

Measures towards Ease of Doing Business for Small and Medium Real Estate Investment Trusts

1. Objective

1.1. This Board Memorandum proposes amendments to the SEBI (Real Estate Investment Trusts) Regulations, 2014 ("REIT Regulations") to introduce measures for Ease of Doing Business ("EoDB") for Small and Medium REITs ("SM REITs").

1.2. This Board Memorandum also proposes to apprise the Board of the guidelines to be issued by SEBI by way of circular to give effect to EoDB measures for SM REITs.

2. Background

2.1. SEBI notified REIT Regulations on September 26, 2014. The details of REITs which are listed and their value of assets as on September 30, 2024 are tabulated below:

S. No.	Name of REIT	Registration Date	Listing Date	Value of Assets (INR in crores)
1	Embassy Office Parks REIT	03/08/2017	01/04/2019	59,104
2	Mindspace Business Park REIT	10/12/2019	07/08/2020	31,348
3	Brookfield India Real Estate Trust	15/09/2020	03/02/2021	36,847
4	Nexus Select Trust	15/09/2022	19/05/2023	25,836
	Total			1,53,135

2.2. REIT Regulations were amended on March 08, 2024 to facilitate SM REITs by introducing a new framework for providing due regulatory oversight, uniform

disclosures and investor grievance redresses mechanism. The details of SM REITs which are registered as on November 30, 2024 are tabulated below:

S. No.	Name of SM REIT	Registration Date
1	Property Share Investment Trust	05/08/2024
2	Impact R SM REIT	24/09/2024
3	Emberstone SM REIT	29/10/2024

2.3. Similar to REITs, SM REITs are required to be set up as a Trust under the Indian Trust Act, 1882 and shall be registered under the REIT Regulations. However, unlike REITs, a SM REIT has the ability to create separate scheme(s) for owning of real estate assets through Special Purpose Vehicle(s) (“SPVs”) constituted as companies in the form of wholly owned subsidiaries of the scheme of SM REIT, and hold assets with value of at least Rs. 50 crores (vis-à-vis minimum asset value of Rs. 500 crores for REITs). This allows investors with a choice to invest in a scheme of SM REIT which holds real estate assets suiting the investor’s investment preference and criteria.

2.4. Pursuant to the notification of regulatory framework for SM REITs, various workshops with prospective SM REIT applicants were held inter-alia to sensitize the industry about the recently introduced regulations. In such workshops, feedback have been received on certain aspects related to the framework for SM REITs (which are detailed in the ensuing paras) and based on such feedback, proposals have been made in this Board Memorandum.

3. Working Group on SM REIT and SEBI Hybrid Securities Advisory Committee

3.1. To improve ease of doing business related to activities of SM REITs, a Working Group on SM REIT was constituted by SEBI with the following terms of reference:

3.1.1. to examine the disclosure requirements in the offer document applicable for REITs in case of initial offer vis-à-vis a mutual fund scheme and advise on

the format of scheme offer document for initial offer by a scheme of SM REIT, including migration related disclosures.

3.1.2. to examine the guidelines for public issue of units by a REIT and advise changes required to be made therein for initial offer by a scheme of SM REIT in light of the distinct features of a SM REIT vis-à-vis REIT.

3.1.3. any other matter pertaining to SM REIT, as considered appropriate by SEBI.

3.2. SEBI Hybrid Securities Advisory Committee (“HySAC”) provides recommendations, inter-alia, on development and regulation of REITs and InvITs in India. The report submitted by the Working Group on SM REIT comprising its suggestions was placed before the HySAC and based on the recommendations of HySAC, SEBI issued a consultation paper titled “[Consultation paper on Ease of Doing Business for Small and Medium REITs](#)” seeking comments / views / suggestions from the public on the EoDB measures.

3.3. In order to promote ease of doing business and provide clarity to the market participants on certain aspects pertaining to SM REITs, this Board Memorandum contains proposals on the below mentioned three matters. The recommendations of the HySAC along with public feedback on the consultation paper have been considered in the proposals made to the Board:

3.3.1. Standardizing the disclosures in scheme offer document

3.3.2. Public issue process for scheme of SM REIT

3.3.3. Alignment of provisions for SM REITs vis-à-vis REITs

4. Consultation

4.1. A total of 6 entities responded to the consultation paper with their views/ inputs/ suggestions. The respondents inter-alia include market participants, stock exchange and consulting and law firms. 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 as under:

Propo sal No.	Proposal Description	in number (and in %)			
		Agree	Partially Agree	Disagree	Total Count
1	The bifurcation of scheme offer document for SM REITs in two parts viz. Key Information of the Trust and Key Information of the Scheme is appropriate	4 (80%)	0 (0%)	1 (20%)	5 (100%)
2	The proposed provisions for processing of KIT and KIS by SEBI are appropriate	4 (80%)	1 (20%)	0 (0%)	5 (100%)
3	The proposed provisions in relation to updation of KIT are appropriate	3 (75%)	1 (25%)	0 (0%)	4 (100%)
4	The disclosures required to be made in the KIT are adequate. If not, kindly suggest any additional disclosures	4 (80%)	1 (20%)	0 (0%)	5 (100%)
5	The disclosures required to be made in the KIS are adequate. If not, kindly suggest any additional disclosures	4 (100%)	0 (0%)	0 (0%)	4 (100%)
6	The measures proposed for enabling automated processing of scheme offer document in para 3.3.1.6. of the consultation paper is appropriate. If not,	3 (75%)	1 (25%)	0 (0%)	4 (100%)

Proposal No.	Proposal Description	in number (and in %)			
		Agree	Partially Agree	Disagree	Total Count
	please indicate any further measures can be adopted to enable speedier processing of the scheme offer document.				
7	The guidelines for public issue of units applicable for REITs (i.e. Chapter 2 of the Master Circular for REITs dated May 15, 2024) be made applicable mutatis mutandis for initial offer by a scheme of SM REIT	2 (50%)	2 (50%)	0 (0%)	4 (100%)
8	The list of provisions specified in para 4.2.2 of the consultation paper proposed to not make it applicable to SM REITs is appropriate	5 (100%)	0 (0%)	0 (0%)	5 (100%)
9	The provisions proposed at para 4.2.3 appropriate	4 (100%)	0 (0%)	0 (0%)	4 (100%)
10	The alignment of provisions for SM REITs with REITs, pertaining to investment conditions and borrowings, as proposed in para 5.2.1. of the consultation paper are appropriate	3 (75%)	1 (25%)	0 (0%)	4 (100%)

4.2. The proposals made in the consultation paper, public feedback received on the same, recommendations of HySAC and views of SEBI thereon are summarized at

Annexure A. The reference to relevant tables of Annexure A has been made in the proposals mentioned in subsequent paras.

5. Standardizing the disclosures in scheme offer document (Table No. 1)

5.1. Extant Regulatory Provision

5.1.1. Regulation 26R(2) of the REIT Regulations requires as under:

“The investment manager shall, through a merchant banker, file the draft scheme offer document with the Board, along with fees specified in Schedule IIA and with the designated stock exchange.”

5.1.2. Regulation 26S(1) of the REIT Regulations requires as under:

“The scheme offer document shall make all disclosures as specified in Schedule III and any other disclosures as specified by the Board from time to time.”

5.2. Rationale for Change

5.2.1. It is understood from interaction with prospective SM REIT applicants that since SM REITs are permitted to launch multiple schemes, a structure of scheme offer document similar to Mutual Funds may be considered to facilitate the processing of scheme offer document.

5.2.2. Accordingly, the Working Group on SM REIT was constituted by SEBI inter-alia to examine the disclosure requirements in the offer document applicable for REITs in case of initial offer vis-à-vis a mutual fund scheme and advise on the format of scheme offer document for initial offer by a scheme of SM REIT.

5.2.3. Based on suggestions of the Working Group, HySAC recommendations on the same and feedback on the public consultation, the proposals are detailed in the next para.

5.3. Proposal

5.3.1. It is proposed to amend the REIT Regulations to provide the following provisions pertaining to scheme offer document filed by a scheme of SM REIT.

5.3.2. Bifurcation of Scheme Offer Document: The filing of scheme offer document shall be made in two parts, namely 'Key Information of the Trust (KIT)' and 'Key Information of the Scheme (KIS)'.

KIT shall contain disclosures related to the SM REIT, investment manager and trustee. KIS shall be a scheme-specific document and shall contain disclosures related to a particular scheme of the SM REIT and specific details of the asset(s) thereunder.

A new schedule IIIA is proposed to be inserted in the REIT Regulations to provide the disclosures in KIT (Part A of Schedule IIIA) and KIS (Part B of Schedule IIIA) along with instructions for preparation of scheme offer document. The proposed schedule IIIA is a part of the draft amendment notification placed at Annexure-B.

It is also proposed that SEBI may specify additional instructions and disclosure requirement, if any, for facilitating automated supervision and automated processing of data disclosed by the SM REIT schemes and the investment manager as part of continuous disclosure requirements.

5.3.3. Processing of KIT and KIS by SEBI: A single draft KIT (common for all schemes) shall be filed with SEBI along with draft KIS (i.e. both the documents shall be filed together) at the time of initial offer of the first scheme of SM REIT. SEBI may issue observations on the draft KIT and the draft KIS.

Thereafter, for subsequent scheme offer documents, processing of KIT and KIS will be done in the following manner:

5.3.3.1. if there is no change in the KIT vis-à-vis the KIT filed with SEBI as part of previous scheme offer document and the investment manager has submitted a declaration in this regard, then the KIT shall be filed by the

investment manager with SEBI only for records along with draft KIS of subsequent schemes. SEBI may issue observations only on the draft KIS.

5.3.3.2. if there is any change in the draft KIT vis-à-vis the KIT filed with SEBI as part of previous scheme offer document, then the investment manager shall file the draft KIT along with the draft KIS of subsequent schemes with SEBI. SEBI may issue observations on the draft KIT as well as on the draft KIS.

5.3.4. Updation of KIT: The investment manager shall ensure that all material changes (including litigation and regulatory actions) in the KIT are made on an ongoing basis by way of an addendum which shall be disclosed on the website of SM REIT. The investment manager shall file the addendum with SEBI and the stock exchange(s) within 7 days from the date of occurrence of the material event.

Further, the investment manager shall ensure that KIT is updated every 6 months and updated KIT is disclosed on the website of SM REIT within 30 days from the end of half year. The investment manager shall file updated KIT with SEBI and stock exchanges for records within 30 days from the end of half year.

6. Public issue process for scheme of SM REIT (Table No. 2)

6.1. Extant Regulatory Provision

6.1.1. Chapter 2 of the Master Circular for REITs dated May 15, 2024 (“Master Circular”) provides the guidelines for public issue of units of REITs including provisions pertaining to filing of offer document, appointment and obligations of merchant banker, allocation in public issue, abridged version of offer document, public issue related timelines, price and price band, bidding process, allotment procedure, post issue reports, public communications and advertisements etc.

6.2. Rationale for Change

6.2.1. SM REITs in comparison to REITs have certain distinct features such as the ability to launch different schemes, minimum price of each unit of scheme being Rs. 10 lakhs, etc. In view of this, a Working Group on SM REIT was constituted inter-alia to examine the guidelines for public issue of units by a REIT and advise changes required to be made therein for initial offer by a scheme of SM REIT.

6.2.2. The provisions suggested by the Working Group for public issue by a scheme of SM REIT are largely in alignment with the provisions specified for public issue by REITs. Based on suggestions of the Working Group, HySAC recommendations on the same and feedback on the public consultation, the proposals are detailed in the next para.

6.3. Proposal

6.3.1. It is proposed to prescribe the following provisions pertaining to public issue of units by a scheme of SM REIT. The provisions specified at para 6.3.2 and 6.3.3 below will be specified by way of a circular.

6.3.2. Chapter 2 of the Master Circular be mutatis mutandis made applicable for public issue of units by a scheme of SM REIT, except the following provisions:

6.3.2.1. Para 2.2.5. of the Master Circular as the timeline for issuance of observations by SEBI on the draft scheme offer document is already specified in Regulation 26R(9) of the REIT Regulations;

6.3.2.2. Para 2.5 of the Master Circular as the provisions pertaining to security deposit by the Manager are not applicable in case of a SM REIT;

6.3.2.3. Para 2.13.1. (b) of the Master Circular as the timeline for submission of final post issue report is already specified in Regulation 26ZE of the REIT Regulations;

- 6.3.2.4. Para 2.14.1. to para 2.14.6. of the Master Circular as the provisions for advertisement pertaining to issue of units by a scheme are already specified in Regulation 26Z of the REIT Regulations;
- 6.3.2.5. Para 2.16.1. of the Master Circular as the provisions pertaining to cases where a SM REIT is not eligible to make an initial offer of units of a scheme are already specified in Regulation 26P(1) of the REIT Regulations;
- 6.3.2.6. Para 2.16.3. of the Master Circular as the provisions pertaining to prohibition on payment of incentives in respect of initial offer by a scheme of SM REIT are already specified in Regulation 26ZA of the REIT Regulations;
- 6.3.2.7. Annexure-1 (formats of due diligence certificates), Annexure-2 (formats of post issue reports) and Annexure-3 (format of abridged version of the offer document) of the Master Circular - to provide explicit clarity on the formats of various reports and certificates required to be submitted by Merchant Banker at different stages of the public issue process, it is proposed that separate formats for these may be specified for SM REITs.
- 6.3.3. For the purpose of applicability of Chapter 2 of the Master Circular to public issue of units by a scheme of SM REIT:
- 6.3.3.1. any reference to the “REIT” under the applicable provisions of Chapter 2 shall be construed as a reference to the “SM REIT”;
- 6.3.3.2. any reference to the “manager” or the “sponsor” or the “sponsor group” under the applicable provisions of Chapter 2 shall be construed as a reference to the “investment manager” of the SM REIT;
- 6.3.3.3. any reference to the “offer document” under the applicable provisions of Chapter 2 shall be construed as a reference to the “scheme offer document” of the scheme of the SM REIT.
- 6.3.4. Additionally, the following is proposed to be made applicable for an initial offer by a scheme of SM REIT:

- 6.3.4.1. A scheme of SM REIT shall make an initial offer of its units by way of public issue only and in the manner as may be specified by the Board;
- 6.3.4.2. The requirement of ownership of assets under Regulation 26P(2)(a) of the REIT Regulations (i.e. the size of asset proposed to be acquired in a scheme of SM REIT should be at least rupees 50 crores and less than rupees 500 crores) may be complied at any point of time before allotment of units in accordance with the scheme offer document, subject to a binding agreement with the relevant party(ies) that such requirements shall be fulfilled prior to such allotment of units and, a declaration shall be sent to SEBI and to the designated stock exchanges to that effect and adequate disclosures in this regard shall be made in the scheme offer document;
- 6.3.4.3. The amount in relation to the investment manager's contribution of 5%/15% of post-offer unitholding shall be deposited in a cash escrow bank account, 2 working days prior to the opening of the offer and the allotment of such units will be the part of the asset acquisition transaction;
- 6.3.4.4. The initial offer shall be made by the scheme of SM REIT within a period of not more than one year from the date of issuance of observations by SEBI. However, if the initial offer is not made within the specified time period, a fresh draft scheme offer document shall be filed;

In this regard, it may be noted that since property related parameters may undergo a change, hence prescribing a period of more than one year for coming out with an initial offer is not considered appropriate. Accordingly, a period of one year is proposed.

- 6.3.4.5. The investment manager shall ensure that the issue proceeds shall be used only for acquisition of assets as disclosed in the scheme offer document.

In case if the SM REIT is unable to acquire one or more assets proposed to be acquired as disclosed in the scheme offer document, then the entire amount raised from the offer shall be refunded to the investors in such

manner as may be specified by SEBI and within the time as specified in the extant regulations.

6.3.4.6. The SM REIT shall not make any allotment in excess of the units offered through the scheme offer document in case of oversubscription. In case of oversubscription, the allotment of units to each category of investors shall not be less than the minimum bid lot, and the remaining available units, if any, shall be allotted on a proportionate basis (to be selected by a lottery);

However, in case of oversubscription, an allotment of not more than one per cent. of the net offer to public may be made for the purpose of making allotment in minimum lots;

6.3.4.7. The price of units of the scheme of SM REIT 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 SEBI and in the manner as may be specified by SEBI;

6.3.4.8. The minimum subscription amount shall be 90% of the fresh issue size as specified in the KIS in case of a scheme of SM REIT which opts to utilize leverage in accordance with the REIT Regulations. However, for a scheme of SM REIT which does not opt to utilize leverage, the minimum subscription amount shall be 100% of the fresh issue size.

6.3.4.9. The amount for general purposes, including issue expenses, legal expenses and other eligible expenses that SEBI may specify, as mentioned in objects of the offer in the KIS filed with SEBI, shall not exceed such amount as SEBI may specify from time to time;

6.3.4.10. Any person other than the investment manager holding units of the scheme of SM 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, subject to circulars or guidelines as may be specified by SEBI;

6.3.5. Since the proposals stated at para 6.3.2. and 6.3.3. will be specified by way of a circular, it is proposed to insert enabling provisions in the REIT Regulations that SEBI may specify by issuance of guidelines or circulars, provisions pertaining to issue, allotment, listing, trading of units of a scheme of SM REIT and advertisements in relation to public issue by a scheme of SM REIT.

7. Alignment of provisions for SM REITs vis-à-vis REITs (Table No. 3)

7.1. Background

7.1.1. As mentioned in para 2.4 above, feedback has been received on certain aspects related to the framework for SM REITs, in various workshops held with prospective SM REIT applicants. These aspects included matters such as what is the treatment of amount unclaimed / unpaid out of the distributions declared by a scheme of SM REIT, what will happen if the investment conditions are breached on account of factors such as change in tenants, expiry of lease, sale of property etc.

7.2. Rationale for Change

7.2.1. It is noted that the amendment regulations for SM REIT were based on the provisions of the REIT Regulations and provided that the provisions of REIT regulations, except Chapter II (Registration of Real Estate Investment Trusts), Chapter IV (Issue and Listing of Units), Chapter V (Investment Conditions, Related Party Transactions, Borrowing and Valuation of Assets) and Regulation 22 under Chapter VI (Rights and meetings of unitholders), shall mutatis mutandis be applicable to SM REITs. Provisions in respect of these chapters were separately specified in the regulatory framework notified for SM REITs in view of the distinct features of SM REIT vis-à-vis existing REITs.

7.2.2. It is also noted that the provisions dealing with matters mentioned at para 7.1.1 above are specified in Chapter V of the REIT Regulations, which is not applicable to SM REITs. Hence, to remove any ambiguity among the market participants and based on the recommendations of the HySAC and feedback

on public consultation, it is proposed that the provisions detailed in next para pertaining to investment conditions and borrowings, as applicable for REITs, be extended to SM REITs.

7.3. Proposal

7.3.1. It is proposed to amend the REIT Regulations to specify the following provisions for SM REITs:

S. No.	Regulation No.	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
<u>Part I: Provisions pertaining to Investment Conditions</u>			
1.	18(16)(f)	<i>“any amount remaining unclaimed or unpaid out of the distributions declared by a REIT in terms of sub-clause (c), shall be transferred to the ‘Investor Protection and Education Fund’ constituted by the Board in terms of section 11 of the Act, in such manner as may be specified by the Board:</i> <i>Provided that the amount transferred to Investor Protection and Education fund shall not bear any interest.”</i>	<u>Rationale for the proposal:</u> To provide provisions for unpaid / unclaimed distributions (Chapter 19 of Master Circular for REITs dated May 15, 2024 provides the provisions for dealing with unpaid / unclaimed distributions). <u>Proposed Provision:</u> Any amount remaining unclaimed or unpaid out of the distributions declared by a scheme of SM REIT, shall be transferred to the ‘Investor Protection and Education Fund’ constituted by SEBI in terms of section 11 of the Act, in such manner as may be specified by SEBI. The amount transferred to Investor Protection and Education fund shall not bear any interest.
2.	18(16)(g)	<i>“the unclaimed or unpaid amount of a</i>	<u>Rationale for the proposal:</u>

S. No.	Regulation No.	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
		<i>person that has been transferred to the Investor Protection and Education Fund in terms of sub-clause (f), may be claimed in such manner as may be specified by the Board.”</i>	To provide provisions for unpaid / unclaimed distributions (Chapter 19 of Master Circular for REITs dated May 15, 2024 provides the provisions for dealing with unpaid / unclaimed distributions). <u>Proposed Provision:</u> The unclaimed or unpaid amount of a person that has been transferred to the Investor Protection and Education Fund in terms of above provision, may be claimed in such manner as may be specified by SEBI.
3.	18(9)	<i>“Conditions specified in sub-regulations (4), (5), (6), (7) and (8) shall be monitored on a half-yearly basis and at the time of acquisition of an asset: Provided that if such conditions 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</i>	<u>Rationale for the proposal:</u> To provide a time period of six months (extendable to one year) for rectification of breach of investment conditions on account of change in tenants, expiry of lease etc. <u>Proposed Provision:</u> The investment conditions specified in sub-regulation (2), of Regulation 26T shall be monitored on a half-yearly basis and at the time of acquisition of an asset. If such conditions 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 investment manager shall inform the same to the trustee and ensure

S. No.	Regulation No.	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
		<i>the trustee and ensure that the conditions as specified in this regulation are satisfied within six months of such breach:</i> <i>Provided further that the period may be extended by another six months subject to approval from investors in accordance with regulation 22.”</i>	that the conditions as specified in regulation 26T are satisfied within six months of such breach. The period of six months may be extended by another six months subject to approval from unitholders such that votes case in favor of the resolution is more than fifty percent of the total votes cast for the resolution. Further, if the breach of investment conditions on account of aforementioned reasons is not rectified within the permissible timeline (including extension of timeline approved by the unitholders), then the following shall be applicable: a) The Investment Manager of SM REIT shall not float any new scheme of the SM REIT; b) The promoters, directors and key managerial personnel of the Investment Manager shall be debarred from setting up another SM REIT or associate with any other SM REIT or float any new scheme of such other SM REIT; c) The Investment Manager shall apply for delisting of the scheme of SM REIT; and d) Any other measures as may be specified by SEBI.
<u>Part II: Provisions pertaining to Borrowings</u>			

S. No.	Regulation No.	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
4.	20(2)	<i>“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 per cent. of the value of the REIT assets: Provided that such borrowings and deferred payments shall not include any refundable security deposits to tenants. Explanation 1. – Investment by REITs in overnight mutual funds, characterized by their investments in overnight securities, having maturity of one day, shall be considered as cash and cash equivalent. Explanation 2. –The amount of cash and</i>	<u>Proposed Provision and Rationale:</u> To provide explicit clarity in the REIT regulations, the following is proposed: a. Borrowings and deferred payments shall not include any refundable security deposits from tenants. The refundable security deposits from tenants shall be invested in liquid assets as defined in Regulation 2(1)(ta) of the REIT Regulations. b. Investment by a scheme of SM REIT in overnight mutual funds, characterized by their investments in overnight securities, having maturity of one day, shall be considered as cash and cash equivalent. c. The amount of cash and cash equivalent shall be excluded from the value of the assets of the scheme of SM REIT.

S. No.	Regulation No.	Extant Regulatory Provision for REITs	Rationale and proposed provision for SM REITs
		<i>cash equivalent shall be excluded from the value of the assets of the REIT.”</i>	
5.	20(4)	<i>“If the conditions specified in sub-regulations (1) and (2) 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 regulation are satisfied within six months of such breach”</i>	<u>Rationale for the proposal:</u> To provide a time period of six months for compliance with REIT regulations if leverage thresholds are breached due to decline in the price of the underlying assets. <u>Proposed Provision:</u> If the leverage limit specified in Regulation 26U(5) is breached on account of market decline in the price of the underlying assets or securities, the investment manager shall inform the same to the trustee and ensure that the conditions as specified in this sub-regulation are satisfied within six months of such breach.

8. Proposal to the Board:

8.1. The Board is requested to

8.1.1. consider and approve the proposals as detailed under para no. 5 to 7 above and the consequent draft amendment notification placed at Annexure B;

8.1.2. 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: Standardizing the disclosures in scheme offer document (Para 5 of board memorandum)

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
1.	<u>Bifurcation of Scheme Offer Document</u> The consultation paper proposed that the scheme offer document for a SM REIT shall be bifurcated in two parts: i) Key Information of the Trust (KIT) ii) Key Information of the Scheme (KIS) KIT shall contain details related to the SM REIT, Investment Manager and Trustee and trust level details. Whereas, the scheme related details shall form part of KIS.	Out of 5 respondents who commented on this proposal, 4 have agreed on the proposal. A significant majority of the respondents have endorsed the proposal, inter-alia, submitting that the proposal will promote the ease of doing business by the SM REITs as it will significantly reduce the time period required by the SM REIT to prepare each scheme offer document and allow SM REITs to launch multiple schemes with shorter intervals. Further, only one respondent has disagreed with the proposal by submitting that KIT and KIS should be combined since going through two different	HySAC agreed with the proposals made in the consultation paper. Further, it was recommended that segregating the trust level disclosures and scheme level disclosures in two separate documents will help in reducing the time required for preparation of the offer document and will also aid the investors easier understanding of the trust and scheme level information. Also, the proposal of segregation is aligned with the practice in the mutual fund industry. Hence, the scheme offer document for a SM REIT shall be bifurcated in the	Agree with HySAC and proposals in this regard have been made in para 5.3.2 of the Board Memorandum.

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
		documents might be tedious and extra burden.	following two parts as proposed in the consultation paper: i) Key Information of the Trust (KIT) ii) Key Information of the Scheme (KIS)	
2.	<u>Processing of KIT and KIS by SEBI</u> The consultation paper proposed the following in this regard: A single draft KIT (common for all schemes) shall be filed with SEBI along with draft KIS together at the time of initial offer of the first scheme of SM REIT. For the first scheme offer document, SEBI will issue	All 5 respondents, who commented on this proposal, have agreed on the proposal. Further, some of the respondents have endorsed the proposal, inter-alia, submitting that the proposal will promote the ease of doing business by SM REITs by shortening the time periods required for such SM REITs to launch a scheme and list the relevant units. Also, one of the respondent has suggested that the rental agreements shall be made available to investors and interested parties on request.	HySAC agreed with the proposals made in the consultation paper. With regard to the suggestion of making rental agreements available to investors and interested parties on request, the following was recommended: i) All key information related to rental agreements (including number of tenants, lease maturity profile, summary of key terms of tenancies, monthly rental income, etc.) are already required to be disclosed in the offer document.	Agree with HySAC Further, based on internal deliberations, it is proposed that for subsequent scheme offer documents, processing of KIT and KIS will be done in the following manner:

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	observations on the draft KIT as well as on the draft KIS. Thereafter, for subsequent scheme offer documents, the Investment Manager of SM REIT shall file updated KIT, only for records with SEBI along with draft KIS of subsequent schemes. For subsequent scheme offer documents, SEBI shall issue observations only on the subsequent draft KIS and not on the updated KIT.		ii) Hence, there may not be any further need to make the agreements available on request. iii) This practice is also aligned with the existing REITs, wherein such information is made available through disclosures in the offer document. Hence, the feedback may not be accepted.	a) if there is no change in the KIT vis-à-vis the KIT filed with SEBI as part of previous scheme offer document and the investment manager has submitted a declaration in this regard, then the KIT shall be filed by the investment manager with SEBI only for records along with draft KIS of

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
				subsequent schemes. SEBI may issue observations only on the draft KIS. b) if there is any change in the draft KIT vis-à-vis the KIT filed with SEBI as part of previous scheme offer document, then the investment manager shall file the draft KIT along with the draft KIS of subsequent

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
				schemes with SEBI. SEBI may issue observations on the draft KIT as well as on the draft KIS. The proposals in this regard have been made in para 5.3.3 of the Board Memorandum.
3.	<u>Updation of KIT</u> The consultation paper proposed that the following in this regard: Any material changes (including litigation and	All 4 respondents, who commented on this proposal, have agreed on the proposal. Further, some of the respondents have additionally submitted the following:	HySAC agreed with the proposals made in the consultation paper. With regard to the additional submissions received from certain respondents, the following was recommended: i) The key information related to the trust will form part of KIT and the	Agree with HySAC and proposals in this regard have been made in para 5.3.4 of the Board Memorandum.

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	regulatory actions) in the KIT shall be made on an ongoing basis by way of an addendum which shall be disclosed on the website of SM REIT. The addendum shall also be intimated to SEBI and the stock exchange(s) within 7 days from the date of occurrence of the material event. Further, KIT is to be updated every 6 months and updated KIT shall be disclosed on the website of SM REIT within 30 days from the then end of half year. The updated KIT	i) One of the respondents has submitted that the updation period for KIT can be kept as 12 months instead of 6 months. ii) One of the respondents has submitted that the time period for intimation of material updates may be changed to 15 days instead of 7 days. iii) It is requested that SEBI shall give certain illustrations for material changes.	investors would continuously refer to KIT, in addition to KIS, for all their investment decisions. Hence, for the benefit of investors, it was recommended to retain the updation period of 6 months for periodic updates in KIT. ii) In view of the same rationale as stated at point 'i' above, it was recommended to retain the intimation time period of 7 days for material updates in KIT. iii) The assessment of whether any particular change is material or shall be made by the Investment Manager considering the impact of such changes on the scheme of the SM REIT. Hence, there may not be a need of giving illustrations in this regard.	

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	shall also be filed with SEBI and Stock Exchanges for records within 30 days from the end of half year.			
4.	The consultation paper proposed the detailed disclosures to be made in KIT under paragraph 3.3.1.4 of the consultation paper.	All 5 respondents, who commented on this proposal, have agreed on the proposal. Further, some of the respondents have additionally submitted the following: i) The title of the section 'Terms of Offer' may be misleading and may be changed to 'Key Information Related to Units and Unitholders'. Details in relation to the outstanding units under each scheme may also be disclosed. ii) Title related disclosures may not be required to be included in the KIT as the litigation and regulatory actions will	HySAC agreed with the proposals made in the consultation paper and recommended the following w.r.t. the additional submissions received from certain respondents: i) The feedback may not be accepted. The title is aligned with existing REITs as well. ii) The suggestion may be accepted. The title of the corresponding section in KIT may be changed to 'Litigations and regulatory actions' instead of 'Title Disclosure, Litigations and regulatory actions'.	Agree with HySAC and proposals in this regard have been made in para 5.3.2 of the Board Memorandum.

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
		be pertaining to parties of the SM REIT and not the assets. iii) All general information in relation to the offer or issue procedure, including the process for allotment and listing and other information as may be material for investors to make an informed decision may be included in the KIS and not the KIT. iv) Count of complaints against the trust and resolutions may be disclosed.	iii) The suggestion may not be accepted. Since, the information is of general nature and is not specific to a particular scheme, it may not be appropriate to include such information in KIS. Instead, such information shall be part of KIT only as proposed in the consultation paper. iv) The suggestion may not be accepted. Already disclosed as part of continuous disclosures.	
5.	The consultation paper proposed the detailed disclosures to be made in KIS under paragraph 3.3.1.5 of the consultation paper.	All 4 respondents, who commented on this proposal, have agreed on the proposal. Further, one of the respondents has suggested that assessment and disclosures in terms of risk-o-meter, in line with the Mutual Fund industry, may be considered.	HySAC agreed with the proposals made in the consultation paper. With regard to the suggestion for adopting Risk-o-meter, HySAC recommended the following: i) In case of Mutual funds, there are investments across various asset classes (including equity, debt, etc)	Agree with HySAC and proposals in this regard have been made in para 5.3.2 of the Board Memorandum.

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
			which may have different levels of risks. Further, within a same asset class, the instruments may carry different levels of risk. For e.g. different debt instruments may carry different levels of interest rate risk and/or credit risk. Hence, a concept of risk-o-meter is highly relevant in case of mutual funds. ii) On the other hand, for SM REITs, the underlying assets would be same (i.e. real estate assets) across all SM REITs and their schemes. Also, the degree of completion will also be largely uniform across all SM REITs and their schemes since the regulations require that minimum 95% of the value of scheme's assets shall be invested in completed and rent	

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
			generating properties. In view of the same, the feedback of adopting risk-o-meter may not be considered at this stage.	
6.	To facilitate automated processing of scheme offer document, the consultation paper proposed provisions for preparation of scheme offer document (to be complied with by the Merchant Banker and SM REIT) such as use of plain white backgrounds without watermarks, capturing summary of all key information within the cover pages prior to table of contents, table of	All 4 respondents, who commented on this proposal, have agreed on the proposal.	HySAC agreed with the proposals made in the consultation paper.	Agree with HySAC Further, based on internal deliberations, it is proposed to provide an enabling provision in the REIT Regulations for providing additional instructions and disclosure requirement, if any, for facilitating

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	contents shall be annotated, inclusion of summary of scheme after the table of contents in a specified format, etc.			automated supervision and automated processing of data disclosed by SM REIT schemes and the investment manager as part of continuous disclosure requirements. The proposals in this regard have been made in para 5.3.2 of the Board Memorandum.

Table 2: Public issue process for scheme of SM REIT (Para 6 of board memorandum)

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
1.	In line with the suggestions of the Working Group and recommendations of HySAC, the consultation paper proposed that Chapter 2 of the Master Circular be mutatis mutandis extended to the public issue process for a scheme of SM REIT, except the following provisions: i) The timeline for issuance of observations by SEBI on the draft scheme offer document have been specified in Regulation 26R(9) of the REIT Regulations and hence para 2.2.5. of the Master Circular is not made applicable for SM REIT; ii) The provisions pertaining to security deposit by the Manager are not applicable in case of a SM REIT and hence para 2.5 of the Master Circular is not made applicable for SM REIT; iii) The timeline for submission of final post issue report is specified in Regulation 26ZE of the REIT Regulations and hence para 2.13.1. (b) of the	All 5 respondents, who commented on this proposal, have agreed on the proposal. Further, some of the respondents have additionally submitted the following: (i) Para 2.6.1 of the Master Circular for REITs provide that an issue shall be opened after at least five working days from the date of filing the offer document with the Board. In this regard, one of the respondent has submitted that this cooling off period	HySAC agreed with the proposals made in the consultation paper and w.r.t. the additional submissions received from certain respondents, the following was recommended: (i) The feedback may not be accepted. The cooling off period of 5 days is aligned with existing REITs	Agree with HySAC. Further, with respect to applicability of Annexure-1 (formats of due diligence certificates), Annexure-2 (formats of post issue reports) and Annexure-3 (format of abridged version of the offer document) of the Master Circular, it is proposed that separate formats for these may be specified for SM REITs so as to provide explicit clarity to the market participants.

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	Master Circular is not made applicable for SM REIT; iv) The provisions pertaining to advertisement pertaining to issue of units of a scheme are specified in Regulation 26Z of the REIT Regulations and hence para 2.14.1. to para 2.14.6. of the Master Circular is not made applicable for SM REIT; v) The provisions pertaining to cases where a SM REIT is not eligible to make an initial offer of units of a scheme are specified in Regulation 26P(1) of the REIT Regulations and hence para 2.16.1. of the Master Circular is not made applicable for SM REIT; vi) The provisions pertaining to prohibition on payment of incentives in respect of initial offer by a scheme of SM REIT are specified in Regulation 26ZA of the REIT Regulations and hence para 2.16.3. of the Master Circular is not made applicable for SM REIT.	may be reduced to 2 working days instead of 5 working days. In this regard, it is submitted that since purchase of assets in SM REIT Schemes are dependent on sale by an external third-party seller, the transaction is usually under a time limit set by the letter of intent (LOI) or term sheet signed with the seller and expiry of such timelines would negatively affect the SM REIT listing. Hence it is requested to keep the cooling off period as low as possible.	as well. Further, such period would be required for investors to understand the contents of the scheme offer document. (ii) The suggestion may not be accepted. The listing period of T+6 days is aligned with existing REITs as well. Further, the formalities pointed out for effecting the purchase of assets by SM REITs are	Furthermore, based on internal deliberations, the following is proposed: (a) the investment manager shall ensure that the issue proceeds shall be used only for acquisition of assets as disclosed in the scheme offer document. In case if the SM REIT is unable to acquire one or more assets proposed to be acquired as disclosed in the scheme offer document, then the entire amount raised from the offer should be refunded to the

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	Further, for the purpose of applicability of Chapter 2 of the Master Circular to initial offer by a scheme of SM REIT, any reference to the “manager” or the “sponsor” of the REIT under the applicable provisions of this Chapter shall be construed as a reference to the “investment manager” of the SM REIT. Furthermore, it was proposed to make the following provisions applicable to an initial offer by a scheme of SM REIT: i) A scheme of SM REIT shall make an initial offer of its units by way of public issue only. ii) The requirement of ownership of assets under Regulation 26P(2)(a) of the REIT Regulations may be complied at any point of time before allotment of units in accordance with KIT and KIS, subject to a binding agreement with the relevant party(ies) that such requirements shall be fulfilled prior to such allotment of units and, a	(ii) Para 2.11.1 of the Master Circular for REITs provide that the trading of units of REIT shall be commenced, within six working days from the date of closure of issue. In this regard, one of the respondents has submitted that timeline may be increased to 12-15 days in the case of SM REITs In this regard, it is submitted that the purchase of asset through the Scheme and formation transactions are also required to be effected	largely applicable for asset acquisition by REITs as well, and REITs are able to meet the timelines of T+6 days. Notably, for SM REITs, the number of investors and applications and the number of assets being acquired is expected to be lesser compared to REITs. Hence, if REITs are able to comply with the	investors in such manner as may be specified by SEBI and within the time as specified in the extant regulations. (b)w.r.t. proposal (iii) of the additional proposals mentioned in Column titled Proposal in Consultation Paper, to cover all types of asset acquisition, the words “formation transaction” may be replaced with the words “asset acquisition transaction”.

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	declaration shall be sent to SEBI and to the designated stock exchanges to that effect and adequate disclosures in this regard shall be disclosed in the Offer Documents. iii) The amount in relation to the Investment Manager's contribution of 5%/15% of post-offer unitholding shall be deposited in a cash escrow bank account, 2 working days prior to the opening of the Offer and the allotment of such units will be the part of the formation transaction. iv) The initial offer shall be made by the scheme of SM REIT within a period of not more than one year from the date of issuance of observations by SEBI. However, if the initial offer is not made within the specified time period, a fresh draft of KIT and KIS shall be filed. v) The SM REIT shall not make any allotment in excess of the units offered through the offer documents in case of oversubscription. In case of an oversubscription, the allotment of units to each	during this period which is dependent on external factors such as sub-registrar and MCA processes, among others.	requirement of listing within T+6 days, then SM REITs should also be in position to comply with the same requirements.	(c) the minimum subscription amount shall be 90% of the fresh issue size as specified in the KIS in case of a scheme of SM REIT which opts to utilize leverage in accordance with the REIT Regulations. However, for a scheme of SM REIT which does not opt to utilize leverage, the minimum subscription amount shall be 100% of the fresh issue size. (d) the amount for general purposes, including

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	category of investors shall not be less than the minimum bid lot, and the remaining available units, if any, shall be allotted on a proportionate basis (to be selected by a lottery). However, in case of oversubscription, an allotment of not more than one per cent. of the net offer to public may be made for the purpose of making allotment in minimum lots. vi) The price of units of the scheme of SM REIT 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 SEBI and in the manner as may be specified by SEBI; vii) The minimum subscription amount shall be 90% of the fresh issue size as specified in the KIS. viii) The amount for general purposes, as mentioned in objects of the offer in the KIS filed with SEBI, shall not exceed ten per cent of the amount raised by the scheme of SM REIT by issuance of units.			issue expenses, legal expenses and other eligible expenses that SEBI may specify, as mentioned in objects of the offer in the KIS filed with SEBI, shall not exceed such amount as SEBI may specify from time to time. The detailed proposals have been made in para 6.3. of the Board Memorandum.

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	ix) Any person other than the investment manager holding units of the scheme of SM 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, subject to circulars or guidelines as may be specified by SEBI.			

Table 3: Alignment of provisions for SM REITs vis-à-vis REITs (Para 7 of board memorandum)

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
1.	To provide provisions for unpaid / unclaimed distributions, the consultation paper proposed the following: (a) Any amount remaining unclaimed or unpaid out of the distributions declared by a scheme of SM REIT, shall be transferred to the 'Investor Protection and Education Fund' constituted by SEBI in terms of section 11 of the Act, in such manner as may be specified by SEBI. The amount transferred to	All 4 respondents, who commented on these proposals, have agreed on the proposals. Further, one of the respondents have additionally submitted the following:	HySAC agreed with the proposals made in the consultation paper and w.r.t. the additional submissions received from certain respondents, the	Agree with HySAC and proposals in this regard have been made in para 7.3. of the Board Memorandum. Further, based on internal deliberations,

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	Investor Protection and Education fund shall not bear any interest. (b) The unclaimed or unpaid amount of a person that has been transferred to the Investor Protection and Education Fund in terms of above provision, may be claimed in such manner as may be specified by SEBI.	i) With regard to the proposal to provide a time period of six months (extendable to one year) for rectification of breach of investment conditions on account of change in tenants, expiry of lease etc., it is submitted that the 6 month window (extendable to 1 year) for maintaining investment criteria should be kept on best effort basis of the Investment Manager since leasing is subject	following was recommended: i) The feedback may not be accepted. The time period proposed is aligned with existing REITs. ii) The feedback may not be accepted. The time period proposed is aligned with existing REITs. iii) The suggestion given is not within the scope of the matters being consulted.	the following is proposed: (a) w.r.t. S.No. 2 if the breach of investment conditions on account of reasons mentioned in column titled 'Proposal in Consultation Paper' is not rectified within the permissible timeline (including extension of timeline approved by the unitholders), then the following shall be applicable:
2.	To provide a time period of six months (extendable to one year) for rectification of breach of investment conditions on account of change in tenants, expiry of lease etc., the consultation paper proposed the following: (a) The investment conditions specified in sub-regulation (2), of Regulation 26T shall be monitored on a half-yearly basis and at the time of acquisition of an asset. (b) If such conditions 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 investment manager shall			

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
	inform the same to the trustee and ensure that the conditions as specified in regulation 26T are satisfied within six months of such breach. (c) The period of six months may be extended by another six months subject to approval from unitholders such that votes cast in favor of the resolution is more than fifty percent of the total votes cast for the resolution.	to market conditions and real estate cycles and the Investment Manager will not be able to guarantee leasing within any timeframe. The IM fee may be held in abeyance during this time in order to motivate the IM to re-lease the space.		(i) The Investment Manager of SM REIT shall not float any new scheme of the SM REIT; (ii) The promoters, directors and key managerial personnel of the Investment Manager shall be debarred from setting up another SM REIT or associate with any other SM REIT or float any new scheme of
3.	To provide explicit clarity in the regulations, the consultation paper proposed the following: (a) Borrowings and deferred payments shall not include any refundable security deposits from tenants. (b) Investment by a scheme of SM REIT in overnight mutual funds, characterized by their investments in overnight securities, having maturity of one day, shall be considered as cash and cash equivalent. (c) The amount of cash and cash equivalent shall be excluded from the value of the assets of the scheme of SM REIT.	ii) With regard to the proposal to a time period of six months for compliance with the regulations if leverage thresholds are breached due to		

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
4.	To provide a time period of six months for compliance with the regulations if leverage thresholds are breached due to market movements of the price of the underlying assets, the consultation paper proposed the following: If the leverage limit specified in Regulation 26U(5) is breached on account of market movements of the price of the underlying assets or securities, the investment manager shall inform the same to the trustee and ensure that the conditions as specified in this sub-regulation are satisfied within six months of such breach.	market movements of the price of the underlying assets, it is submitted that the 6 month window for maintaining loan-to-value/leverage criteria should be kept on best effort basis of the Investment Manager since valuation of the underlying property and leverage are subject to market conditions and real estate cycles and the Investment Manager will not be able to guarantee LTV/leverage ratios		such other SM REIT; (iii) The Investment Manager shall apply for delisting of the scheme of SM REIT; and (iv) Any other measures as may be specified by SEBI. (b) w.r.t. S.No. 3(a), since security deposit received from tenants is refundable in nature, it is considered

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of HySAC	SEBI's views
		within any timeframe. The IM fee may be held in abeyance during this time in order to motivate the IM to rectify the same. iii) Involvement of developers can be allowed in SM REITs.		prudent to specify that the refundable security deposits from tenants shall be invested in liquid assets as defined in Regulation 2(1)(ta) of the REIT Regulations. (c) w.r.t. S.No. 4, instead of market movements of the price of the underlying assets, it is proposed to mention decline in the price of the underlying assets.

Annexure B

Draft Notification

Amendment shall be notified after following the due process