



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CONSULTATION PAPER

DEPARTMENT OF DEBT AND HYBRID SECURITIES – POD II

CONSULTATION PAPER ON MEASURES TOWARDS EASE OF DOING BUSINESS FOR REITs AND INVITs

MAY 2024



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

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Timeline to Respond

Comments on the Consultation paper (CP) may be sent by May 30, 2024

1. OBJECTIVE AND BACKGROUND:

- 1.1. The objective of this consultation paper is to seek comments / views / suggestions from the public on the proposals related to certain measures proposed towards the Ease of Doing Business (EoDB) for REITs and InvITs.
- 1.2. The Hon'ble Finance Minister in the budget announcements for FY 2023-24, inter-alia, made an announcement to simplify, ease and reduce cost of compliance for participants in the financial sector through a consultative approach.
- 1.3. In order to align the process of review with the budget announcement, SEBI constituted various Working Groups to recommend measures to simplify and ease compliances under various SEBI Regulations.
- 1.4. Accordingly, a working group for review of compliance requirements for REITs and InvITs recommended certain measures to promote the ease of doing business for REITs and InvITs.
- 1.5. Further, in order to promote the ease of doing business and reduce the compliance burden, SEBI vide Press Release dated October 4, 2023 had also sought comments from the public on various Regulations by November 06, 2023. The comments received from the public regarding REIT and InvIT Regulations were forwarded to the working group for consideration in its final recommendation.
- 1.6. The working group has undertaken a comprehensive review of various processes and guidelines applicable to the REITs and InvITs and provided certain recommendations.
- 1.7. Based on the recommendations of working group and subsequent deliberations with Hybrid Securities Advisory Committee ("HySAC"), the following items are listed below for public comments:

Part - A: Proposals for both REITs and InvITs

- (a) Revision of timelines for distribution to five working days from declaration.
- (b) Allowing unitholders meeting with shorter notice.
- (c) Disclosure and Review of Statement of Investor Complaints.
- (d) Disclosure of Statement of Deviation(s) Alongside Financial Results.
- (e) Clarification on Voting Thresholds in terms of percentage, and providing electronic meeting and e-voting option to unitholders.
- (f) Allowing Maintenance of Records In Electronic Form Along With Backup And Disaster Recovery Norms For Such Records.

Part – B: Proposals for InvITs only

- (a) Reduction of Trading Lot for Privately Placed InvITs.
- (b) Aligning provision related to Change in Sponsor for InvIT Regulations with REIT Regulations.

- 1.8. The detailed proposals and consultation matters related to aforementioned items are mentioned in Paragraphs 2 to 9 of this consultation paper.

PART – A: Proposals for both REITs and InvITs

2. REVISION OF TIMELINES FOR DISTRIBUTION TO FIVE WORKING DAYS FROM DECLARATION

2.1. BACKGROUND

2.1.1. The current regulatory framework, under Regulation 18(16)(c) of the SEBI (Real Estate Investment Trusts) Regulations, 2014 (applicable for REIT other than SM REITs) and Regulation 18(6)(c) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 mandates that the distributions be made not later than fifteen days from the date of their declaration.

2.2. EXTANT REGULATORY PROVISION:

2.2.1. Regulation 18(16)(c) of the REIT Regulations applicable for REITs other than SM REITs reads as under:

"(16) With respect to distributions made by the REIT and the holdco and/or SPV,

.....

(c) such distributions shall be declared and made not less than once every six months in every financial year and shall be made not later than fifteen days from the date of such declaration;"

2.2.2. Regulation 26ZK (1) (d) of REIT Regulations applicable for Small and Medium REIT ("SM REIT") reads as under:

"the distributions are paid to the unitholders within seven working days of such declaration."

2.2.3. Regulation 18(6)(c) of the InvIT Regulations reads as under:

"(6) With respect to distributions made by the InvIT and the holdco and/or SPV

.....

(c) such distributions shall be declared and made not less than once every six months in every financial year in case of publicly offered InvITs and not less than once every year in case of privately placed InvITs and shall be made not later than fifteen days from the date of such declaration.”

2.3. Submission of working group

2.3.1. The working group on EoDB for REITs and InvITs recommended to review the timeline for distribution.

2.4. Submission of Indian REIT Association (IRA)

2.4.1. In the instant matter, IRA submitted that compliance of the timeline of 15 days for distribution from declaration poses challenges such as record date coinciding with a holiday, last day of distribution falling on a bank holiday, holiday falling between the declaration date and record date, submission of payment file to banks at least 24 hours in advance of the payment date for NACH payments and dependency on income tax portal for the purpose of tax computation on distribution.

2.4.2. Considering the above, IRA has suggested to modify the payment timelines from 15 days from the date of declaration to 10 working days from the date of declaration with a flexibility to the manager to fix the record date

2.5. Recommendations of HySAC

2.5.1. The suggestions of working group for EoDB and the submissions received from IRA were placed for deliberations at HySAC. HySAC recommended revision in the timelines for distribution to 10 working days from the date of declaration.

2.5.2. Further, the committee recommended that the manager of REIT / investment manager of InvIT shall intimate the record date to the stock

exchange(s) at least two working days in advance (excluding the date of intimation and the record date).

2.6. ANALYSIS AND PROPOSAL

2.6.1. The process of making distributions by a REIT/InvIT *inter-alia* involves obtaining beneficial owner details by the manager of REIT / investment manager of InvIT from the depositories. It is noted that in response to a request made by Registrar and Transfer Agent for beneficial owner details with the depository, such details are available to the RTA by the next day.

2.6.2. It is also noted that immediate payment solutions like RTGS, NEFT, IMPS and UPI are available in the banking system to make the distribution process fast and efficient, with ability to make same day transfers.

2.6.3. Further, it is observed that majority of the REITs and InvITs are undertaking quarterly distribution to the unitholders which is not the case with listed companies. Accordingly, it is proposed to reduce the time for undertaking distributions by the REIT/InvIT to five working days from the date of declaration. The same is expected to bring efficiency in the distribution process and will aid in making funds available to the investors within a relatively shorter period of time.

2.6.4. In view of the above, the following is proposed:

2.6.4.1. Flexibility to the manager/ investment manager of REIT/InvIT (other than SM REIT) to fix record date.

2.6.4.2. The manager/ investment manager of REIT/InvIT (other than SM REIT) shall intimate the record date to the stock exchange(s) at least two working days in advance (excluding the date of intimation and the record date).

2.6.4.3. The timelines for distribution may be revised to five working days from the date of declaration.

Consultation 1: Revision of timelines for distribution to five working days from declaration

Kindly provide your comments separately for each of the below items along with supporting rationale:

- 1) Whether the proposed timeline of five working days from declaration for completion of the distribution to the unitholders of REIT/InvIT is appropriate and adequate?
- 2) Whether the proposed time period of minimum two working days for intimation of the record date to stock exchange by the manager/ investment manager of REIT/InvIT is appropriate and adequate?

3. ALLOWING UNITHOLDERS MEETING WITH SHORTER NOTICE

3.1. BACKGROUND

3.1.1. The REIT Regulations and InvIT Regulations provides that for any matter requiring approval of the unit holders, a notice of not less than twenty-one days shall be provided to the unit holders.

3.2. EXTANT REGULATORY PROVISION:

3.2.1. Regulation 22(2)(c) of the REIT Regulations (applicable for REITs other than SM REITs) and InvITs Regulations reads as under:

"With respect to any matter requiring approval of the unit holders, -

...

(c) a notice of not less than twenty-one days shall be provided to the unit holders;"

3.2.2. Regulation 26ZM (2)(e) of REIT Regulations applicable for SM REITs reads as under:

"(2) With respect to any matter requiring approval of the unit holders

.....

(e) a notice of not less than twenty-one clear days shall be provided to the unit holders:

Provided that a meeting of the unit holders of each scheme may be called after giving shorter notice, if consent, in writing or by electronic mode, is accorded thereto, by not less than ninety-five percent of the unitholders of the scheme entitled to vote at such meeting."

3.2.3. Currently, the REIT Regulations applicable for REITs other than SM REITs and InvITs Regulations do not provide any flexibility to convene a meeting of unitholders at shorter notice - a period of at least 21 days is mandatory in all scenarios.

3.3. PROPOSAL AND RATIONALE:

- 3.3.1. As per REIT and InvIT Regulations, in order to convene a meeting of the unitholders of an InvIT, whether in physical form or electronic form, a notice of at least twenty-one days must be provided to the unitholders.
- 3.3.2. Under the REIT/ InvIT Regulations, there are several matters that require prior approval from unitholders. Additionally, there may be scenarios where the board of the manager/ investment manager of the REIT/ InvIT is of the view that unitholder approval is necessary before processing with a certain course of action. There may be exigencies where any delay in obtaining unitholder approval may adversely impact the REIT/InvIT as well as its unitholder's interest.
- 3.3.3. It may be noted that the Companies Act, 2013 specifically permits companies to convene meetings of shareholders at shorter notice. The relevant extracts from the corresponding provision of Section 101(1) of Companies Act, 2013 reads as follows:

"101. Notice of meeting- (1) A general meeting of a company may be called by giving not less than clear twenty-one days' notice either in writing or through electronic mode in such manner as may be prescribed: Provided that a general meeting may be called after giving a shorter notice if consent is given in writing or by electronic mode by not less than ninety-five per cent. of the members entitled to vote at such meeting."

- 3.3.4. In view of the above, in alignment with the aforementioned provisions of the Companies Act and provisions applicable for SM REITs, it is proposed to add a provision allowing REITs other than SM REITs and InvITs to call a unitholders' meeting with less than 21 days' notice, subject to receiving consent from not less than ninety-five per cent of unitholders entitled to vote. Further, it is also proposed that notice shall be in writing or electronic under InvIT Regulations similar to REITs Regulations.

Consultation 2: Allowing Unitholders Meeting with Shorter Notice

Kindly provide your comments separately for each of the below items along with supporting rationale:

- 1) Whether the proposed condition for calling a unitholders' meeting with shorter notice subject to receiving consent from not less than ninety-five per cent of unitholders entitled to vote is appropriate and adequate?

4. DISCLOSURE AND REVIEW OF STATEMENT OF INVESTOR COMPLAINTS

4.1. BACKGROUND

4.1.1. As per paragraph 4.16 of the SEBI Master Circular for REITs and paragraph 4.16 of the SEBI Master Circular for InvITs, the statement of investor complaints has to be submitted to the stock exchange(s) within twenty-one days from the end of each quarter. Further, a prior review of this statement by the Trustee and the Board of Directors/Governing Body of the Manager/Investment Manager is required before submission of this statement to the Stock Exchange(s).

4.1.2. The above provision is not in alignment with SEBI (LODR) Regulations, 2015. Under the SEBI (LODR) Regulations, a listed entity is required to file a quarterly Investor Complaints Report with the recognized stock exchange(s). However, a prior review by the Board of directors of the listed entity is not required. Instead, such statement is required to be placed to before the Board of directors on a quarterly basis.

4.2. EXTANT REGULATORY PROVISION:

4.2.1. With respect to the disclosure and review of the statement of investor complaints, the relevant extract from paragraph 4.16 of the Master Circular for REITs and paragraph 4.16 of the Master Circular for InvITs read as follows:

"4.16.3. All complaints including SCORES complaints received by the REIT/InvIT shall be disclosed in the format mentioned in Annexure -4 on the website of the REIT/InvIT and also filed with the recognized stock exchange(s), where its units are listed within 21 days from the end of financial year or end of quarter, as the case may be.

4.16.4. The Trustee and the Board of Directors/Governing Body of the Manager/Investment Manager, shall review the aforementioned statement, before submission of the same to the Stock Exchange(s),

and shall ensure that all investor complaints are redressed by the Manager in timely manner."

4.3. PROPOSAL AND RATIONALE:

- 4.3.1. The working group on EoDB recommended that the statement of investor complaints be submitted to the stock exchange(s) on the date of publication of the quarterly results.
- 4.3.2. However, it was observed that, as per SEBI (LODR) Regulations, 2015, listed entities are required to file a quarterly Investor Complaints Report with the recognized stock exchange(s), within twenty-one days from the end of each quarter.
- 4.3.3. In this regard, HySAC recommended that no change may be carried out regarding the timeline for submission of statement of investor complaints as the same is required to be disclosed along with unitholding pattern and is already aligned with the timeline for listed entities in the LODR Regulations.
- 4.3.4. Further, to bring alignment with LODR Regulations, the committee recommended instead of prior review of the statement of investor complaints by the Board of directors of the manager/investment manager, such statement shall be placed, on quarterly basis, before the board of directors of the manager/investment manager.
- 4.3.5. In view of the above, to align the above provisions in the REIT Regulations for all REITs including SM REITs and InvIT Regulations with the LODR Regulations, the following is proposed:
- 4.3.5.1. A prior review of the statement of investor complaints by the Trustee and the Board of directors of the manager/investment manager may not be required
- 4.3.5.2. Such statement shall be placed, on quarterly basis, before the board of directors of the manager/investment manager for its due review.

Consultation 3: Disclosure and Review of Statement of Investor Complaints

Kindly provide your comments separately for each of the below items along with supporting rationale:

- 1) Whether the above proposal of aligning the provisions for submission and review of statement of investor complaints with LODR Regulations is appropriate and adequate?

5. DISCLOSURE OF STATEMENT OF DEVIATION(S) ALONGSIDE FINANCIAL RESULTS

5.1. BACKGROUND

5.1.1. As per paragraph 4.17.2 of the SEBI Master Circular for REITs and paragraph 4.17.2 of the Master Circular for InvITs, the statement(s) of deviation(s) or variation(s) shall be submitted to the stock exchange(s) within twenty-one days from the end of each quarter.

5.1.1.1. However, the above provision is not in alignment with SEBI (LODR) Regulations, 2015. Under the SEBI (LODR) Regulations, a listed entity is required to submit statement of deviation or variation to stock exchange(s), on a quarterly basis along with the submission of financial results.

5.2. EXTANT REGULATORY PROVISION:

5.2.1. With respect to the disclosure statement of deviation(s) or variation(s), the relevant extract from paragraph 4.17 of the Master Circular for REITs and Paragraph 4.17 of the Master Circular for InvITs read as follows:

" 4. 17.1. The REIT shall submit to the recognized stock exchange(s), where its units are listed, the following statement(s) on a quarterly basis for any public issue, rights issue, preferential issue, etc.:

- a) Statement indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;*
- b) Statement indicating category wise variation, if any, between projected utilization of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilization of funds.*

4.17.2 The statement(s) specified above, shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved.

Such statement(s) shall also be placed before the Trustee and the Board of Directors/Governing Body of the Manager for review. Pursuant to such review, the statement shall be submitted to the stock exchange(s). Such submission to the Stock Exchange(s) shall be made within twenty-one days from the end of each quarter"

5.3. PROPOSAL AND RATIONALE:

- 5.3.1. As per SEBI (LODR) Regulations, 2015, listed entities are required to submit to stock exchange a statement of deviation or variation on a quarterly basis along with the declaration of financial results.
- 5.3.2. The working group on EoDB recommended that the statement of deviation or variation be submitted to the stock exchange(s) on the date of publication of the quarterly results. HySAC deliberated on the same and agreed on the timelines for filing statement of deviation(s) or variations(s).
- 5.3.3. In view of the above, to align the above provision in the REIT Regulations for all REITs including SM REITs and InvIT Regulations with the LODR Regulations, it is proposed to revise the timeline for the submission of the statement of deviation(s) and variation(s) to coincide with the date of publication of the quarterly results, in line with LODR Regulations.

Consultation 4: Disclosure of Statement of Deviation(s) Alongside Financial Results

Kindly provide your comments separately for each of the below items along with supporting rationale:

- 1) Whether the proposed provision that the submission of the statement of deviation(s) and variation(s) to coincide with the date of publication of the quarterly results is appropriate and adequate?

6. CLARIFICATION ON VOTING THRESHOLDS IN TERMS OF PERCENTAGE, AND PROVIDING ELECTRONIC MEETING AND E-VOTING OPTION TO UNITHOLDERS

6.1. BACKGROUND

6.1.1. The current regulation requires approval from unitholders in certain matters. Regulation 22 and 26ZM of REIT Regulations and Regulation 22 of InvIT Regulations requires approval from unitholders in certain matters, wherein the threshold for approval of any resolution are as under:

- 6.1.1.1. votes cast in favour of the resolution shall be more than the votes cast against the resolution
- 6.1.1.2. votes cast in favour of the resolution shall not be less than one and a half times the votes cast against the resolution

6.2. RECOMMENDATION OF WORKING GROUP

6.2.1. The working group on EoDB recommended that the requisite voting thresholds may be provided in percentage terms. Further, the working group recommended that the explicit clarification may be provided that the voting thresholds shall be calculated on the basis of the persons present and voting.

6.3. EXTANT REGULATORY PROVISION:

6.3.1. Relevant extracts from Regulation 22 of the REIT Regulations reads as under:

"22. (1) The unit holder shall have the rights to receive income or distributions as provided for in the Offer document or trust deed.

(2) With respect to any matter requiring approval of the unit holders,-

(a) a resolution shall be considered as passed when the votes cast by unitholders, so entitled and voting, in favour of the resolution exceed a

certain percentage, as specified in this regulation, of the votes cast against;

...

(4) With respect to the annual meeting of unitholders,-

...

(b) for any issue taken up in such meetings which require approval from the unit holders, votes cast in favour of the resolution shall be more than the votes cast against the resolution.

...

(5) In case of,-

...

approval from unitholders shall be required where the votes cast in favour of the resolution shall be more than the votes cast against the resolution.

(6) In case of,-

...

(g) any issue taken up on request of the unit holders including:

...

approval from unit holders shall be required where the votes cast in favour of the resolution shall be not less than one and half times the votes cast against the resolution.”

6.3.2. Relevant extracts from Regulation 26ZM of REITs Regulations reads as under:

“.....

(7) The matters mentioned in sub-regulation (6) of this regulation shall require approval of unitholders of the scheme, where votes cast in favour of the resolution shall be more than the votes cast against the resolution

(9) Approval from unitholders of the concerned scheme shall be required, where votes cast in favour of the resolution shall be more than the votes cast against the resolution,

(10) Approval from the unitholders of the scheme of the SM REIT shall be required, where votes cast in favour of the resolution shall not be less than one and a half times the votes cast against the resolution.....”

6.3.3. Relevant extracts from Regulation 22 of the InvIT Regulations reads as under:

"22. (1) The unit holder shall have the rights to receive income or distributions as provided for in the Offer document or trust deed.

(2) With respect to any matter requiring approval of the unit holders,-

(a) a resolution shall be considered as passed when the votes cast by unit holders, so entitled and voting, in favour of the resolution exceed a certain percentage, as specified in this regulation, of the votes cast against;

...

(3) For an InvITs,-

(b) With respect to the annual meeting of unitholders,-

...

(ii) for any issue taken up in such meetings which require approval from the unit holders other than as specified in sub-regulation (6) under, votes cast in favour of the resolution shall be more than the votes cast against the resolution;

...

(4) In case of,-

...

approval from unitholders shall be required where votes cast in favour of the resolution shall be more than the votes cast against the resolution.

(5) In case of,-

...

approval from unit holders shall be required where votes cast in favour of the resolution shall not be less than one and a half times the votes cast against the resolution:”

6.3.4. SEBI Circular titled ‘*Manner of conducting meetings of unit holders*’ dated January 12, 2023 provides that the Manager of the REIT is allowed to conduct meetings of unit holders through Video Conferencing or Other Audio Visual Means and lays down the procedure for the same. Similar provisions are specified for InvITs vide SEBI Circular titled ‘*Facility of conducting meetings of unit holders of InvITs through Video Conferencing or Other Audio Visual means*’, dated January 12, 2023.

6.3.5. Regulation 22(2)(b) of the REIT Regulations and Regulation 22(2)(b) of the InvIT Regulations provides as under:

“With respect to any matter requiring approval of the unit holders,-

(a).....

(b)the voting may also be done by postal ballot or electronic mode;

.....”

6.4. PROPOSAL AND RATIONALE:

6.4.1. Based on the recommendation of the working group, the following is proposed:

6.4.1.1. to revise the provisions to state that the voting count shall be in percentage terms (at least 60%) instead of proportionate terms (one and a half times).

6.4.1.2. to revise the provisions to state that the voting count shall be in percentage terms (more than 50%) instead of proportionate terms (more than).

- 6.4.1.3. to explicitly clarify that voting thresholds shall be calculated based on the persons present and voting, since the same is in alignment with the intent of the current regulations.
- 6.4.2. To encourage greater participation of the unit holders in the decision-making process, irrespective of their geographical location, it is proposed that for all unitholder meetings, the Manager of REIT / Investment Manager of InvIT shall provide an option to the unitholders to attend the meeting through Video Conferencing or Other Audio Visual Means. Further, the option of remote e-voting shall be provided to the unitholders for all unitholder meetings.

Consultation 5: Clarification on Voting Thresholds in terms of percentage, and providing electronic meeting and e-voting option to unitholders

Kindly provide your comments separately for each of the below items along with supporting rationale:

- 1) Whether the proposed requirement of stating the voting count in percentage terms ('60%' or '50%') instead of proportionate terms ('one and a half times' or 'more than') is appropriate and adequate?
- 2) Whether the proposed explicit clarification that the voting thresholds shall be calculated based on the persons present and voting is appropriate and adequate?
- 3) Whether the proposed requirement for REITs and InvITs mandatorily providing an option to unitholders to attend the meeting through Video Conferencing or Other Audio Visual Means is appropriate and adequate?
- 4) Whether the proposed requirement of providing remote e-voting facility to the unitholders for all unitholder meetings is appropriate and adequate?

7. ALLOWING MAINTENANCE OF RECORDS IN ELECTRONIC FORM ALONG WITH BACKUP AND DISASTER RECOVERY NORMS FOR SUCH RECORDS

7.1. BACKGROUND

7.1.1. Section 4 of the Information Technology Act, 2000 specifically provides that where any law provides that information or any other matter shall be in writing or in the typewritten or printed form, then, notwithstanding anything contained in such law, such requirement shall be deemed to have been satisfied if such information or matter is

- (a) rendered or made available in an electronic form; and
- (b) accessible so as to be usable for a subsequent reference.

7.1.2. In this regard, the working group on EoDB submitted that Regulation 26(3) of REIT Regulations that provides guidelines regarding maintenance of records in electronic form pertaining to the activity of REIT, does not extend to records mandated to be maintained by manager.

7.1.3. It may be noted that, in case of InvITs, Regulation 26(3) of InvIT Regulations provides that all records mandated to be maintained, by investment manager as well as trustee, must be in physical or electronic form.

7.2. EXTANT REGULATORY PROVISION:

7.2.1. Extract Extracts from Regulation 26 of REIT Regulations reads as below:

"(1) The manager shall maintain records pertaining to the activity of the REIT including, for a period of not less than seven years, -

...

(2) The trustee shall maintain records pertaining to, -

...

(3) The records specified in sub-regulation (2) may be maintained in physical or electronic form:

Provided that where records are required to be duly signed and are maintained in the electronic form, such records shall be digitally signed."

7.2.2. Extracts from Regulation 26 of InvIT Regulations reads as below:

"(1) The investment manager shall maintain records pertaining to the activity of the InvIT including, for a period of not less than seven years,

-

...

(2) The trustee shall maintain records pertaining to, -

...

(3) The aforesaid records may be maintained in physical or electronic form:

Provided that where records are required to be duly signed and are maintained in the electronic form, such records shall be digitally signed."

7.3. PROPOSAL AND RATIONALE:

7.3.1. Considering the provisions of Information Technology Act mentioned above, no changes is warranted in REIT Regulations in order to allow manager to maintain records in electronic form. However, based on the request of market participants and recommendation of HySAC, it is proposed to amend regulation 26(3) of the REIT Regulations to clarify the maintenance of records in electronic form for both manager in case of REIT and investment manager in case of SM REIT including the trustee, aligning this requirement with InvIT Regulations.

7.3.2. Further, it is proposed that in case records are maintained in electronic form by the Manager of REIT / Investment Manager of InvIT and/or the trustee, they must ensure that they maintain adequate backup systems

and data storage capacity. Further, they must have adequate system capacity for handling data transfer and arrangement for alternative means of communications in case of Internet link failure. Also, they shall have in place Business Continuity Plan (BCP) and Disaster Recovery (DR) so as to maintain data and transaction integrity.

Consultation 6: Allowing Maintenance of Records In Electronic Form Along With Backup And Disaster Recovery Norms For Such Records

Kindly provide your comments for the below item along with supporting rationale:

- 1) Whether the proposed amendment to allow the maintenance of records in electronic form for both manager as well as trustee is appropriate and adequate?
- 2) Whether the proposed norms for data backup and disaster recovery for records maintained in electronic form are appropriate and adequate?

PART – B: Proposals for InvITs only

8. REDUCTION OF TRADING LOT FOR PRIVATELY PLACED INVITs

8.1. BACKGROUND

8.1.1. In accordance with Regulation 16(8)(b) of the SEBI (Infrastructure Investment Trusts) Regulations, the current trading lot for secondary market trading for privately placed InvITs is set at rupees one crore. Further, if the InvIT invests at least eighty percent of its asset value in completed and revenue-generating assets, the said trading lot is Rs. two crores (instead of Rs. 1 crore).

8.2. EXTANT REGULATORY PROVISION:

8.2.1. Regulation 16(8)(b) of the InvIT Regulations reads as follows:

"With respect to listing of privately placed units-

...

b) trading lot for the purpose of trading of units on the designated stock exchange shall be rupees one crore.

Notwithstanding the above, if an InvIT invests not less than eighty per cent of the value of the InvIT assets, in completed and revenue generating assets, the trading lot for the purpose of trading of units on the designated stock exchange of such InvIT shall be rupees two crore;"

8.3. PROPOSAL AND RATIONALE:

8.3.1. As recommended by the Working Group, it is proposed to reduce the trading lot size for the purpose of trading of units of privately placed InvITs on designated stock exchanges from rupees one crore/two crores to rupees twenty-five lakhs.

8.3.2. The proposal will help in increasing the liquidity of privately placed InvIT units by allowing a broader base of investors to participate in the market and promote diversification of investment portfolios, enabling investors to better manage risk.

Consultation 7: Reduction of Trading Lot for Privately Placed InvITs

Kindly provide your comments separately for each of the below items along with supporting rationale:

- 1) Whether the proposed lot size of rupees twenty-five lakhs for the purpose of trading of units of privately placed InvITs is appropriate and adequate?

9. ALIGNING PROVISION RELATED TO CHANGE IN SPONSOR FOR INVIT REGULATIONS WITH REIT REGULATIONS

9.1. BACKGROUND

- 9.1.1. Regulation 22(7) of the InvIT Regulations prescribes the conditions for change in sponsor or inducted sponsor. The explanation to the provision for change in sponsor under Regulation 22(7) of the InvIT Regulations states that - Change in sponsor or inducted sponsor shall mean any change due to entry of a new sponsor **with or without** exit of an existing sponsor.
- 9.1.2. However, the explanation to the similar provision for change in sponsor or inducted sponsor under Regulation 22(8) of REIT Regulations (applicable for REITs other than SM REITs) provides that change in sponsor or inducted sponsor shall mean any change due to entry of a new sponsor or exit of an existing sponsor.
- 9.1.3. The working group of EoDB has highlighted that the explanation to the provision for change in sponsor or inducted sponsor under InvIT Regulations needs clarity to provide that change in sponsor shall mean any change due to entry of new sponsor or exit of existing sponsor in order to cover the aspect related to exit of existing sponsor without entry of new sponsor.

9.2. EXTANT REGULATORY PROVISION:

- 9.2.1. Relevant extract from Regulation 22(7) of the InvIT Regulations reads as follow:

"In case of any change in sponsor or inducted sponsor or change in control of sponsor or inducted sponsor or conversion to Self-Sponsored Investment Manager,-

.....

*Explanation: Change in sponsor or inducted sponsor shall mean any change due to entry of a new sponsor **with or without** exit of an existing sponsor."*

9.2.2. Relevant extract from Regulation 22(8) of REIT Regulations reads as under:

"In case of any change in sponsor or inducted sponsor or change in control of sponsor or inducted sponsor or conversion to Self-Sponsored Manager.

Explanation: Change in sponsor or inducted sponsor shall mean any change due to entry of a new sponsor [or] exit of an existing sponsor"

9.3. PROPOSAL AND RATIONALE:

9.3.1. It is proposed to delete the words "with" and "without" in Regulation 22(7) of the InvIT Regulations to clarify that changes in sponsor or inducted sponsor can occur on account of either the entry of a new sponsor or the exit of existing sponsors. The amended explanation would read as under:

"Explanation: Change in sponsor or inducted sponsor shall mean any change due to entry of a new sponsor ~~with~~ or ~~without~~ exit of an existing sponsor."

9.3.2. The above proposed revision aims to clarify the possible changes in sponsorship, including the exit of a co-sponsor without necessarily inducting a new sponsor. It also ensures consistency with corresponding provisions under the REIT Regulations, thereby eliminating ambiguity and fostering a clear understanding of the regulations.

Consultation 8: Aligning provision related to Change in Sponsor for InvIT Regulations with REIT Regulations

Kindly provide your comments for the below item along with supporting rationale:

- 1) Whether the proposed revision to the InvIT Regulations clarifying that changes in sponsor or inducted sponsor can occur on account of either the entry of a new sponsor or the exit of existing sponsors is appropriate and adequate?

10. Public Comments

10.1. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the above-detailed proposals. The comments/ suggestions should be submitted by any of the following modes latest by May 30, 2024 :-

10.1.1. Preferably through Online web-based form

10.1.1.1. The comments may be submitted through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

10.1.1.2. The instructions to submit comments on the consultation paper are as under:

1. *Before initiating the process, please read the instructions given on top left of the web form as “Instructions”.*
2. *Select the consultation paper you want to comment upon from the dropdown under the tab – “Consultation Paper” after entering the requisite information in the form.*
3. *All fields in the form are mandatory;*
4. *Email Id and phone number cannot be used more than once for providing comments on a particular consultation paper.*
5. *If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box.*
6. *There will be a dropdown of Proposals in the form. Please select the proposals one- by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.*
7. *If you want to provide your comments for the selected proposal, please select “Yes” from the dropdown under “**Do you want to comment on the proposal**” and use the text boxes provided for the same.*
8. *After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.*
9. *If you do not want to react on any proposal, please select that proposal from the dropdown and click on “**Skip this proposal**” and move to the next proposal.*

10. After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on "**Check your response before submitting**" just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.

11. The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper

10.1.1.3. In case of any technical issue in submitting your comment through web based public comments form, you may contact the following through email with a subject: "*Issue in submitting comments on Consultation Paper on Measures Towards Ease of Doing Business for REITs and InvITs*".

- a) Ritesh Nandwani, DGM (riteshn@sebi.gov.in)
- b) Pranay Kumar Singh, AM (pranays@sebi.gov.in)

Issued on: May 09, 2024