



Gazette Notification on

**SECURITIES AND EXCHANGE BOARD OF INDIA
(REAL ESTATE INVESTMENT TRUSTS)
(AMENDMENT) REGULATIONS, 2024**

Dated: 8th March 2024



▪ Background of the Notification

These regulations may be called the Securities and Exchange Board of India (**Real Estate Investment Trusts) (Amendment) Regulations, 2024**. They will be effective from the date of their publication in the Official Gazette

▪ Detailed Brief of the Notification

In regulation 2, in sub-regulation (1), clause (me) shall be substituted with the following, namely.

“REIT” or “Real Estate Investment Trust” means a person that pools rupees fifty crores or more for the purpose of issuing units to at least two hundred investors so as to acquire and manage real estate asset(s) or property(ies), that would entitle such investors to receive the income generated therefrom without giving them the day-to-day control over the management and operation of such real estate asset(s) or property(ies).

After Chapter VIA and before Chapter VII, the following shall be inserted, namely.

CHAPTER VIB

SMALL AND MEDIUM REITS

▪ Reg26G: Applicability

The provisions of these regulations, except chapters **II, IV, V and regulation 22 under chapter VI**, shall mutatis mutandis be applicable to SM REITs, unless otherwise provided for in this chapter. Provided that any reference to the “manager” or the “sponsor” of the REIT under the applicable provisions of these regulations shall be construed as a reference to an “investment manager” of the SM REIT.

▪ Reg26I: Registration of SM REIT

To apply for SM REIT registration, the investment manager, representing the Trust, must submit **Form-A from Schedule IA** along with a non-refundable application fee, payable as specified in Schedule IIA. The Board has the authority to appoint a person to safeguard the SM REIT's records and documents in the interest of investors, determining the terms and conditions for such appointments. The grant of registration will be considered by the Board, considering the specified regulatory requirements.

▪ **Reg26J: Eligibility criteria**

1. Board Consideration for Certificate Grant

The Board evaluates all relevant aspects related to the trust as an SM REIT

2. Key Considerations

- a. The applicant, acting as the investment manager, has a registered trust deed under the **Registration Act, 1908**.
- b. The trust deed outlines the primary objective of engaging in SM REIT activities, specifying trustee responsibilities.
- c. Distinct individuals are appointed as the investment manager and trustee for the SM REIT.

3. Investment Management Criteria

- a. Is clearly identified in the application and scheme offer document.
- b. Must have a net worth of at **least INR 20 crores**, with at **least INR 10 crores in positive liquid net worth**.
- c. Requires a minimum of **two years' experience in the real estate industry** or real estate fund management.
- d. In case of inability to meet experience requirements, must employ two key managerial personnel, each with a **minimum of five years' experience**.
- e. Ensures not less than half of its directors are independent and not directors of another REIT or SM REIT.
- f. Has an investment management agreement with the trustee, specifying responsibilities according to regulations.

4. Trustee Requirements

The trustee is not an associate of the investment manager.

5. Unit Holders Rights

No unit holder enjoys superior voting or other rights over another in the same scheme. There are no multiple classes of units, and each unitholder's rights are pro-rata and Pari-passu.

6. Application Details

The applicant provides clear details about proposed SM REIT activities during the registration application.

7. Fit And Proper Criteria

The SM REIT and involved parties meet the fit and proper criteria outlined in Schedule II of the SEBI (Intermediaries) Regulations, 2008.

▪ **Reg26K: Furnishing of further information, clarification, and personal representation.**

The Board can request the applicant to provide necessary information for application processing and, if deemed necessary, may ask the applicant or an authorized representative to appear personally for representation regarding the certificate grant.

▪ **Reg26L: Procedure for grant of certificate**

Upon confirming that the trust meets the specified requirements, the Board will notify the trust and, upon receipt of the designated registration fees outlined in **Schedule IIA**, issue the certificate of registration in **Form B per Schedule IA**. The registration may include conditions deemed suitable by the Board.

▪ **Reg26M: Conditions of certificate**

1. The certificate granted under this chapter shall be subject to such conditions as the Board may deem appropriate, including.
 - a) The SM REIT must follow the Act and these regulations. It should adhere to the migration plan submitted during the application for registration.
 - b) If any information is found to be false or there's a material change, the Board must be promptly informed.
 - c) The SM REIT and involved parties must always meet the conditions outlined in this chapter and adhere to the specified **Code of Conduct in Schedule VI**
2. If the SM REIT fails to make an initial offer of a scheme within three years from the date of registration with the Board, it shall surrender its certificate of **registration to the Board and cease to operate as** an SM REIT: -
The Board may extend the initial offer period by up to one year if deemed necessary. The SM REIT can reapply for **registration even if the initial offer period is extended**.

▪ **Reg26N: Migration of existing persons, entities or Structures**

- Existing entities with real estate assets interested in registering as SM REITs must apply **within six months from the notification of this chapter, or a period specified by the Board**.
- The migration process requires the submission of details and a migration plan, with completion within **six months from registration** or a specified period. Compliance with chapter provisions for the migrated scheme is mandatory unless stated otherwise.

■ **Reg26O: Procedure where registration is refused.**

After considering an application made under this chapter, if the Board is of the opinion that a certificate should not be granted to the trust, it may reject the application after giving the applicant a reasonable opportunity of being heard. The decision of the Board to reject the application shall be communicated to the applicant **within thirty days of such a decision.**

■ **Reg26P: Eligible issuers**

1. An SM REIT shall not be eligible to make an initial offer of units of a scheme if:
 - a. the SM REIT or the parties to the SM REIT are debarred from accessing the securities market or dealing in securities by the Board.
 - b. any of the promoters, promoter group or directors of the parties to the SM REIT are debarred from accessing the securities market or dealing in securities by the Board.
 - c. Any of the promoters or directors of the parties to the SM REIT is a promoter or director of another company which is debarred from accessing the securities market by the Board.
 - d. the SM REIT or the parties to the SM REIT or any of the promoters or directors of the parties to the SM REIT are willful defaulters.
 - e. any of the promoters or whole-time directors of the parties to the SM REIT is a promoter or whole-time director of another company which is a willful defaulter.
 - f. any of the promoters or directors of the parties to the SM REIT is a fugitive economic offender;
or
 - g. any fine or penalties levied by the Board or stock exchanges is pending to be paid by the SM REIT at the time of filing the scheme offer document.

Provided that nothing in clauses (a), (b) and (c) shall be applicable if the period of debarment is over as on the date of filing of the scheme offer document with the Board and the designated stock exchange: Provided further that nothing in clause (c) shall be applicable to a person who was appointed as a director only by virtue of nomination by a debenture trustee in other company.

2. No offer of units by a scheme of the SM REIT shall be made unless, –
 - a. The size of the asset proposed to be acquired in a scheme of the SM REIT is at **least rupees fifty crores and less than rupees five hundred crores; and**
 - b. The minimum number of unitholders of the scheme of the SM REIT other than the investment manager, its related parties and associates of the SM REIT are not less than two hundred investors.

Provided that nothing in this sub-regulation shall be applicable to the migration of existing persons, entities, or structures as on the date of this chapter coming into force which are included as part of the migration plan in case the applicant is applying for a certificate of registration under sub-regulation (1) of regulation 26N.

■ **Reg26Q: Appointment of merchant banker**

The investment manager shall appoint one or more merchant bankers registered with the Board to carry out the obligations relating to the issue.

■ **Reg26R: Conditions for Initial Offer**

1. The investment manager shall identify the real estate assets or properties it proposes to acquire or provide the features of the real estate assets or properties including location or such other details for the scheme in the draft scheme offer document.
2. 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.
3. The minimum price of each unit of the scheme of the SM REIT shall be **rupees ten lakhs** or any other amount as may be specified by the **Board from time to time**.
4. Each scheme of the SM REIT shall be identified by a separate name, which shall not be misleading and shall not portray any guaranteed returns to the investors.
5. The value of real estate assets or properties in each scheme shall be at **least fifty crore rupees**.
6. The investment manager and the trustee shall ensure that the assets of each scheme, the bank accounts, investment or demat accounts and the books of accounts of each scheme are segregated and ring-fenced.
7. The investment manager and the trustee shall ensure that the property documents evidencing the title to the real estate assets or properties along with the related papers shall be duly maintained in safe-deposit boxes, at a scheduled commercial bank and be annually inspected by the trustee.
8. The draft scheme offer document filed with the Board shall be made public, for comments, if any, by hosting it on the websites of the Board, designated stock exchanges and merchant bankers associated with the issue, for a period of not **less than twenty-one days**.
9. The Board may issue observations **to the merchant banker within 30 days of:**
 - a. receiving the draft scheme offer document,
 - b. receiving a satisfactory reply from the merchant banker after seeking clarification,
 - c. receiving clarification or information from a regulator or agency, or
 - d. receiving a copy of the in-principal approval letter from the designated stock exchange(s).
10. The merchant banker shall ensure that the observations issued by the Board are addressed in the scheme offer document prior to launch of the scheme.

■ **Reg26S: Disclosure in scheme offer document.**

1. The scheme offer document must include disclosures as specified in **Schedule III and those specified by the Board**.
2. It should provide material, true, correct, and adequate information for informed investor decision-making.
3. Disclosures must not be misleading or contain untrue statements.
4. Guaranteed returns to investors are not allowed.
5. Lease rental income for each property and comparable income of similar properties must be disclosed.
6. Comparable disclosures must be sourced from or certified by a specified valuer or person.
7. Clearly state whether the SM REIT scheme involves leverage.
8. If a scheme has no leverage, the investment manager must submit an undertaking against future leverage use.
9. Disclose the total expense ratio for the SM REIT scheme as per Board specifications.

■ **Reg26T: Investment conditions**

1. The SPV (Special Purpose Vehicle) wholly owns all assets acquired or proposed by the SM REIT scheme.
2. At least **95% of the scheme's assets must be invested in completed**, revenue-generating properties, with no investment in under construction or non-revenue generating assets. Up to **5% can be invested in unencumbered liquid assets**.
3. The SM REIT scheme is not allowed to lend to any entity except its own SPV.
4. The SPV is prohibited from lending to any entity.

■ **Reg26U: Modes of Fund raising.**

1. The SM REIT scheme can raise funds from Indian and foreign investors, with foreign investment subject to RBI and Government of India guidelines.
2. The scheme and its SPV(s) can undertake leverage if disclosed in the initial offer's scheme document.
3. Modes of fund raising for the SM REIT scheme
 - a. Capital raised through issuance of units.
 - b. Leverage, if opted for, can be through borrowings or debt securities under SEBI regulations.
4. Modes of fund raising for SPV of SM REIT scheme the following shall apply.
 - a. Capital raised only through equity investment from the SM REIT scheme.
 - b. Borrowings from the SM REIT scheme.
 - c. Leverage, if opted, through external borrowings or debt securities under SEBI regulations.

5. If the scheme opts for leverage

Total borrowings, net of cash and equivalents, must not surpass **49% of scheme assets**, and if the threshold of **25% is exceeded**, further borrowings **require a credit rating**, with unit holder approval as per regulation 26ZM.

■ **Reg26V: Maintenance of website**

1. The investment manager shall, at all times, maintain a functioning website of SM REIT.
2. The investment manager shall specify on the website, the details of all the schemes of the SM REIT and details of the real estate assets and properties proposed to be acquired or acquired and held under each scheme, and such other details as may be specified from time to time by the Board.
3. The investment manager shall provide the link to the scheme offer document for the investors on the website of the SM REIT.
4. The investment manager shall ensure that the trademark, brand name, website and other medium of communication of the SM REIT are used exclusively for the activities of SM REIT and no links or information about any other entity, structure or person shall be made available on its website or on any other medium of communication.

■ **Reg26W and 26X: Issue Period and Dematerialization**

1. The issue period for SM REIT units is **limited to thirty days**.
2. SM REIT must issue units only in dematerialized form, and investments in SPVs shall also be held in dematerialized form.

■ **Reg26Y: Subscriptions from investors**

1. The investment manager must use the designated stock exchange's book building platform to accept bids for SM REIT units, with amounts blocked through the **ASBA mechanism**.
2. The SM REIT website should provide the web-link to the exchange platform for unit subscription.
3. The minimum subscription amount for any investor in an offer is **rupees ten lakhs or as specified by the Board**.

■ Reg26Z: Advertisements

1. SM REIT can issue advertisements related to unit offerings.
2. Public communications, including advertisements, must not be misleading and should stick to a scheme offer document contents.
3. Investment manager must promptly disclose material developments between filing and allotment dates through notices on the **website, stock exchanges, and newspapers**.
4. Merchant banker approval is required for all public communications.
5. Public communications must be **truthful, clear, and avoid misleading promises**. Risk factors must be stated prominently.
6. Advertisements cannot suggest oversubscription during the issue period.
7. No incentives, **direct or indirect, are allowed in public communications** during the issue period.

■ Reg26ZA: Prohibition on payment of incentives

No person connected with the issue of units of the scheme of the SM REIT shall offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application in the issue, except for fees or commission for services rendered in relation to the issue.

■ Reg26ZB: Lock-in requirements

1. Minimum unitholding for the investment manager:
 - **First 3 years:**
 - **No leverage:** 5% of total outstanding units
 - **With leverage:** 15% of total outstanding units, with excess held for at least 1 year.
 - **Years 4-5:** 5% of total outstanding units
 - **Years 6-10:** 3% of total outstanding units
 - **Years 11-20:** 2% of total outstanding units
 - **After 20 years:** 1% of total outstanding units
2. Units held must be unencumbered and locked-in.
3. Units issued against securities swaps before this regulation's enforcement are not considered for calculating total outstanding units.

■ Reg26ZC: Allotment procedure and basis of allotment

- Investment manager, on behalf of SM REIT, allots units upon receiving the application payment.
- Designated stock exchange representatives, post-issue merchant bankers, and registrars ensure a fair and proper basis for allotment.

■ Reg26ZD: Allotment and Listing

1. SM REIT scheme units must be listed on recognized stock exchanges with nationwide trading terminals.
2. Units must be allotted and listed within specified timelines, with failure incurring a **15% per annum interest payable by the investment manager**.
3. The listing follows the agreement between SM REIT and the designated stock exchange.
4. Trading, clearing, and settlement adhere to stock exchange byelaws and Board-specified conditions.
5. No person, excluding the investment manager, related parties, and associates, can hold units exceeding **25% of the total outstanding units in an SM REIT scheme**.

■ Reg26ZE: Filing of post issue report.

The merchant banker shall submit post-issue report, along with due diligence certificate, within seven working days of the date of finalization of allotment or within seven working days of refund of money in case of failure of issue, as per the format and in such manner as may be specified by the Board.

■ Reg26ZF: Minimum public unitholding

1. The minimum offer and allotment to the public in each SM REIT scheme is **25% of total outstanding units**.
2. Failure to meet the minimum public holding may result in actions specified by the Board and designated stock exchange, including delisting under **regulation 26ZI**.

■ Reg26ZG: Maintenance of books and records on book building process

1. Merchant bankers must keep a final book of demand showing the allocation process results.
2. The merchant banker(s) and other intermediaries associated in the book building process shall maintain records of the book building process.

3. The Board may inspect the records, books and documents relating to the book building process and the merchant banker and other intermediaries shall extend full co-operation.

■ **Reg26ZH: Other obligations of post-issue merchant banker**

1. Post-issue merchant bankers must adhere to the disclosure in the scheme offer document for post-issue matters, including refund, allotment, and interest payment in case of delays.
2. Regular monitoring and resolution of investor grievances related to allotment and refund as specified by the regulatory Board.
3. Ensure timely release (**within ten days**) of advertisements detailing oversubscription, basis of allotment, application statistics, and key dates on SM REIT websites, designated stock exchanges, and relevant newspapers.
4. Prohibit SM REIT, advisors, brokers, and related parties from publishing advertisements indicating oversubscription or investor response while the public issue is open for subscription.
5. Post-issue merchant bankers are responsible for activities until subscribers receive demat account credits or refunds, and the listing agreement is finalized with the designated stock exchange, obtaining listing or trading permission.

■ **Reg26ZI: Delisting of units**

1. The investment manager shall apply for delisting of units of the scheme of the SM REIT to the Board and the designated stock exchanges if,
 - a. the per cent. of units held by the public in the scheme of the SM REIT falls below the limits specified under sub-regulation (2) of **regulation 26ZF**.
 - b. there are no projects or assets remaining under the scheme of the SM REIT for a period exceeding six months. Provided that the period may be extended by further six months, with the approval of unitholders in the manner as specified in **regulation 26ZM**.
 - c. the Board or the designated stock exchanges require such delisting for violation of the listing agreement or these regulations or the Act or in the interest of the unitholders.
 - d. the investment manager and trustee requests such delisting, and such request has been approved by unit holders in accordance with **sub-regulation (10) of regulation 26ZM**.
 - e. unit holders apply for such delisting in accordance with **regulation 26ZM**.
2. Board and stock exchanges decide on delisting application based on unit holders' interests.
3. The board may extend compliance time instead of mandating delisting.
4. The board can reject delisting, taking appropriate actions for violations under regulations or the Act.
5. Delisting procedure and exit option align with the listing agreement and Board-specified rules.

6. Investment manager sells scheme assets to redeem units for delisting, following Board guidelines.
7. If all SM REIT schemes are delisted, surrender of registration is required, with continued liability for prior acts.

■ Reg26ZJ: Valuation of assets

1. Annual full valuation of SM REIT scheme assets by an independent valuer, submitted within two months of the financial year end.
2. Valuer must not be associated with the investment manager or trustee, with a signatory having at least five years of real estate valuation experience.
3. Comprehensive valuation, including physical inspection of all assets, is required.
4. Valuer's report must include disclosures outlined in Schedule V of the regulations.
5. Net asset value declarations based on the latest valuation as of **March 31st** and after significant developments.
6. Valuation reports submitted to the trustee, stock exchanges, and unit holders within one working day.
7. Before any public unit offering, the investment manager must obtain a recent valuation report for the specific scheme, included in the scheme offer document.
8. Valuers limited to four consecutive years, with a minimum two-year gap for reappointment.
9. Full valuation required for new property purchase or existing property sale.
10. Value prohibited from valuing assets it assessed within the prior twelve months before the scheme's acquisition, except for specific circumstances.

■ Reg26ZK: Distributions

1. Investment manager Must ensure:
 - a. At least **95% of SPV's** net distributable cash flows go to SM REIT scheme, subject to Companies Act, 2013.
 - b. **100% of SM REIT** scheme's net distributable cash flows are distributed to unit holders.
 - c. Quarterly declarations of distributions within **15 working days from quarter-end**.
 - d. Distributions paid to unitholders within seven working days of declaration.
2. Failure to meet timelines results in a **15% per annum interest payment** to unitholders by the investment manager, without recovery from the SM REIT.

■ Reg26ZL: Related party transactions

The SM REITs shall not enter into any transaction with related parties including transactions for facility management and property management. Provided that nothing in this regulation shall apply to payment of fees by the SM REIT to the investment manager and the trustee for carrying on the activities of the REIT

■ Reg26ZM: Rights and meetings of unit holders

- 1) Unitholders have the right to receive distributions per the scheme offer document, subject to chapter provisions.
- 2) Approval matters:
 - Resolution passes with specified percentage or criteria.
 - Unitholders can vote in scheme meetings.
 - Property transactions require unitholder approval with three times favorable votes.
 - Investment manager offers voting options via post or electronic mode.
 - Notice of at least **21 days for meetings**, shorter if **95% consent**.
 - No voting by interested parties; investment manager handles meeting activities under trustee oversight.
- 3) Annual meeting within **120 days** from the financial year-end, not exceeding **15 months** between meetings.
- 4) Investment manager or trustee conducts meetings per Board-specified procedures.
- 5) Video conferencing or audio-visual means permitted for unitholder meetings.
- 6) Annual meeting agenda includes financial reports, auditor/valuer appointments, and valuation reports.
- 7) Matters from point 6 require unitholder approval with votes in favor exceeding votes against.
- 8) Unitholder approval required for specified items, including transactions exceeding **10% of assets and material issues**.
- 9) Unitholder votes must be at least **1.5 times** in favor for certain items, e.g., change in investment manager, delisting.
- 10) Unitholders can request matters for voting if **10% apply in writing**; change in trustee requests go through the investment manager.

■ Impact of this Notification

The introduction of the Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2024, particularly the addition of Chapter VIB focusing on Small and Medium REITs (SM REITs), will have several significant impacts.

- 1. Increased Accessibility:** By introducing the concept of SM REITs, the regulations aim to make real estate investment trusts more accessible to a broader range of investors. Lower thresholds for capital pooling (fifty crores or more) and investor participation (at least two hundred investors) make it feasible for smaller-scale investors to participate in the real estate market.
- 2. Regulatory Framework for SM REITs:** The regulations establish a comprehensive regulatory framework specifically tailored for SM REITs. This includes eligibility criteria, registration procedures, compliance requirements, and conditions for certificate issuance. It provides clarity and guidance for both prospective SM REITs and regulatory authorities.
- 3. Streamlined Application Process:** The inclusion of Form-A in Schedule IA provides a standardized format for SM REIT registration applications. This can simplify and expedite the application process for investment managers representing SM REITs, potentially reducing administrative burdens and time delays.
- 4. Enhanced Investor Protection:** The regulations aim to protect investors by imposing various conditions and requirements on SM REITs. These include compliance with regulatory provisions, adherence to the specified code of conduct, and ensuring transparency and disclosure in scheme offer documents. Such measures enhance investor confidence and trust in SM REIT investments.
- 5. Migration of Existing Entities:** The regulations provide provisions for existing entities with real estate assets to transition into SM REITs. This migration process is subject to specified timelines and requirements, ensuring a smooth transition while maintaining compliance with regulatory standards.
- 6. Market Discipline:** The regulations impose strict conditions on SM REITs regarding asset acquisition, leverage, disclosure, and related-party transactions. By ensuring compliance with these conditions, the regulations aim to promote market discipline, mitigate risks, and maintain the integrity of the real estate investment market.
- 7. Operational Requirements:** SM REITs are subject to various operational requirements, including maintaining a functioning website, adherence to lock-in requirements for units, and compliance with valuation and distribution norms. These requirements ensure transparency, accountability, and proper management of SM REIT operations.
- 8. Enforcement Mechanisms:** The regulations establish clear procedures and penalties for non-compliance, including rejection of registration applications, delisting of units, and imposition of interest payments for delays in distributions or allotments. Such enforcement mechanisms deter misconduct and promote adherence to regulatory standards.

Overall, the introduction of the Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2024, with a focus on SM REITs, aims to foster the growth and development of the real estate investment market in India while ensuring investor protection, market integrity, and regulatory compliance.

Note –

- Reg 26H Definitions
- Schedule IA – Form A (Application for Grant of Certificate of Registration as Small and Medium (SM) Real Estate Investment Trust)
- Form B (Certificate of registration as a SM REIT) and SCHEDULE IIA(Fees To be paid with respect to registration as SM REIT) refer to **Gazette Notification Number - CG-MH-E-08032024-252772**



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