sponsor group entities at the time of initial offer or preferential issue under the REIT Regulations and InvIT Regulations and circulars issued thereunder may be transferred within the sponsor group entities subject to the condition that lock-in on such units shall continue for the remaining period with the transferee and such transferee shall not be eligible to transfer the units till the lock-in period stipulated under the regulations has expired.
- 5.6. Further, in case of a REIT / InvIT with multiple sponsors, to prevent any risk of name-lending and mis-selling, it is proposed that the locked in units held by a particular sponsor or its sponsor group entities can be transferred only within such sponsor or its own sponsor group entities, and not to the other sponsor or their sponsor group entities.
- 5.7. However, in case of a change in sponsor or conversion of Manager/ Investment Manager into self-sponsored Manager/ Investment Manager in compliance with the regulations, the outgoing sponsor or its sponsor group entities can transfer the locked in units to the incoming sponsor or its sponsor group entities or the self-sponsored Manager/Investment Manager or its shareholders or group entities of self-sponsored Manager/Investment Manager subject to the condition that the incoming sponsor or its group entities or the self-sponsored manager or its shareholders or group entities of self-sponsored Manager/Investment Manager shall meet the minimum unitholding requirements after the transfer.

6. Definition of common infrastructure under REIT Regulations (Table No. 3)

Extant Regulatory Provision

- 6.1. REIT Regulations permit to hold common infrastructure for composite real estate projects, industrial parks and SEZ. However, the term common infrastructure is not defined in the REIT Regulations. Since the term common infrastructure is not defined,

one interpretation which is possible is that these common infrastructure assets need to be necessarily co-located inside the composite real estate project.

- 6.2. The industry has requested that in order to allow REITs to provide green power to the occupants of the properties owned by REITs and also contribute on environmental and sustainability business initiatives and growth, it may be clarified that REITs are allowed to set up, invest in and acquire assets that provide common infrastructure facilities and amenities exclusively servicing one or more REIT portfolio assets such as captive power plants, district/retail heating and cooling systems, water treatment/ processing plants and waste treatment/processing plants, etc. regardless of whether such facilities or amenities are co-located within any single project.

Proposal

- 6.3. In order to promote ease of doing business amongst REITs, it is proposed to clarify that facilities or amenities such as power plants, district/retail heating and cooling systems, water treatment/ processing plants and waste treatment/processing plant and any facilities or amenities incidental to real estate business which exclusively supply or cater to, or are exclusively consumed by the REIT, its HoldCo(s) or SPV(s), irrespective of whether such facilities / amenities are co-located within any projects would be considered as common infrastructure.
- 6.4. Further it is proposed to clarify that the abovementioned facilities and amenities must be exclusively supplied and consumed by the REIT assets. However in case of common infrastructure any excess production / capacity, not consumed by the REIT, its HoldCo(s) or SPV(s), may be sold / supplied to a central or state grid / utility in accordance with the relevant central and state regulations, subject to the following conditions:
- 6.4.1. the manager shall make adequate disclosures in the annual report to demonstrate that the excess production / capacity could not be consumed by the REIT, its HoldCo(s) and SPV(s);
- 6.4.2. the credits or payments received from such sale / supply of excess production / capacity are applied towards the payments to be made by the REIT, its HoldCo(s) or SPV(s);
- 6.4.3. the manager shall make adequate disclosures related to sale / supply of such excess production / capacity in the annual report, including disclosures related

to utilization of credits / payments received against such sale / supply, and the same shall be audited by the auditor of the REIT."

- 6.5. Also in order to address the feedback of public to permit holding a common infrastructure projects in a company without any real estate or property, it is proposed to permit that common infrastructure projects can be held by REIT in a new company exclusively holding the common infrastructure, subject to the condition that the REIT and/or its underlying HoldCos / SPVs should own entire shareholding and interest in such company.

7. Inclusion of Non-Executive Directors in the Nomination and Remuneration Committee (NRC) of Managers/Investment Managers of REITs, InvITs and SM REITs (Table No. 4)

Extant Regulatory Provision

- 7.1. As per Regulation 19(1) of LODR Regulations, Nomination and Remuneration Committees (NRC) must have at least three non-executive directors, with at least two-thirds being independent directors.
- 7.2. However, under Explanation (v) of Regulation 26A of REIT Regulations and Regulation 26G of InvIT Regulations, "non-executive director" is interpreted as "independent director," requiring all NRC members for Managers/Investment Managers of REITs, including SM REITs and InvITs, to be independent directors.
- 7.3. This interpretation creates a stricter requirement for REITs and InvITs than LODR Regulations, mandating only independent directors on NRCs.

Proposal

- 7.4. It is proposed to modify the above provision thereby allowing for a mix of independent and non-executive directors in line with LODR Regulations. The same may be carried out by revising Explanation (v) of 26A of REIT Regulations and 26G of InvIT Regulations as under:

"(v) the expression "non-executive director" wherever it occurs, shall be read as "independent director" except for the purpose of Regulation 19(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as applicable to the manager/investment manager under the regulations."

7.5. The proposed changes will also align the composition of NRCs in Managers/ Investment Managers of REITs including SM REITs and InvITs with the composition applicable for listed companies.

8. Amendment of Governance Norms for Quarterly Results Reporting - InvITs (Table No. 5)

Extant Regulatory Provision

8.1. Extract from Part A of Schedule VII (Governance Norms) of the InvIT Regulations reads as follow:

"The following minimum information to be placed before Board of Directors of the investment manager:

.....

(c)Quarterly results for the investment manager and its operating divisions or business segments."

Proposal

8.2. It is proposed to amend the governance norms to provide clarity that the quarterly results specifically pertain to the InvITs rather than their investment managers, which is actually the intent of the regulations. This aims to ensure that quarterly reporting directly reflects the performance and financial health of the InvITs.

8.3. The proposed change will bring InvIT regulations in alignment with the REIT regulations wherein the corresponding provision clearly mention about the quarterly results of REIT (and not the Manager).

9. Allowing REITs, SM REIT Schemes and InvITs to deal in interest rate derivatives for hedging (Table No. 6)

Extant Regulatory Provision

9.1. REIT Regulations and InvIT Regulations do not include any instrument to hedge the interest rate risk on the existing borrowings or future borrowings through interest rate swaps.

Proposal

- 9.2. In order to provide EoDB, it is proposed to permit REITs, SM REITs and InvITs to participate in Interest Rate Derivatives including Interest rate Futures, Forward rate Contracts and Interest Rate Swaps, solely with an objective of hedging an underlying interest rate risk in the existing borrowings, subject to the conditions that the hedge shall be an effective hedge as per the applicable Indian Accounting Standards, and relevant disclosures are made in the Annual Report.
- 9.3. Further in this regard, for valuation, the REITs, SM REITs and InvITs shall follow the norms applicable for Mutual Fund industry.

10. Review of conditions for enhanced borrowings beyond 49% by InvITs (Table No.7)

Extant Regulatory Provision

- 10.1. As per Regulations 20 of InvIT Regulations, Borrowings above 49% are permitted only for project acquisition/development subject to certain conditions which inter-alia include track record of six continuous distributions in preceding financial years.
- 10.2. However, a feedback has been received that given the requirement of track record of six continuous distributions to be completed in preceding financial years, InvITs are required to wait till the completion of the financial year in which the 6th distribution was made, before accessing the debt capital to expand their assets base

Proposal

- 10.3. It is proposed to specify the following to be ensured by InvIT with regard to the six continuous distributions:
- 10.3.1. The six continuous distributions should be achieved across minimum six quarters (i.e. maximum one distribution per quarter shall be considered for computing six continuous distributions).
- 10.3.2. The track record of at least six continuous distributions should be met as at the end of the quarter preceding the date on which the enhanced borrowings are proposed to be made.
- 10.3.3. The distributions should be consistent with the distribution policy disclosed to the unitholders.

10.4. Further, it is proposed that w.r.t. distributions made by an InvIT, the cash flows generated from all assets, whether held by InvIT or any of the underlying SPVs or HoldCos has to be taken into consideration, irrespective of leverage.

10.5. Furthermore, since the proposal stated at para 10.4 above is relevant for REITs as well, it is proposed to make it applicable for REITs also.

11. Timeline for filling up of vacancy in the office of the board of directors of manager of REIT (including SM REIT) / investment manager of InvIT (Table No. 8)

Extant Regulatory Provision

11.1. Board Composition Requirements for REITs and InvITs:

a) Regulations 26H(1) of InvIT Regulations / 26B(1) of REIT Regulations requires that Managers/Investment Managers of REITs/InvITs must have at least six directors, including a woman independent director.

b) At least half the board must consist of independent directors, as per Regulations 4(2)(e)(v) of InvIT Regulations / 4(2)(e)(iv) of REIT Regulations.

11.2. LODR Regulations (Regulations 25(6) and 17(1E)) allow up to three months to fill director vacancies caused by resignation, removal, or other reasons, provided the entity remains compliant with board composition requirements.

11.3. However, REIT and InvIT Regulations do not specify a timeline for filling board vacancies, making compliance difficult in cases of unforeseen circumstances like sudden resignation or death.

Proposal

11.4. It is proposed to specify the following provisions in the REIT Regulations and InvIT Regulations, in alignment with LODR Regulations:

11.4.1. For any vacancy in the office of a director of the manager / investment manager due to which the manager / investment manager becomes non-compliant with the requirement pertaining to composition of the Board of Directors specified in the REIT Regulations / InvIT Regulations, such vacancy shall be filled by the manager / investment manager as under:

- a) if such vacancy arises due to expiration of the term of office of the director, then the resulting vacancy shall be filled not later than the date such office is vacated:
- b) if such vacancy arises due to any reason other than as mentioned above, then the resulting vacancy shall be filled at the earliest and not later than three months from the date of such vacancy.

12. Clarification on credit rating required to be obtained by REITs, InvITs and SM REITs for borrowings (Table No. 9)

Extant Regulatory Provision

- 12.1. REIT Regulations and InvIT Regulations requires the Credit Rating Requirements for REIT and InvIT if borrowings exceed 25% of asset value. In case of SM REITs, similar provisions apply for borrowings beyond 25% at the scheme level.
- 12.2. For InvITs, borrowings above 49% require an "AAA" rating or equivalent and compliance with additional conditions, including specific fund utilization and distribution track records.
- 12.3. However, the current regulations do not specify whether the required credit rating is a loan-specific rating or a trust-level (issuer) rating.

Proposal

- 12.4. In order to provide explicit clarity in the REIT and InvIT Regulations, it is proposed to clarify that the credit rating required to be obtained under the REIT Regulations and InvIT Regulations is the issuer rating of the REIT / InvIT / scheme of SM REIT.

13. (Withdrawn, hence excised) (Table No. 10)

14. Expanding the asset base for REITs (including SM REITs) (Table No. 11)

Extant Regulatory Provision

- 14.1. Regulation 2(1)(zi) of the REIT Regulations defines "real estate" or "property" as land and attached improvements, excluding assets mentioned under the "Harmonized Master List of Infrastructure Sub-sectors", Ministry of Finance notification. Exceptions include hotels, hospitals, and common infrastructure forming part of composite real estate projects.

- 14.2. From the assets outlined in the Harmonized Master List of Infrastructure and sub-sectors therein, it is noted that certain assets fall either under definition of real estate under the REIT Regulations or under the definition of infrastructure under the InvIT Regulations, depending on certain criteria as to investment, location, size etc (e.g. Warehouses, Hotels, Data Centers, Hospitals, etc).
- 14.3. The feedback has been received is that the challenge faced by industry and market participants is that whether such assets falls under the definition of real estate under the REIT Regulation or infrastructure under the InvIT Regulations. Further, since REITs are presently not allowed to invest in assets forming part of Harmonized Master list of Infrastructure, it limits the scope of assets that can be housed under a REIT under the REIT Regulations and hamper the growth of REIT market in India.

Proposal

- 14.4. In order to expand the assets base for REITs from the existing list of assets under REIT Regulations, it is proposed to amend the REIT Regulations to provide that any asset that falls under the definition of 'infrastructure' can be considered as 'real estate' or 'property' (and hence eligible to be held as part of the REIT or SM REIT assets) if the following principle is met:

"Holding of such asset by the REIT (either directly or through underlying HoldCos / SPVs) shall be to earn fixed rental income from leasing out such asset and without assumption of any risk or reward arising out of or related to the operation of such asset."

- 14.5. The following is a list of illustrative pre-conditions to ensure conformity with the aforementioned principle:

- 14.5.1. The business of REIT should be leasing out such assets and not operating such assets;
- 14.5.2. REIT / SPV / HoldCo shall carry no risk or return of the operating model directly / indirectly in any form or manner;
- 14.5.3. The income from such asset should be fixed rental income from leasing out such asset and not operating income from such asset;

- 14.5.4. The lease tenure on such assets should be long term in nature;
- 14.5.5. The rentals generated on such assets should be based on leasable area (such as Rs. X per square feet);
- 14.5.6. The assets should be leased out in cold shell conditions or in warm shell conditions with basic utilities only;
- 14.5.7. Since the REIT/HoldCo/SPV is simply leasing the asset and the asset is operated by the tenant, the license for operation of such assets should not be in the name of the REIT / SPV / HoldCo.

It may be noted that the pre-conditions stated above are illustrative in nature and the Investment Manager/Manager should ensure conformity with the principle stated.

PART – B: Investor Protection Measures

15. Review of investment in unlisted equity shares by REITs (Table No. 12)

Extant Regulatory Provision

15.1. As per Regulations 18(4) and 18(5) of the REIT Regulations:

- a) 80% of REIT assets: Must be invested in completed, income-generating properties.
- b) 20% of REIT assets: Can be invested in other assets, including unlisted equity shares of companies deriving at least 75% of their operating income from real estate activity.

15.2. REITs can invest in unlisted equity shares outside HoldCos/SPVs

Proposal

- 15.3. Investment in unlisted equity shares other than the equity shares of HoldCo and SPVs is not permitted for InvITs under the InvIT Regulations. The proposal to not permit investment in unlisted equity shares of companies other than HoldCo and/or SPV as part of investment in real estate or property is taken as investor protection measure.
- 15.4. In order to align REIT Regulation with InvIT Regulations, it is proposed that REITs also shall not be permitted to invest in unlisted equity shares of companies other than HoldCo and/or SPV as part of investment in real estate or property.

15.5. Further, for any existing investment in the unlisted equity shares by the REITs, it is proposed to provide that any existing investment in unlisted equity shares shall be grandfathered and REITs may be allowed to hold on to such investments.

15.6. Further, as a carve out, it is proposed to allow REIT/InvIT to invest in unlisted equity shares of a company in the following cases mentioned in Paragraphs 15.7 and 15.8 below.

15.7. REIT/InvIT may be permitted to invest in an equity shares of a company which provides property management / property maintenance / housekeeping / project management and other incidental services to REIT/InvIT assets subject to the following conditions:

15.7.1. such services are exclusively provided to the REIT/InvIT and its HoldCo(s) and SPV(s)

Provided that in case of business parks, townships and other real estate projects, such services may be provided to other entities which are contiguous within the project subject to the following conditions:

15.7.1.1. revenue earned from other entities shall not exceed 20% of the total revenue of the company providing such services;

15.7.1.2. the basis for fees/charges charged to other entities and charged to the REIT and its HoldCo(s) and SPV(s) shall be identical and uniform; and

15.7.1.3. appropriate disclosure are made in the annual report in this regard.

15.7.2. The entire shareholding or interest in such company is held by REIT/InvIT either directly or through its underlying HoldCos/SPVs.

15.8. Further, it is proposed that REIT may also be permitted to invest in equity shares of a company holding common infrastructure subject to the following conditions:

15.8.1. Such common infrastructure investment is in compliance with REIT regulations

15.8.2. The entire shareholding or interest in such company is held by REIT and/or its underlying HoldCos/SPVs.

16. Review of investment in liquid mutual funds - REITs and InvITs (Table No. 13)

Extant Regulatory Provision

16.1. Investment Limits for Liquid Instruments:

- a) As per Regulations 18(5) of InvIT Regulations, InvITs may invest up to 20% of asset value in money market instruments, liquid mutual funds, or cash equivalents.
- b) As per Regulation 18(5) of the REIT Regulations, REITs (excluding SM REITs) may invest up to 20% of asset value in money market instruments or cash equivalents but not in liquid mutual funds.
- c) As per Regulation 26T(2) of the REIT Regulations, SM REITs may invest up to 5% of asset value in liquid assets, including liquid mutual funds.

16.2. Definition of Liquid Assets under Regulation 2(1)(ta) of the REIT regulations includes cash, liquid mutual funds, fixed deposits, government securities, treasury bills, repos, etc.

Rationale for change

16.3. REITs (excluding SM REITs) are not permitted to invest in liquid mutual funds, whereas the list of permitted investment instruments for InvITs in the InvIT Regulations inter-alia include liquid mutual funds. Further, as per REIT Regulations, upto five percent of the value of scheme of SM REIT assets are permitted to be invested in liquid assets which include liquid mutual funds.

16.4. Further, considering that the investment in liquid mutual funds would be a temporary deployment of funds by REITs and InvITs pending investment in suitable real estate or infrastructure opportunities, the investment in such funds should carry minimum credit risk.

Proposal

16.5. In order to align REIT Regulations with InvIT Regulations, it is proposed to permit REITs to invest in liquid mutual funds under permitted list of investments which should not be more than twenty percent of the value of REIT assets.

16.6. It is further proposed to permit investment by REITs (including SM REITs) and InvITs only in such liquid mutual fund schemes where the credit risk value is at least 12 and which falls under the Class A-I in the potential risk class matrix as specified by SEBI.

17.Roles and responsibilities of trustee for REITs, InvITs and SM REITs (Table No. 14)

Extant Regulatory Provision

17.1. Regulation 9, under Chapter III, of the REIT Regulations provides the Rights and responsibilities of trustee which broadly includes:

- a) Hold assets in trust for unitholders and oversee compliance with regulations, trust deed, and offer documents.
- b) Monitor the manager's activities, including regulatory compliance, conflict of interest, and financial disclosures.
- c) Ensure timely distributions and maintain proper administration of trust property.
- d) Facilitate unitholder meetings, review complaints, and oversee changes in manager control or appointment.

17.2. Similarly, Regulation 9, under Chapter III, of the InvIT Regulations provides the Rights and responsibilities of trustee of InvIT.

Proposal

17.3. In order to specify principles for trustees of REITs (including SM REITs) and InvITs to hold REIT/InvIT assets in trust for the benefit of the unitholders, it is proposed to amend the REIT Regulations and InvIT Regulations as under:

“Principles governing the trustees

“The core principles defining the role and responsibilities of trustees shall encompass transparency, accountability, due diligence, and compliance with REIT/InvIT regulations. Trustees are expected to act impartially in their fiduciary capacity, prioritize protection of the interests of unitholders, ensure effective management oversight over the Manager/Investment manager and the REIT/ InvIT, and maintain high standards of governance of the Manager/Investment manager and the REIT/InvIT.”

17.4. Further, it is proposed to provide an illustrative list of roles and responsibilities as mentioned in proposed Schedule XII and Schedule X as part of draft amendment notification placed at Annexure B and Annexure C respectively to guide the trustees.

- 17.5. However, it is reiterated that roles and responsibilities listed in proposed Schedule XII and Schedule X of Annexure B and Annexure C respectively are illustrative and not exhaustive. Trustees shall adopt additional measures or responsibilities crucial for meeting the overarching principles of their role and responsibilities stated in para 17.3 above.
- 17.6. Further, to ensure that trustees have adequate time to adapt to their expanded roles and responsibilities and to complete the necessary training and preparation, it is proposed that the expanded roles and responsibilities outlined above shall come into effect after the completion of six months from the date of official notification.
- 17.7. Furthermore, in the direction of capacity building and to enable trustees to develop necessary skills and expertise that align with their expanded role and responsibilities, it is proposed that the trustees shall be allowed to engage external consultants for meeting the expanded roles and responsibilities under the REIT / InvIT regulations during the period of eighteen months from the date of official notification.

18. Proposal to the Board:

- 18.1. The Board is requested to;
- 18.1.1. consider and approve the proposals as detailed under para no's 5 to 17 above and the consequent draft amendment notifications placed at Annexure B and Annexure C;
- 18.1.2. authorize the Chairperson to make consequential and incidental changes and take necessary steps to give effect to the decisions of the Board.

Annexure - A

Table 1: Summary of public feedback on the consultation paper on proposals for REITs and InvITs (Para 4.1 of board memorandum)

Proposal No.	Proposal Description	in number (and in %)			
		Agree	Partially Agree	Disagree	Total Count
1	To provide that units held by a sponsor and members of its sponsor group which are required to be locked-in, shall be permitted to be transferred within the sponsor group	14 (93%)	1 (7%)	0 (0%)	15 (100%)
2	To state that in case of a REIT / InvIT with multiple sponsors, the locked in units held by a particular sponsor/ sponsor group entities to be transferable only within such sponsor and its own sponsor group entities, and not to the other sponsor or their group entities	8 (53%)	1 (7%)	6 (40%)	15 (100%)
3	To provide the definition of 'common infrastructure' to include facilities and amenities such as power plants, district/retail heating and cooling systems, water treatment/ processing plants and waste treatment/processing plant servicing one or more REIT assets even if such facilities are not co-located within any single project, by nature of their requirements and specifications	5 (38%)	8 (62%)	0 (0%)	13 (100%)
4	To modify and bring the composition of NRCs in managers/ investment managers of REITs, SM REITs and InvITs in line with provisions applicable for listed companies	16 (100%)	0 (0%)	0 (0%)	16 (100%)
5	To amend the governance norms to require that the quarterly results, specifically pertain to the InvITs rather than their investment managers, before the Board of directors of the investment manager	8 (67%)	4 (33%)	0 (0%)	12 (100%)

Proposal No.	Proposal Description	in number (and in %)			
		Agree	Partially Agree	Disagree	Total Count
6	To permit InvITs, REITs and SM REIT Schemes to participate in Interest Rate Derivatives, solely for hedging interest rate risk	16 (100%)	0 (0%)	0 (0%)	16 (100%)
7	To remove the additional wait period imposed for meeting the requirement of minimum six distributions in the preceding financial year	10 (91%)	1 (9%)	0 (0%)	11 (100%)
8	To mandate the achievement of six continuous distributions across minimum six quarters and consistent with the distribution policy disclosed to the unitholders, as conditions for availing enhanced borrowing beyond 49% by InvITs	4 (44%)	5 (56%)	0 (0%)	9 (100%)
9	To state the condition that only those distributions shall be considered wherein cash flows from all assets, whether held by InvIT or any of the underlying SPVs or HoldCos, are being distributed together	6 (67%)	2 (22%)	1 (11%)	9 (100%)
10	To provide separate time period for filling up of vacancy created on the Board of Directors of the Manager/ Investment Manager due to any reason other than expiry of term of office	15 (94%)	1 (6%)	0 (0%)	16 (100%)
11	To provide a time period of three months in alignment with LODR Regulations	13 (81%)	3 (19%)	0 (0%)	16 (100%)
12	To clarify that the credit rating required to be obtained under the REIT Regulations and InvIT Regulations is the issuer rating of the REIT / InvIT / scheme of SM REIT	11 (65%)	2 (12%)	4 (24%)	17 (100%)
13	(Withdrawn, hence excised)				

Proposal No.	Proposal Description	in number (and in %)			
		Agree	Partially Agree	Disagree	Total Count
14	To provide that the assets falling under the definition of 'infrastructure' be permitted to be held as part of the REIT assets	8 (53%)	4 (27%)	3 (20%)	15 (100%)
15	To provide a general principle to check if and assets falling under the definition of 'infrastructure' be considered as 'real estate' or 'property'	4 (33%)	3 (25%)	5 (42%)	12 (100%)
16	To provide a list of illustrative pre-conditions to ensure conformity with the general principle	3 (25%)	4 (33%)	5 (42%)	12 (100%)
17	To streamline REIT Regulations with InvIT Regulations by removing the unlisted equity shares from eligible investments by REITs	2 (14%)	0 (0%)	12 (86%)	14 (100%)
18	To provide certain glide path for any existing investment in the unlisted equity shares by the REITs, to either dispose of the investment or acquire necessary stake to qualify such investment in the companies as investment in HoldCo/ SPV	2 (15%)	0 (0%)	11 (85%)	13 (100%)
19	To enable REITs to invest in liquid mutual funds	15 (94%)	1 (6%)	0 (0%)	16 (100%)
20	To permit investment in liquid mutual funds by REITs (including SM REITs) and InvITs in only such schemes where the credit risk value is more than equal to 12 and falls under the Class A-I in the potential risk class matrix as specified under SEBI Master Circular for Mutual funds	9 (56%)	3 (19%)	4 (25%)	16 (100%)
21	To formally establish the principles governing the roles and responsibilities of trustee	12 (75%)	3 (19%)	1 (6%)	16 (100%)

Proposal No.	Proposal Description	in number (and in %)			
		Agree	Partially Agree	Disagree	Total Count
22	To provide an illustrative list of roles and responsibilities of Trustee	3 (19%)	11 (69%)	2 (13%)	16 (100%)
23	To provide flexibility to trustee for meeting the principles of their role	8 (15%)	5 (31%)	3 (19%)	16 (100%)
24	To implement these enhanced role and responsibilities to the trustee of the InvIT, along with the trustee of the REIT	4 (29%)	5 (36%)	5 (36%)	14 (100%)

Summary of the Public Comments on the consultation paper, HySAC recommendations on the same and views of SEBI (Para 4.2 of board memorandum)

Table 2: Permitting transfer of locked-in units amongst sponsor and sponsor group for REITs and InvITs (Para 5 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To specify that locked-in units held by a sponsor and any member of its sponsor group under the REIT	16 out of 16 respondents have agreed on the proposal that the locked in units held by a particular sponsor and/or its sponsor group can be transferred only within such sponsor and its own sponsor group entities, and not to the other sponsor and their group entities.	In case of a REIT / InvIT with multiple sponsors, the proposal that the locked in units held by a particular sponsor and/or its sponsor group can be	Agree with HySAC. Hence, in case of a change in sponsor or conversion of

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
Regulations and InvIT Regulations may be transferred within the sponsor group entities subject to the condition that lock-in on such units shall continue for the remaining period with the transferee and such transferee shall not be eligible to transfer the units till the lock-in period stipulated under the regulations has expired. Further, in case of a REIT / InvIT with multiple sponsors, to	10 out of 16 respondents have agreed on the proposal that in case of multiple sponsors, the locked in units held by a particular sponsor and/or its sponsor group entities to be transferable only within such sponsor and its own sponsor group entities, and not to the other sponsor or their group entities. The respondents have supported the proposal, submitting that allowing the transfer of locked-in units would enhance the flexibility and ease of management of investments within REITs and InvITs, without compromising the regulatory intent of the lock-in requirement. However, several respondents expressed the need for the regulations to reflect greater alignment with SEBI ICDR Regulations, allowing transfers without restrictions on inter-se transferability between unrelated promoter entities. It is suggested that the lock-in units should be freely transferable within	transferred only within such sponsor and its own sponsor group entities, and not to the other sponsor and their group entities is necessary to prevent any risk of name-lending and mis-selling. Accordingly, the feedback submitted may not be accepted. Further, it may also be noted that REIT/InvIT Regulations mandates unitholder approval and/or exit option in case of change of sponsor. However, considering the feedback for clarification to permit transfer of locked-in units in case of change of sponsor, it may be clarified that	Investment Manager into self-sponsored Investment Manager in compliance with the regulations, the outgoing sponsor can transfer the locked in units to the incoming sponsor or the self-sponsored Investment Manager. Further, with regard to the proposal to permit transfer of locked in units from outgoing sponsor or

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
prevent any risk of name-lending and mis-selling, it is proposed that the locked in units held by a particular sponsor and/or its sponsor group can be transferred only within such sponsor and its own sponsor group entities, and not to the other sponsor and their group entities.	sponsor groups, even across different sponsor entities, as long as the lock-in condition persists with the transferee. Few respondents have further submitted that the lock-in provisions provided in relation to listed equity shares held by the promoter and/or promoter group of a company under the SEBI (Issue of Capital and Disclosure Requirements) Regulation, 2018 do not prohibit the inter-se transfer of locked-in shares between two separate promoters or their respective promoter groups. Accordingly, consistency may be maintained between the requirements for listed companies and listed trusts. Further respondents have highlighted that in case of change of sponsor, the outgoing sponsor will not be able to fulfil the minimum unitholding requirement of sponsor, hence such restrictions on transfer amongst inter-se sponsor should not be made applicable in case of change of sponsor as incoming and outgoing sponsor would be an unrelated entity.	in case of change of sponsor in compliance with REIT/InvIT Regulation, the outgoing sponsor shall be allowed to transfer the locked in units to the incoming sponsor. Further it was suggested that similar clarification be provided in case of conversion to self-sponsored Manager / Investment Manager. Hence, the committee recommended that in case of conversion to self-sponsored Manager / Investment Manager, the existing sponsor(s) proposing to disassociate as sponsor(s) by seeking to convert the Manager / Investment Manager to Self-Sponsored Manager /	its group entities to incoming sponsor or its group entities or the self-sponsored manager or its shareholders or group entities of self-sponsored Manager, it is further proposed to specify that the same shall be subject to the condition that the incoming sponsor or its group entities or the self-sponsored manager or its shareholders or

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	Respondents noted that restrictions on such transfers might hinder 'control' transactions and M&A activity, potentially affecting the "ease of doing business".	Investment Manager may transfer the locked-in units held by them to such Manager / Investment Manager.	group entities of self-sponsored manager shall meet the minimum unitholding requirements after the transfer.

Table 3: Definition of common infrastructure under REIT Regulations (Para 6 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To define common infrastructure to provide clarity as to what constitutes common infrastructure and provide additional	13 out of 13 respondents have agreed on the proposal. Respondents generally endorsed the proposal for its efforts to clarify what constitutes "common infrastructure" within REITs,	a) <u>With respect to suggestions regarding definition of common infrastructure:</u> The feedback, for incorporating broader definitions of common infrastructure, ensuring it includes any facility	Partially agree with HySAC. The intent of the proposal is to facilitate above assets for captive consumptions and not for sale of such amenities/facilities to third party. Sale of surplus energy to private party or energy exchange lacks transparency and price discovery is also questionable in such case. Further, the proposal already extends the flexibility of

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
flexibility to REIT to use green source of energy and use sustainable methods for conservation of environment. Further it is proposed to clarify that the facilities and amenities forming part of the common infrastructure must be exclusively supplied and consumed by the	aligning with business needs and contributing to the operational efficiency of REIT investments. However, Respondents expressed concerns over the regulatory framework potentially being too restrictive on how REITs manage excess capacity, especially in power generation. There is also a significant push for mandating REITs to sell excess power only to state utilities, highlighting the need for flexibility to engage with private players or energy exchanges, in accordance with relevant central and state regulations, to optimize financial returns. Further the regulations and practice governing the	or amenity incidental to the real estate business may be accepted and the definition of common infrastructure may be amended accordingly. b) <u>With respect to comments on management of surplus power:</u> The committee recommended that sale of surplus energy to Energy Exchange be permitted subject to certain conditions, which one of the	transferring surplus energy to grid/utility. Furthermore, in view of public feedback, it is proposed that SEBI may specify any other manner of sale of surplus energy or production / capacity. Hence, to begin with, sale of surplus energy to grid / utility is permitted and public feedback to permit sale of surplus to energy exchange and third parties is not accepted. Hence, in view of the above, it is proposed to define “Common infrastructure” as below: “common infrastructure” shall include facilities / amenities such as power plants, district / retail heating and cooling systems, water treatment / processing plants, waste treatment / processing plants and any facilities / amenities incidental to real estate business which exclusively supply or cater to, or are exclusively consumed by the REIT, its HoldCo(s) or SPV(s), irrespective of whether

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
REIT assets. However, in case of power plants, any excess power not consumed by the REIT assets may be supplied to state utility/grid in accordance with the relevant central and state regulations and the credits or payments received applied towards the REIT assets.	procurement of power by state utilities or the grid vary across different states and states such as Karnataka and Tamil Nadu do not typically purchase power from private parties. Several comments suggest that the definition of common infrastructure should be wide enough to cover any facilities or amenities and not just limited to such as power plants, district/retail heating and cooling systems, water treatment /processing plants and waste treatment/ processing plants assets co-located with the REIT's primary real estate assets but also those that might be standalone yet integral to the	committee members agreed to provide. c) With respect to feedback on holding of common infrastructure directly by the REIT, Holdco, and/or SPV either along with other properties or as standalone assets without any real estate or property, following is proposed: i. Such common infrastructure can be held directly by REIT or any of its	such facilities / amenities are co-located within any project. Provided that in case of common infrastructure, any excess production / capacity, not consumed by the REIT, its HoldCo(s) or SPV(s), may be sold / supplied to a central or state grid / utility in accordance with the relevant central and state regulations, subject to the following conditions: (a) the manager shall make adequate disclosures in the annual report to demonstrate that the excess production / capacity could not be consumed by the REIT, its HoldCo(s) and SPV(s); (b) the credits or payments received from such sale / supply of excess production / capacity are applied towards the payments to be made by the REIT, its HoldCo(s) or SPV(s); (c) the manager shall make adequate disclosures related to sale / supply of such excess production / capacity in the annual report, including disclosures related to utilization of

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	REIT's overall investment structure. This includes facilities or amenities incidental to the real estate business, like storage facilities and EV charging stations. A few respondents proposed that assets supplying more than 75% of their capacity or production to the REIT or its entities should qualify as common infrastructure, ensuring alignment with the core business activities of the REIT and adhering to a percentage threshold similar to income generation requirements from real estate or leasing activities. Few respondents have also submitted for a	underlying HoldCo/SPV ii. Further such common infrastructure can be exclusively held in a new entity altogether subject to the condition that the REIT along with its HoldCo/SPV should own entire shareholding and interest in the entity that owns the common infrastructure assets.	credits / payments received against such sale / supply, and the same shall be audited by the auditor of the REIT.” Further, considering public feedback on holding of common infrastructure directly by the REIT, Holdco and/or SPV either along with other properties or as standalone assets without any real estate or property, the following is proposed: a) such common infrastructure can be held directly by REIT or any of its underlying HoldCo/SPV b) such common infrastructure can be exclusively held in a new entity altogether subject to the condition that the REIT and/or its underlying HoldCos/SPVs should own entire shareholding and interest in the entity that owns the common infrastructure.

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	clarification/explanation that common infrastructure may be held directly by the REIT, Holdco, and/or SPV either along with other properties or as standalone assets which may not have any other real estate or property.	The same shall be added as part of investment conditions under Regulation 18(5) of REIT Regulations.	

Table 4: Inclusion of Non-Executive Directors in the Nomination and Remuneration Committee (NRC) of Managers/Investment Managers of REITS, InvITs and SM REITs (Para 7 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To allow for a mix of independent and non-executive directors in the NRC in line with LODR Regulations. The same may be carried out by revising Explanation (v) of 26A of REIT Regulations and 26G of InvIT Regulations as under:	16 out of 16 respondents have agreed on the proposal. The respondents have endorsed the proposal, inter-alia, submitting that alignment with the provisions applicable for listed companies is necessary to ensure that the structure and functioning of the NRC in	The feedback for additional changes to the proposed amendment may be accepted.	Agree with HySAC. Accordingly, the revised explanation would read as under: "(v) the expression "non-executive director" wherever it occurs, shall be read as

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
"(v) the expression "non-executive director" wherever it occurs, shall be read as "independent director" except Regulation 19(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations."	managers and investment managers of REITs, SM REITs, and InvITs are consistent with standard corporate governance practices. However, for more clarity respondents have suggested adding the expression "as applicable to the manager under the regulations" to the proposed revision to explanation (v).		"independent director" except for the purpose of Regulation 19(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as applicable to these manager/ investment manager under the regulations."

Table 5: Amendment of Governance Norms for Quarterly Results Reporting - InvITs (Para 8 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To amend the governance norms to require that the quarterly results specifically pertain to the InvITs rather than their investment	12 out of 12 respondents have agreed on the proposal. Respondents generally endorsed the proposal for align the governance norms of InvITs with those of REITs, which could harmonize operations across different investment vehicles and ensure consistent regulatory treatment.	The proposed amendment aims align with the actual intent of the regulation to ensure that the quarterly results pertain to InvITs and	Agree with HySAC. Hence, it is proposed to amend the governance

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
managers, which is actually the intent of the regulations. This amendment aims to ensure that quarterly reporting directly reflects the performance and financial health of the InvITs	However, some respondents expressed concerns that this would result in cumbersome requirements for privately placed InvIT as the existing governance framework for InvITs already provides for quarterly limited review in cases where the leverage increases beyond 49 percent as per Regulation 18 or publicly listed InvIT. The implementation of the proposed changes will equate with requirement as applicable to InvITs which are having leverage beyond 49 percent or publicly listed InvIT. It was suggested that if the proposed changes are mandated for all InvITs, the regulation should explicitly specify that unaudited quarterly results may not require limited reviews unless stipulated by other regulations.	not the investment managers. This does not put any additional requirement for the privately placed InvITs. Accordingly, the suggestion to explicitly specify that unaudited quarterly results may not require limited reviews may not be accepted.	norms to require that the quarterly results specifically pertain to the InvITs rather than their investment managers.

Table 6: Allowing REITs SM REIT Schemes and InvITs to deal in Interest Rate Derivatives for Hedging (Para 9 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To permit REITs, SM REITs and InvITs to participate in Interest	16 out of 16 respondents have agreed on the proposal.	In line with the proposal in consultation paper.	Agree with HySAC.

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
Rate Derivatives, Forward rate Contracts and Interest Rate Swaps, subject to relevant disclosure in the Annual Report, solely with an objective of hedging an underlying interest rate risk.	The respondents have endorsed the proposal, inter-alia, submitting that allowing InvITs, REITs, and SM REITs to participate in interest rate derivatives (IRDs) like forward rate contracts and interest rate swaps is crucial for managing and mitigating the risks associated with fluctuations in interest rates. They emphasize that such financial instruments will help ensure the stability of cash flows and safeguard unitholders' interests, thereby enhancing the financial health and resilience of these trusts.		Hence, it is proposed to permit REITs, SM REITs and InvITs to participate in Interest Rate Derivatives, including Interest rate Futures, Forward rate Contracts and Interest Rate Swaps, solely with an objective of hedging an underlying interest rate risk in the existing borrowings, subject to the conditions that the hedge shall be an effective hedge as per the applicable Indian Accounting Standards, and relevant disclosures are made in the Annual Report.

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
			Further it is also proposed that for valuation, the REITs, SM REITs and InvITs shall follow the norms applicable for Mutual Fund industry

Table 7: Review of conditions for enhanced borrowings beyond 49% by InvITs (Para 10 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To remove the additional wait period imposed for meeting the requirement of minimum six distributions in the preceding financial year. the following shall be ensured with regard	11 out of 11 respondents have agreed on the proposal to remove the additional wait period imposed for meeting the requirement of minimum six distributions in the preceding financial year. 9 out of 9 respondents have agreed on the proposal to mandate achievement of six continuous distributions across minimum six quarters and consistent with the distributions policy disclosed to the unitholders as conditions for availing enhanced borrowings.	Comments with respect to calls for ensuring that distributions must align with the distribution norms as per the InvIT Regulations, it is clarified that the proposal puts additional requirement of complying with the distribution policy disclosed to the unitholders by InvIT, along with adhering to the	Agree with HySAC. Hence, it is proposed that the following shall be ensured with regard to the six continuous distributions: a) The six continuous distributions should be achieved across minimum six quarters (i.e.

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
to the six continuous distributions: a) The six continuous distributions should be achieved across minimum six quarters (i.e. maximum one distribution per quarter shall be considered for computing six continuous distributions). b) The distributions should be consistent with the distribution policy disclosed to the unitholders.	8 out of 9 respondents have agreed on the proposal to state the condition that only those distributions shall be considered wherein cash flows from all assets, whether held by InvIT or any of the underlying SPVs or HoldCos, are being distributed together. The respondents have generally endorsed the proposal stating that this aligns the regulatory requirements to ensure there are regular distributions made by an InvIT to service additional debt. This change facilitates easier access to capital while maintaining financial discipline through regular distributions, thus aiding in the smooth financial operation of InvITs. However, some respondents propose reducing the requirement from six to four continuous distributions across four quarters, rather than six. On the other hand, some have suggested to mandate a minimum operational period of two full financial years before	provisions in the InvIT Regulations. With respect to permitting capital expenditure and financial strains, it may be noted the computation of NDCF already provides for the above expenses, hence there is no need for further clarification in this regard. The proposal in the consultation paper was to remove the waiting period to avail the enhanced debt by InvIT and not change the distribution numbers, hence the suggestion to change the number of distribution in	maximum one distribution per quarter shall be considered for computing six continuous distributions). b) The track record of at least six continuous distributions should be met as at the end of the quarter preceding the date on which the enhanced borrowings are proposed to be made. c) The distributions should be consistent with the distribution policy disclosed to the unitholders. Further, it is proposed that w.r.t. distributions made

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
c) Only those distributions shall be considered for computation of six distributions wherein the cash flows generated from all assets, whether held by InvIT or any of the underlying SPVs or HoldCos has been taken into consideration.	permitting enhanced borrowing beyond 49 percent. This condition is suggested to ensure that the InvITs have a stable revenue and operational track record before taking on significant additional debt. Few respondents called for ensuring that distributions must align with the distribution norms as per the InvIT Regulations, not just internal policies, which might change. Respondents also seek provisions for reduced or no distributions in case of capital expenditures or financial strains, arguing that these situations should not negatively impact the InvIT's ability to pursue additional leverage. Respondents have also suggested for testing the requirement of distributions of 90% of the Net Distributable Cash Flow (NDCF) annually or biannually, to allow more flexibility in managing	beyond the scope of the proposal. With respect to testing the requirement of distributions of 90% of the Net Distributable Cash Flow (NDCF) annually or biannually, it may be noted that InvIT Regulations mandates public InvIT to make distributions on a half yearly basis and privately placed InvIT on a yearly basis, it is at the discretion of the InvIT to make distributions more frequently. The proposal do not mandate quarterly distributions. Hence no	by an InvIT, the cash flows generated from all assets, whether held by InvIT or any of the underlying SPVs or HoldCos has to be taken into consideration, irrespective of leverage. Furthermore, since the proposal stated above is relevant for REITs as well, it is proposed to make it applicable for REITs also.

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	distributions while still meeting regulatory requirements.	change is required in the proposal Further, the committee recommended that the track record of at least six continuous distributions across minimum six quarters should be met as at the end of the quarter preceding the date on which the enhanced borrowings are proposed to be made.	

Table 8: Timeline for filling up of vacancy in the office of the board of directors of manager of REIT (including SM REIT) / investment manager of InvIT (Para 11 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To specify the following provisions in the REIT Regulations and InvIT Regulations, in alignment with LODR Regulations- For any vacancy in the office of a director of the manager/ investment manager due to which the manager/ investment manager becomes non-compliant with the requirement pertaining to composition of the Board of Directors specified in the REIT Regulations / InvIT Regulations, such vacancy shall be filled by the manager / investment manager as under: a) if such vacancy arises due to expiration of the term of office of the director, then the resulting vacancy	16 out of 16 respondents have agreed on the proposals stating that this will ensure that there is no lapse in board responsibilities and duties. However, some comments suggest that a six-month period, instead of the proposed three months, may be more appropriate for filling vacancies arising from reasons other than the expiration of a director's term. This is due to the specialized nature of REITs and InvITs which require directors to have specific sectoral expertise and subject matter knowledge, making the recruitment process potentially longer than for typical listed companies. Further, it is noted that the investment manager conduct thorough background checks and ensure that candidates meet 'fit and proper' criteria as per InvIT regulations, which is a time-	The proposal to allow three months to fill up vacancy in the board of directors of manager/ investment manager is in line with time period allowed to fill up vacancy for independent director in case of listed companies under LODR Regulations, hence the feedback to provide six months period may not be accepted. Further, in case of listed entities also there is no additional time to fill up	Agree with HySAC. Hence, in alignment with LODR Regulations, a time period of 3 months is proposed to be provided to Manager of REIT / Investment Manager of InvIT to fill any vacancy on its board of directors (other than a vacancy arising due to expiration of the term of office of the director).

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
shall be filled not later than the date such office is vacated: b) if such vacancy arises due to any reason other than as mentioned above, then the resulting vacancy shall be filled at the earliest and not later than three months from the date of such vacancy.	consuming process not typically applicable to other equity-listed entities. A provision is suggested for cases where board appointments require approval from governmental or regulatory bodies. In such scenarios, it is suggested that the investment manager be allowed to identify and propose a director within three months, followed by the necessary time to obtain approval, acknowledging that these processes can extend beyond the control of the management.	the vacancy awaiting any governmental or regulatory approvals for new appointments, the feedback to provide additional time in such scenarios may not be accepted.	

Table 9: Clarification on credit rating required to be obtained by REITs, InvITs and SM REITs for borrowings (Para 12 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To clarify that the credit rating required to be	13 out of 17 respondents have agreed on the proposal. Respondents generally endorsed the proposal to clearly state the	The proposal already clarifies that the credit rating required to be	Agree with HySAC.

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
obtained under the REIT Regulations and InvIT Regulations is the issuer rating of the REIT/ InvIT / scheme of SM REIT.	requirement of issuer rating as part of the conditions in case borrowings cross a certain threshold. However, respondents have sought clarity on whether the rating would be required to be taken on the InvIT level or at Hold co or SPV level who are proposing to raise borrowings. Respondents have stated that while the proposal clarifies that the credit rating at the InvIT level shall be taken however if the borrowing is proposed at SPV level due to which the consolidated borrowing of the InvIT is to cross 49 percent then whether the credit rating will be required for the InvIT level or the credit rating obtained for SPV shall be construed to be in compliance with the regulations. Further, respondents have stated that proposed rating to be obtained should be of the specific Borrowing or instrument rating as at each new borrowing rating agency provides respective specific instrument or borrowing rating and not the issuer rating.	obtained under the REIT Regulations and InvIT Regulations is the issuer rating of the REIT / InvIT / scheme of SM REIT. Further, the intent of the requirement is to highlight the degree of risk associated with repayment of debt by the REIT/ InvIT to potential lenders and also unitholders. Accordingly, the feedback submitted may not be accepted.	In order to provide explicit clarity in the REIT and InvIT Regulations, it is proposed to clarify that the credit rating required to be obtained under the REIT Regulations and InvIT Regulations is the issuer rating of the REIT / InvIT / scheme of SM REIT.

Table 10: (Withdrawn, hence excised) (Para 13 of board memorandum)

Table 11: Expanding the asset base for REITs (including SM REITs) (Para 14 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To amend the REIT Regulations to provide that any asset falling under the definition of 'infrastructure' can be considered as 'real estate' or 'property' (and hence eligible to be held as part of the REIT or SM REIT assets) if the following principle is met:	12 out of 15 respondents have agreed on the proposal to expand the asset base for REITs to include assets falling under the definition of 'infrastructure'. 7 out of 12 respondents have agreed on the proposed general principle and illustrative list for checking if an asset falling under the definition of 'infrastructure' be considered as 'real estate' or 'property' The respondents have broadly supported the expansion of the REITs' asset base to include 'infrastructure' assets, appreciate the flexibility this would provide for managing a broader array of real estate and related assets, which could enhance the REITs' value and appeal to a wider range of investors. However, respondents have expressed concern that while expanding asset classes to include those under the 'Infrastructure' definition is beneficial, the restrictions imposed could be counterproductive. They argue that managers should have the discretion to determine how best	The intent behind the proposal was to ensure that the REIT and the unitholders do not assume the operating risk related to infrastructure assets. At present, for assets forming part of the harmonized list of infrastructure, only an InvIT can hold such assets. However, the proposal facilitates the holding of such assets (for leasing purpose) by	Agree with HySAC. Accordingly, the proposals in this regard are contained in Paragraph 14 of the Board Note

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
“The objective of holding such asset by the REIT (either directly or through underlying HoldCos / SPVs) shall be to earn fixed rental income from leasing out such asset and without assumption of any risk or reward arising out of or related	to maximize returns, which could include income from operations and not just from leasing. Respondents have suggested against prescribing a general principle since REIT regulations already prescribe requirements in relation to the minimum proportion of assets to be held in property or real estate by SPVs. Hence, managers should have the autonomy to decide whether such assets are better suited for REITs or InvITs. Concerns were raised about the practicality of segregating asset classes into REITs and InvITs based solely on the infrastructure classification, noting that this could lead to inefficiencies and confusion among investors. It is stated that REITs have no requirement of having Project Manager apart from Manager, unlike InvITs, as one of the parties to the InvIT for undertaking operations and management of the infrastructure assets. Expertise of project Manager is missing for REITs. A significant emphasis was placed on the operational flexibility of REITs, with a call for allowing mixed-use developments and various revenue-generating models beyond mere rent, such as revenue shares from retail and hospitality operations.	REITs as well, thereby expanding the spectrum of assets which can be held under REITs, without assumption of any risk or reward arising out of or related to the operation of such infrastructure asset. Further, as regards the existing infrastructure assets permitted to be held as part of composite real estate projects, the regulations clearly permit that such asset can be either rent	

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
to the operation of such asset.” Further, a list of illustrative pre-conditions is also proposed to ensure conformity with the aforementioned principle.	Respondents cautioned against mandating asset disposal that does not meet the new definitions, which could lead to value destruction for existing unitholders. Few respondents have raised apprehension that since many lettings of real estate assets are based on revenue share model instead of fixed rentals. Eg: Shopping Centres, F&B in Business Parks, Food Courts, Club & Lounges in the Business Parks, Co-working spaces, etc. therefore mandating only rent generating assets and not income generating assets will not allow even real estate assets to be part of the REIT and will make the entire REIT model very limited and hamper its growth. Few respondents have also suggested that in addition to leasing properties REITs provide ancillary value added services including common area maintenance facility management access the green energy etc to their tenants. These value added services are differentiating factors for tenants while leasing a property. Furthermore, the REIT regulations mandate that the manager provide some of these services. Fees chargeable for such services while linked to rent in certain instances are often separately chargeable and constitute an important income stream for REITs. Restricting the REIT to only deliver	generating or income generating. The committee recommend to clarify that the proposed agenda is applicable only in case of acquisition of independent assets by the REIT which are part of harmonised list. It does not restrict the current model of generation of income / lease rental by REITs by virtue of holding real estate assets, assets forming part of composite real estate	

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	warm shell or cold shell properties would be restrictive of its business practices. Delivering built to suit assets or plug and play model are the norm for Grade A asset.	projects and common infrastructure.	

Table 12: Review of investment in unlisted equity shares by REITs (Para 15 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
In order to align REIT Regulation with InvIT Regulations, it is proposed that REITs shall not be permitted to invest in unlisted equity shares of companies other than HoldCo and/or SPV as part of investment in real estate or property.	2 out of 14 respondents have agreed on the proposal to remove the unlisted shares from eligible investment by REITs Responses suggest a strong consensus against any changes to the current provisions that permit investment in unlisted equity shares. Respondents supported maintaining Regulation 18(5)(da) of the SEBI REIT Regulations in its current form, emphasizing that it allows for strategic asset management and investment flexibility.	a) <u>With respect to comments seeking no change to the current provisions permitting investment in unlisted equity shares:</u> The proposal to not permit investment in unlisted equity shares of companies other than HoldCo and/or SPV as part of investment in	Agree with HySAC. The investment of minority stake by REITs in unlisted companies carry certain risk of reduced control and influence the REIT has over such investments. In such case, REIT has little to no influence over key decisions such as business strategy, asset management or financial policies and REIT has to rely on majority stakeholders or management

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
Further, for any existing investment in the unlisted equity shares by the REITs, it is proposed to be provide certain glide path to either dispose of the investment or acquire necessary stake to qualify such investment in the companies as investment in HoldCo/ SPV.	Respondents advocated for the continuation of allowing REITs to invest in companies providing asset or property management and other incidental services, stressing that such investments are necessary for maintaining asset quality and supporting the REIT's income generation. Concerns were raised about the potential negative impacts of any retrospective changes to the regulations, which could harm unitholder interests by forcing asset disposals or altering investment structures that have been foundational to the REIT's strategies. Commenters also highlighted the benefits of the current provision, particularly its role in preserving distributable cash flows and enabling efficient operations and risk management through vertical segregation of asset ownership, development, and	real estate or property is taken as investor protection measure. Further, this will bring alignment with InvIT Regulations wherein investments in unlisted equity is not permitted. Accordingly, the feedback submitted may not be accepted. b) <u>With respect to comments suggesting grandfathering of existing holdings:</u> In view of the feedback received suggesting criticality of existing	whose priorities may not align with the objective of REITs. In view of the same, it is proposed that the investment in unlisted equity shares by REITs other than HoldCo and/or SPV may not be permitted. Further, for any existing investment in the unlisted equity shares by the REITs, it is proposed to provide that any existing investment in unlisted equity shares shall be grandfathered and REITs may be allowed to hold on to such investments. Further, based on the public feedback, as a carve out, it is proposed to allow REIT/InvIT to

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	management. Further it is submitted that it enables REITs to enhance their asset base and generate additional income through essential real estate services, such as common area maintenance (CAM) and property management, which are integral to leasing operations. Further, segregating asset ownership, asset development and asset management functions under different verticals and entities ensures efficiency in operations and management of large asset-holdings, and enables effective delineation of resources and risks. Therefore, an investment by the REIT (directly or through SPV/Hold Co) in unlisted equity shares of a company providing asset/property management and other incidental services to the REIT assets or which is engaged in any activity incidental to holding or development of real estate or property must continue to be permitted.	holdings in such assets, any existing investments in unlisted equity shares shall be grandfathered and REITs may be thus allowed to hold on to such investments. However, considering the feedback to permit investment in unlisted equity shares of the company which provides asset/property management and other incidental services to the REIT/InvIT assets, it is proposed to allow REIT/InvIT to invest in unlisted equity shares of	invest in unlisted equity shares of a company in the following cases: I. REIT/InvIT may be permitted to invested in equity shares of a company which provides property management / property maintenance / housekeeping / project management and other incidental services to REIT/InvIT assets subject to the following conditions: a) such services are exclusively provided to the REIT/InvIT and its HoldCo(s) and SPV(s) Provided that in case of business parks, townships and other real estate projects, such services may be provided to other entities which

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	Similarly, it has been suggested to permit InvITs to own project management entities which may be perpetually beneficial for InvIT unitholders. Further it is suggested that since lot of investment has been made in such assets already and which form key holdings of the REITs, disposing these assets would not be in the interest of unitholders. Hence grandfathering of existing holdings should be permitted.	the companies' subject to the following condition a. Such company provides asset/property/ project management and other incidental services exclusively to the REIT/InvIT assets b. the entire shareholding ownership or interest in such company is held by REIT/InvIT.	are contiguous within the project subject to the following conditions: i. revenue earned from other entities shall not exceed 20% of the total revenue of the company providing such services; ii. the basis for fees/charges charged to other entities and charged to the REIT and its HoldCo(s) and SPV(s) shall be identical and uniform; and iii. appropriate disclosure are made in the annual report in this regard. b) The entire shareholding in such company is held by REIT/InvIT directly or through its underlying HoldCos/SPVs.

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
			II. REIT may be permitted to invest in equity shares of a company holding common infrastructure subject to the following conditions: a) Such common infrastructure investment is in compliance with REIT regulations b) The entire shareholding in such company is held by REIT and/or its underlying HoldCos/SPVs.

Table 13: Review of investment in liquid mutual funds - REITs and InvITs (Para 16 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To permit REITs to invest in liquid mutual funds under permitted list of investments which should not be more than twenty	16 out of 16 respondents have agreed on the proposal to enable REITs to invest in liquid mutual funds. 12 out of 16 respondents have agreed on the proposal to permit investment in liquid mutual funds in only such	It is reiterated that the investment in liquid mutual funds would be a temporary	Agree with HySAC. Accordingly, in order to align REIT Regulations with InvIT Regulations, it is proposed

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
percent of the value of REIT assets. Further, considering that the investment in liquid mutual funds would be a temporary deployment of funds by REITs and InvITs pending investment in suitable real estate or infrastructure opportunities, the investment in such funds should carry minimum credit risk. Hence, it is proposed to permit investment by REITs (including SM REITs) and InvITs in liquid mutual funds schemes where the	schemes where the credit risk value is more than equal to 12 and falls under the Class A-I in the potential risk class matrix. Respondents broadly support the proposal stating that this would provide a safer avenue for parking excess liquidity. However, respondents have suggested to provide flexibility for REITs to invest in various classes of mutual funds meeting higher credit risk ratings (10 or above), except possibly the highest risk classes (Class C II and C III). This could include permitting investments in all other classes as they do not entail high credit risk, potentially expanding beyond just Class A-I rated funds, to include Class A-I and B-I for broader portfolio diversification. Commenters have also suggested permitting investment in liquid mutual funds which in turn invest in AAA corporate bonds, which generally do not carry A-1 rating.	deployment of funds by REITs and InvITs pending investment in suitable real estate or infrastructure opportunities, and hence the investment in such funds should carry minimum credit risk. Accordingly, the feedback submitted may not be accepted.	to permit REITs to invest in liquid mutual funds under permitted list of investments which should not be more than twenty percent of the value of REIT assets. Further, it is further proposed to permit investment by REITs (including SM REITs) and InvITs only in such liquid mutual fund schemes where the credit risk value is more at least 12 and which falls under the Class A-I in the potential risk class matrix specified by SEBI.

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
credit risk value is more than equal to 12 and falls under the Class A-I in the potential risk class matrix as specified under SEBI Master Circular for Mutual funds.	Respondents have also suggested introducing additional parameters for identifying permissible liquid mutual funds, suggesting investments not just based on credit rating but also allowing funds with dual ratings of A1/AAA from leading agencies.		

Table 14: Roles and responsibilities of trustee for REITs, InvITs and SM REITs (Para 17 of board memorandum)

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
To amend REIT Regulations and InvIT Regulations as under in order to specify the abovementioned principles to be adopted by the trustees of REIT/ InvITs:	15 out of 16 respondents have agreed on the proposal to establish principles governing the roles and responsibilities of Trustee. 14 out of 16 respondents have agreed on the proposal to provide an illustrative list of such roles and responsibilities. 13 out of 16 respondents have agreed on the proposal to provide flexibility to trustee for meeting the principles of their role.	In view of the public comments received and recognizing the critical role played by trustees, the committee recommended that an approach focusing on capacity building and gradual implementation of the new principle-based approach may be	Agree with HySAC. Furthermore, in the direction of capacity building and to enable trustees to develop necessary skills and expertise that align with their expanded role and

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
“Principles governing the trustees “The core principles defining the role and responsibilities of trustees shall encompass transparency, accountability, due diligence, and compliance with established regulations. Trustees are expected to act impartially, prioritize protection of the interests of unitholders, ensure effective management oversight over the Manager/ Investment Manager and the REIT/ InvIT, and	9 out of 14 respondents have agreed on the proposal to implement these enhanced role and responsibility to the trustee of the InvIT along with that of REIT. The respondents have majorly endorsed the proposal, highlighting the need for the Trustee's role to be principle-based rather than prescriptive to ensure adherence to spirit of role of trustee and the existing regulatory frameworks. However, concerns were raised about the practicality of Trustees overseeing detailed operational aspects like the maintenance and compliance of assets, which may require technical expertise beyond their scope. Critics argue that expanding the Trustee's responsibilities could lead to duplications with the roles of Investment Managers and Project Managers, potentially increasing operational costs and complicating compliance processes.	considered. The capacity building measures may include training programs and sectorial workshops in collaboration with industry associations. Further, to ensure that trustees have adequate time to adapt to their expanded roles and to complete the necessary training and preparation, it may be considered that any new roles and responsibilities outlined in the updated regulations be implemented within <u>six months</u> from the date of official notification.	responsibilities, it is proposed that the trustees shall be allowed to engage external consultants for meeting the expanded roles and responsibilities under the REIT / InvIT regulations during the period of eighteen months from the date of official notification.

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
maintain high standards of governance of the Manager/ Investment Manager and the REIT/ InvIT.” Further, it is proposed a list of illustrative roles and responsibilities to guide the trustees in their operations. However, it is reiterated that list of roles and responsibilities are illustrative and not exhaustive. Trustees shall undertake necessary actions, roles and responsibilities as deemed necessary to adhere to the principles stated.	There's also a significant worry that the proposal could constrain the operations of REITs/InvITs if Trustees are overburdened or make decisions without the requisite operational knowledge. Additionally, it is suggested that responsibilities like the confirmation of net distributable cash flows and reviewing due diligence reports should remain with specialized professionals like statutory auditors rather than Trustees. Specific areas like oversight on daily operations, compliance with net worth criteria, investment conditions, and the management of distributable cash flows are mentioned as areas where Trustees might lack the necessary expertise. Some responses call for consideration of sector-specific expertise for Trustees, especially given the varied infrastructure categories within InvITs, such as oil, gas, telecom, and road infrastructure. Practical challenges related to the roles Trustees are expected to fulfill are underscored, particularly their involvement in detailed operational aspects such as the	Also, the committee recommended that, if appropriate, SEBI may examine and consider allowing the trustees to engage external consultants for meeting the expanded roles and responsibilities under the REIT regulations and InvIT regulations during the period of twelve months from the date of coming into effect of these provisions Further, on the proposal pertaining to roles and responsibilities of trustee with respect to net distributable cash flows (NDCF), the committee	

Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	approval of directors or detailed financial oversight, which are currently managed by investment or project managers.	recommended that the illustrative list of roles and responsibilities be modified to provide that the trustee shall ensure that distribution of NDCF has been made in compliance with the REIT Regulations / InvIT Regulations and the trust deed (instead of the trustee ensuring that the calculation of NDCF made by the Manager / Investment Manager is in accordance with these regulations and the trust deed).	

Annexure B

Draft Notification (REIT Regulations)

Amendment shall be notified after following the due process

Annexure C

Draft Notification (InvIT Regulations)

Amendment shall be notified after following the due process