SECURITIES AND EXCHANGE BOARD OF INDIA

Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and the SEBI (Real Estate Investment Trusts) Regulations, 2014

1. Objective

1.1. This Board Memorandum proposes amendments to the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (hereinafter referred to as "InvIT Regulations") and SEBI (Real Estate Investment Trusts) Regulations, 2014 (hereinafter referred to as "REIT Regulations") for revising minimum allotment and trading lot of units of Infrastructure Investment Trusts (hereinafter referred to as InvITs) and Real Estate Investment Trusts (hereinafter referred to as REITs) and seeks approval of the Board for the same.

2. Background

2.1. SEBI notified InvIT and REIT Regulations on September 26, 2014.

2.2. Till date, 15 InvITs are registered with SEBI, out of which 7 InvITs have issued and listed their units raising approximately INR 53,000 crore (including PowerGrid InvIT which has recently raised approximately INR 7,800 crore via public issue of units), while 2 InvITs have issued unlisted units raising approximately INR 19,000 crore. Few other PSUs are in discussion for monetizing their assets through the InvIT route.

2.3. As on date, 3 REITs have issued and listed their units raising approximately INR 18,000 crore.

3. Reduction in the minimum allotment and trading lot

3.1. Current regulatory requirement:

i. InvIT

Regulation 14(4)(c) of the InvIT Regulations prescribes that the minimum subscription in an initial offer and a follow-on offer from an investor shall be INR 1 lakh. Further, Regulation 16(9)(b) of the InvIT Regulations prescribes that the trading lot for the purposes of trading of publicly issued and listed units of an InvIT, on the designated stock exchange, shall consist of 100 units.

ii. REIT

Regulation 14(14) of the REIT Regulations provides that in the case of issue of units by a REIT, the minimum subscription from any investor in an initial offer as well as in a follow-on offer shall not be less than INR 50,000. Further, as per Regulation 16(4) of the REIT regulations, the trading lot for the purpose of trading of units of the REIT, on the designated stock exchange, shall consist of 100 units.

3.2. Need for Review:

3.2.1. InvITs and REITs are categorized as stable, income yielding vehicles as regulations, inter alia, provide for investment mainly in completed and revenue generating assets and distribution of 90% of the distributable cash flows to the unit holders.

3.2.2. Further, the investor protection norms, built in the regulatory framework for InvITs and REITs, provide protection to investors similar to those for listed companies.

3.2.3. However, the minimum allotment and trading lot for REITs and InvITs (as given in para 3.1 above) is much higher than that applicable for listed companies (minimum allotment lot is between INR 10,000 to INR 15,000 and trading lot is one).

3.2.4. It is noted that Government has been planning to monetize its infrastructure assets in road, power sector etc. Participation of investors in these mature, revenue generating, Government owned assets provides a reasonably safe investment option to investors. It is, therefore, desirable that a wider class of investors, including retail investors, participate in these investment opportunities.

3.2.5. Under such circumstances, keeping two different requirements of allotment and trading for REITs and InvITs as well as for listed companies may not be desirable from an investor's point of view.

3.3. Changes proposed:

3.3.1. Considering the above, it is proposed that the minimum subscription and trading lot for publicly issued InvITs and REITs be revised to bring it in alignment with those applicable for listed companies:

a. At the time of initial and follow-on issue, the minimum application size in terms of number of units shall fall within the range of minimum application value of ten thousand rupees to fifteen thousand rupees. Applications shall be invited in multiples of the minimum application value.

b. After initial listing, trading lot shall be of 1 unit.

4. <u>Proposal to the Board</u>

4.1. The Board is requested to;

4.1.1. consider and approve the proposal and the amendments to REIT Regulations and InvIT Regulations placed at **Annexure–A** and **Annexure–B** to this memorandum, respectively.

4.1.2. authorize Chairman to take necessary steps to implement the proposals including notification of amendments, issuing circulars, wherever necessary with consequential and appropriate changes as may be required.

Annexure-A

The details have been excised for reasons of confidentiality.

Annexure B

The details have been excised for reasons of confidentiality.