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20th October, 2013

To,
Ms. Nila Salil Khanolkar
Assistant General Manager
Securities Exchange Board of India
Plot No.C4-A,'G' Block,
Bandra Kurla Complex
Bandra East
Mumbai -- 400051
India

Sub: Comments on the Consultation Paper on draft SEBI (Real Estate Investment Trusts) Regulations, 2013

Dear Ma'am,

With reference to the consultation paper issued by SEBI on the draft regulations for Real Estate Investment Trusts (REITs) in India, we herein provide our comments on the draft regulations.

About Vinod Kothari Consultants (VKC):
First, to give a little about ourselves, VKC is a training and consulting firm rendering services in the financial services space for almost 25 years now with specific focus on funds, structured finance, corporate finance, mortgage industry etc. Our firm has been providing trainings on REITs, commercial property financing etc internationally and have a fair idea of the REITs regulations internationally as well.

With this background REITs has been of specific interest to us in India and we greatly appreciate the initiative of the regulators to bring about regulations on REITs in India to facilitate rapid development of the real estate sector.

Our views on the draft REITs regulations:
On perusal of the draft regulations and study of the present legislations elsewhere in the world coupled with the existing legal framework in India for real estate financing, we are of the humble opinion that the proposed regulations on REITs may not meet the objective of facilitating the growth of investment vehicle such as REITs; on the contrary may defeat the purpose to a large extent. Also, we humbly submit that in our view several elements of the draft regulation are a compliance burden and are highly stringent for a fund structure. Our comments on the proposed regulations are as below:

1. **Income Distribution** -- Typically REITs globally, distribute substantial income of the REITs amongst its unit holders in the form of dividend and such distribution would act as a deduction from the taxable income of the REITs. Once a company qualifies as a REIT, all income distributed as dividend is allowed as a deduction from taxable income. The dividend so distributed is taxable in the hands of the investors. Further the tax rate on the dividend from REITs is lower than the tax rate on corporate dividends. This is other incentive for the investors to invest in REITs. This condition has a pretext to it.

   Typically a company investing in real estate, owning and operating real estate (popularly called Real Estate Operation Companies, REOC, elsewhere in the world) would be a company which would reinvest its earnings into the business rather than distributing them to the unit holders. REOC is a vehicle that pools in the income and ploughs back the income in the business rather than distributing it amongst investors. These companies have been in existence and are "***tax opaque structures;***" the investors seek capital gains rather than cashflows.

   The genesis of REITs was to shift the regime from a tax opaque structure to a "*tax transparent structures*". REITs came into existence somewhere around 1960s in the U.S. The intent was to create a vehicle which would be tax transparent or tax neutral and to examine new facilities for owning real estate. Hence REITs were formulated with the condition that the fund will distribute atleast 90% of its income to the investors. To the extent vehicle distributes the income, the income will be deducted from the taxable income of the REITs and taxed in the hands of the investors, making the REIT tax neutral as substantially all of its income is distributed. The structure of a vehicle pooling and distributing income was more tax transparent as opposed to pooling and not paying. With this condition REITs have been doing well in most parts of the world, incentivizing investors to make investments in such vehicles.

   However, Regulation 18 (12) of the draft regulations provides for the distribution of income of the REIT, **after tax**, to the unit holders and states that --

   > *(12) Not less than 90% of net distributable income* ***after tax (emphasis ours)*** *of the REIT shall be distributed as dividend to the unit holders;*

   For a vehicle which is tax transparent, distributing income after tax is meaningless as opposed to a taxable vehicle where the requirement for distribution is meaningless as the vehicle rather plough back the income into the business.

The distribution of almost all of the income of the REITs amongst its unit holders ***before tax***, has been the qualifying feature for REITs. If under the draft regulations the intent is to subject the gross income to distribution tax, it may kill the very essence of REITs and may not remain viable. Also the very reason for REITs to thrive globally has been the tax incentive for the investors and tax neutrality the REITs structure.

REITs structure cannot be any less beneficial than the company structure for making investment in real estate sector. If so was the case, the purpose of setting up REITs would be defeated completely.

2. **Investors continuing engagement** -- The draft regulations also require an active participation by the unit holders for several issues similar to that of a corporate set up. Several of the obligations of investors and issues on which managers may require unit holders consent under the draft regulations are as below:

a. Annual meeting for the investors is mandatory
b. Some of the matter on which consent of shareholders is required for:
   i. Where the total value of the related party transaction exceeds 5% of the value of the REIT, OR even where the rentals from the assets leased to related parties exceeds 5% of the rentals of the REIT,
   ii. REIT entering into a transaction of value exceeding 15% of the value of REIT assets,
   iii. Where the leverage exceeds 25% of the value of the REIT assets approval of the majority investors is required, apart from other conditions of mandatory credit rating requirement
   iv. Delisting of the units, change in manager/ sponsor, etc.
   v. Removal of manager, auditor, principal valuer and re-appointment.
   vi. Any issue in which the sponsor, manager or trustee is of the opinion that the consent of the unit holders is required.

Firstly, there seems to be no distinction on the matters of significance and general matters. There should be a distinction between special and ordinary matters/ business for the vehicle based on which the requirement for consent of the investors should be laid down.

Further, Regulation 22 (6) requires approval on several matters, including removal of managers by positive consent of from the unit holders from not less than 75% of the unit holders by value and number. This draft of the sub-regulation creates a tricky situation, wherein what if the remaining 25% are dormant unit holders and remain silent on a matter or decide not to vote? Hence, we recommend that the language of the regulation should read "*that the votes in favor should be 75% more than the votes against*."

3. **Leverage** – On the leverage issue, the draft regulations cap the leverage at 50% of the value of the assets and where the same exceeds 25% of the value of assets investors' approval would be required. The draft regulations require that the assets under REIT should not be less than Rs. 1000 crores. Further it requires the sponsors to have a holding of 25% of the units of the REITs at the time of initial offer. The REIT is also required to make a minimum public offer of 25% of the units. This would mean that the leverage can at the most be equal to the equity. This surely is not a case of "*excessive leverage*" on the contrary is clipping the possibility of leveraging in such a vehicle where investments are real estate assets.

   Internationally, most REITs make use of leverage. If REITs are tax transparent, use of leverage is akin to use of debt in a tax-free world. Debt to asset ratios in U.S was 0.64 and in Canada around 0.69 during 2008. Hence the leverage levels permitted under the draft regulations should be re-considered.

4. **Related party to REIT definition** – Regulation 2 (1) (d) defines to include any unit holder holding directly or indirectly more than 20% of the units of the REIT. The investors are the beneficiaries of the investment made by the vehicle, so merely on unit holding being more than 20% it cannot be inferred that the unit holder would qualify to be the related part to the REIT.

5. **Concentration norms for investment** – The draft regulations allow REIT to invest upto 100% of the corpus of the REIT into a single project. This is a high concentration risk that the REIT may be taking and in our opinion should be reconsidered. In the U.S Section 856 (c) of the United States Code lays down concentration limits for investments and does not permit REITs to invest all its investments in a single issuer.

6. **Delisting of units** – Regulation 17 of the draft regulations states that the trustee shall apply for delisting of units of REIT if the number of unit holders of the REIT other than related parties to the REIT falls below 20. Once the units are delisted the REIT will have to surrender its certificate of registration. There may not be any rationale for correlating

the '*number*' of unit holders with broad basing of investor base, rather it may be on the value of the unit holding; that is, if the concentration of the unit holding in value and not in numbers is concentrated to a selected few, the REIT would have to go for delisting.

7. **Cap on income from related party investment** – Regulation 19 (5) (b) and (c) require prior approval of the unit holders where a related party transaction is entered after the initial offer. Regulation 19 (5) (b) says --
   i. the total value of all the related party transactions pertaining to acquisition/sale of properties or investments into securities exceeds 5% of the value of REIT; **or**
   ii. **the rentals from all assets leased to related parties exceeds 5% of the total rentals of the REIT; or *(emphasis ours)***
   iii. the value of the funds borrowed from any related party exceeds 5% of the total consolidated borrowings of the REIT.

   Where the limits stated above are breached, consent of the 3/4th of the unit holders in value and number will be required to proceed. In such a scenario, we are of the opinion that there should not be any limit on the income earned from the related party transaction and the same should not be regulated while there could be a cap on the value of transaction undertaken and funds borrowed.

In toto the draft regulation has issues which might result in defeating the purpose of setting up a facilitating legal framework for REITs in India.

Further, under the existing framework of law, investments in real estate assets can be done by a) setting up a collective investment scheme registered, b) as alternative investment fund or c) as real estate mutual fund scheme. Each of these regulations has its own stringent norms, regulatory and compliance issues. A comparative of the SEBI regulations applicable to each of these entities is provided in Annexure I – Regulatory framework for investment in Real Estate in India.

The draft regulations for REITs being more stringent on the fund structure in comparison to the existing fund regulations, tax disincentives, increasing the compliance burden, requiring active participation of the investors gives an impression that the regulation will kill the REIT industry in India rather than facilitating it. We have done a comparative on the legal framework existing in U.S and Singapore with the regulations proposed in India in Annexure II -- REITs framework in other countries to this document.

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We humbly request you to consider our concerns, do the needful and oblige. Should there be a need for further discussion and explanation from our end on any of the above mentioned points, we shall be happy to deliberate.

Thanking you,
Yours faithfully,
For Vinod Kothari Consultants P Ltd

(Nidhi Bothra)

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Annexure I – Regulatory framework for investment in Real Estate in India

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
Year of Introduction	2013	1999	2012	2008
Governing Code	SEBI (Real Estate Investment Trusts) Regulations, 2013 [*Draft*]	SEBI (Collective Investment Schemes) Regulations, 1999	Securities And Exchange Board of India (Alternative Investment Funds) Regulations, 2012	SEBI (Mutual Fund) Regulations, 1996
Legal Structure	Trust set up under Indian Trusts Act, 1882 and registered under the provisions of Registration Act, 1908.	Scheme shall be constituted in the form of a trust and registered under the provisions of Registration Act, 1908.	AIFs can be set up in the form of a trust / company / LLP / a body corporate.	Scheme shall be constituted in the form of a trust.
Parties	a. Sponsor b. Trustee c. Manager d. Principal Valuer	a. Collective Investment Management company (CIMC) b. Trustee c. Appraising agency	a. Manager b. Sponsor c. Trustee	d. Sponsor e. Trustees f. Asset Management Companies (AMC) g. Real Estate Valuer
Corpus/ assets of the fund	Rs. 1000 crores assets	-	Rs. 20 crores per scheme	-
Listing requirement	Mandatory	Mandatory	Units of close ended AIFs to be listed.	Mandatory
Types of Schemes	No scheme applicable	CIS to launch only close-ended schemes.	Category I and II AIFs shall be close ended with their schemes having a	Close ended only.

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
		About the schemes: a. No scheme to be launched without prior consent of trustee and without appraisal by appraising company. b. Duration of the scheme cannot be less than 3 calendar years. c. Insurance policy required for protection of scheme property. d. Scheme to not guarantee returns. e. Every scheme is to be advertised.	minimum tenure of 3 years. Category III Alternative Investment Fund may be open ended or close ended.	a. The units issued by a real estate mutual fund scheme shall not confer any right on the unit holders to use the real estate assets held by the scheme and any provision to the contrary in the trust deed or in the terms of issue shall be void. b. The title deeds pertaining to real estate assets held by a real estate mutual fund scheme shall be kept in safe custody with the custodian of the mutual fund. c. A real estate mutual fund scheme shall not undertake lending or housing finance activities.
Investment conditions	Permissible investments: a. Securities or properties in India b. Investments could be directly or through an SPV i. SPV shall hold not less than 90% of their	Permissible investments: a. Subscription of money or money's worth to the scheme b. Property acquired directly/ indirectly c. Income arising from a. and b. Not permissible investments:	General Conditions: a) AIFs may invest in securities of companies incorporated outside India subject to SEBI and RBI regulations. b) Category I and II AIFs are not permitted to invest more than	Permissible Investments: a. Immoveable property which is legally transferable, free from encumbrances, evidenced by valid title documents and not a subject matter of litigation.

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
	assets in such properties and shall not invest in other SPVs c. Not less than 90% of the value of the REIT assets shall be invested in completed and rent generating properties. d. Not more than 10% of the value of the REIT property shall be invested in: i. Developmental properties ii. Listed or unlisted debt of companies iii. Mortgage backed securities iv. Equity shares listed on stock exchange and not less than 75% of their revenues are from real estate activity. v. Government securities vi. Money market instruments or cash equivalents. e. Investment upto 100% of	a. Launch schemes for the purpose of investing in securities. a. Invest the funds for purposes other than the objective of the scheme. b. Invest corpus of a scheme in other schemes. c. Invest in any schemes floated by it (may invest in its own scheme provided there is a disclosure in the offer document and it does not charge any fee for its investment in that scheme).	25% of the investible funds in one Investee Company. c) Category III AIFs shall invest not more than 10% of the corpus in one Investee Company. d) AIF shall not invest in associates except with the approval of 75% of investors by value of their investment. e) Un-invested portion of the corpus may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, CBLOs, Commercial Papers, Certificates of Deposits, etc. till deployment of funds as per the investment objective. Since investments in real estate are covered under Category II AIFs (i.e. investments through private equity funds), there are additional investment conditions applicable.	Concentration Norms: Atleast 35% of the net assets of the scheme to be invested directly in real estate assets. • Subject to the above, atleast 75% of the net assets of the Scheme shall be invested in: i. real estate assets; ii. mortgage backed securities (but not directly in mortgages); iii. equity shares or debentures of companies engaged in dealing in real estate assets or in undertaking real estate develop. • Balance in other securities. Other Concentration norms: a. Not more than 30% of the

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
	the corpus of REIT in a single project Not permissible investments: a. Vacant land or agricultural land. b. Mortgages other than mortgage backed securities. c. Shall not invest in units of other REITs.			net assets in a single city and not more than 15% of its net assets in a single real estate project. b. Any unlisted security of the sponsor or its associate or group company c. Any listed security issued by way of preferential allotment by the sponsor or its associate or group company. d. Any listed security of the sponsor or its associate or group company, in excess of twenty five per cent of the net assets of the scheme. e. Any listed security of the sponsor or its associate or group company, in excess of twenty five per cent of the net assets of the scheme. Not permissible investments: a. Project under construction

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
				b. Vacant land c. Deserted property d. Land specified for agricultural use e. Property reserved for or attached by government or any other authority.
Revenue Restrictions	Not less than 75% of the revenues of the REIT other than gains arising from disposal of properties shall be from rental, leasing and letting real estate assets at all times	-	-	a. The asset management company may let out or lease out the real estate assets held by the real estate mutual fund scheme if the term of such lease or letting does not extend beyond the period of maturity of the scheme. b. Not more than 25% of the total rental income of the scheme shall be derived from assets so let out.
Distribution of Income	Atleast 90% of the net distributable income after tax of the REIT shall be distributed as dividend to the unit holders.	-		-
Mode of Investment in	Directly or through SPVs holding atleast 90% of	-	-	-

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
properties	their assets directly in such properties			
Location Restrictions	REIT shall only invest in assets based in India.	-	-	REMF shall invest in property in India only.
Initial offer restrictions	a. Value of REIT assets should be atleast Rs.1000 crores. b. Minimum offer size should be atleast Rs.250 crore. c. Minimum public float should be of 25%	-	No offer to public	-
Minimum Subscription and unit size	Under both the initial offer and follow-on public offer, minimum subscription amount shall be atleast Rs. 2 lakhs. The unit size shall be of Rs. 1 lakh.	-	Minimum subscription per investor is Rs. 1 crore. Investments by employees or directors of the AIF or employees or directors of the Manager shall have a minimum investment of Rs. 25 lakhs.	-
Borrowings and Deferred payments	a. The aggregate consolidated borrowings and deferred payments of the REIT shall never	-	Category II AIFs shall not borrow or engage in leverage except for meeting temporary funding requirements for not more than 30 days, not more than 4 times in a year	

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
	exceed 50% of the value of the REIT assets. b. If the aggregate consolidated borrowings and deferred payments of the REIT exceed 25% of the value of the REIT assets, for any further borrowing a) credit rating shall be required and b) approval of unitholders shall be required.		and not more than 10% of corpus.	
Transaction with related parties	Permitted subject to fulfillment of conditions specified in Regulation 19.	Not permitted	-	Permissible subject to conditions as stated in 'investment conditions'
Disclosure requirements	Reporting by manager: a. Manager to report to trustees quarterly on the activities of REIT including receipt of all funds received by it, valuation reports, compliance. b. Manager to ensure that the computation and declaration of the NAV of the REIT not	a. CIS to report to trustees on the activities/ compliances to the trustees, 1 month from end of each quarter b. CIS to report to trustees and SEBI i. Directors and their interests 15 days from appointment ii. Change in interest of directors, 15 days from such change	Disclose to the investors the following: a. financial, risk management, operational, portfolio, and transactional information regarding fund investments shall be disclosed periodically to the investors; b. any fees ascribed to the Manager or Sponsor; and any fees charged to the AIF or any	Not specific to REMF

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
	later than 15 days from the date of such valuation. The computation shall be done not less than once every six months. c. Manager to ensure that the REIT's accounts are audited not less than twice every year and submitted to exchanges within 45 days of end of such half-year. d. Manager shall place before SEBI report on performance and activity of REIT every six months. Disclosures to be made to SEBI where: a. Total value of all related party transactions pertaining to acquisition/ sale of	CIMC shall: c. Quarterly reports to trustee on its activities and the position regarding compliance with these regulations, within 1 month from the expiry of the quarter. d. File with the trustees and SEBI: i. Directors and their interests 15 days from appointment ii. Change in interest of directors, 15 days from such change e. Furnish a copy of annual accounts to unit holders, 2 months from closure of financial year. b. Such other information/ documents to trustees and SEBI concerning the schemes. Trustee shall review: a. On a quarterly basis all activities carried out by the CIMC. b. Periodically all service	investee company by an associate of the Manager or Sponsor shall be disclosed periodically to the investors; c. any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction, as and when occurred; d. any material liability arising during the AIF's, as and when occurred; e. any breach of a provision of the placement memorandum or agreement made with the investor or any other fund documents, if any, as and when occurred; f. Manager or Sponsor shall disclose their investment in the AIF to the investors g. change in control of the Sponsor or Manager or Investee Company. h. AIF shall provide atleast on an annual basis, within 180 days from the year end, reports to investors including the	

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
	properties/ investments in securities does not exceed 5% of the value of the REIT. b. The total value of all the related party transactions pertaining to acquisition/sale of properties or investments into securities exceeds 5% of the value of REIT. c. The value of the funds borrowed from any related party exceeds 5% of the total consolidated borrowings of the REIT. Other reporting requirements: a. The REIT shall submit an annual report to all its unit holders not less than 2 months from the end of the financial year. b. The REIT shall submit a	contracts relating to registrars to an issue and share transfer agents and satisfy itself that such contracts are fair and reasonable in the interest of the unit holders. Trustee to report to SEBI on: a. Activities of the Scheme. b. Furnish a certificate stating that the trustee has satisfied himself that affairs of the CIMC and of the various schemes are conducted in accordance with these regulations and investment objective of each scheme. c. Any matter that would have a materially adverse effect on the interests of the unit holders.	following information, as may be applicable to the AIF:- A. financial information of investee companies. B. material risks and how they are managed which may include: (i) concentration risk at fund level; (ii) foreign exchange risk at fund level; (iii)leverage risk at fund and investee company levels; (iv) realization risk (i.e. change in exit environment) at fund and investee company levels; (v) strategy risk (i.e. change in or divergence from business strategy) at investee company level; (vi) reputation risk at investee company	

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
	half-yearly report to all its unit holders not less than 1 month from the end of the every half year ending March and September. c. The REIT shall disclose to the stock exchanges any information having bearing on the operation/performance of the REIT as well as price sensitive information.		level; (vii) extra-financial risks, including environmental, social and corporate governance risks, at fund and investee company level.	
Unit holders meeting	Annual meeting of the members is mandatory. Consent of shareholders is required for: c. Where the total value of the related party transaction exceeds 5% of the value of the REIT, OR even where the rentals from the assets leased to related parties exceeds 5% of the rentals of the REIT, d. REIT entering into a transaction of value	The trustee shall convene a meeting of the unit holders: a. Wherever required by SEBI in the interest of the unit holders b. Requisition made by unit holders holding atleast 1/ 10th nominal value of unit capital of any scheme c. Change in any fundamental attributes of the scheme affecting the interest of the unit holders (no such change shall be carried out without consent of	-	-

Regulation Requirement	REITs regulation (Proposed)	CIS regulations	AIF regulations	Chapter VI – A Real Estate Mutual Fund Schemes
	exceeding 15% of the value of REIT assets, e. Where the leverage exceeds 25% of the value of the REIT assets approval of the majority investors is required, apart from other conditions of mandatory credit rating requirement f. Delisting of the units, change in manager/ sponsor, etc.	unit holders holding atleast 3/4th nominal value of unit capital of any scheme		
Credit Rating	Mandatory where leverage restrictions are infringed.	Mandatory	-	-

Annexure II -- REITs framework in other countries

REITs have been used as a common vehicle for investments in real estate sector globally. REITs are collective investment devices that invest in income earning real estates. Globally it is understood that REITs are managed by professional managers who understand the real estate sector well and allows retail investors to take exposure in properties which they would otherwise not be able to take exposure in.

In India so long, investment in property has been permissible under the SEBI (Collective Investment Schemes), Regulations, 1999. Considering the importance REITs play globally on providing retail investors an option to have exposure in the sector, REITs regulations were proposed in 2008[1] which did not take effect as regulations.

The regulations on REITs are being re-considered and SEBI on 10th October, 2013, issued a Consultation paper on draft SEBI (Real Estate Investment Trusts) Regulations, 2013[2] inviting public comments on the same latest by October 31, 2013.

While the draft regulation appears to have completely missed the essence of REITs, but several of the principles are borrowed from international regulations. Below we do a comparative of the US and Singapore regulations[3] and comparing it to that as proposed in India.

Comparative Chart on REIT Regulations – US v/s Singapore v/s India (Proposed Structure)

Regulation Requirement	India (Proposed)	USA	Singapore
Year of Introduction	2013	1960	2002
Governing Code	SEBI (Real Estate Investment Trusts) Regulations, 2013	Real Estate Investment Trust Act, 1960, Section 856 of IRC	Securities and Futures Act (SFA), Monetary Authority of Singapore (MAS) - Code of Collective Investment Schemes (guidelines for Property Funds)
Legal Structure	Trust set up under Indian Trusts Act, 1882	Corporation, trust of association	Trust
Listing	Mandatory	Not mandatory	Not mandatory

1 http://www.sebi.gov.in/commreport/RealEstateReg.pdf
2 http://www.sebi.gov.in/cms/sebi_data/attachdocs/1381398382013.pdf
3 http://www.mas.gov.sg/~/media/resource/legislation_guidelines/securities_futures/sub_legislation/RevisedCode30Sep2011final.pdf

Regulation Requirement	India (Proposed)	USA	Singapore
requirement			
Investment conditions	At least 90% of the value of the REIT assets[4] shall be in completed rent generating properties[5].	At least 75 percent of its gross income from real estate related sources, including rents from real property and interest on mortgages financing real property or At least 95 percent of its gross income from such real estate sources and dividends or interest from any source.	At least 75% of the property fund's deposited property should be invested in income-producing real estate
Other Permissible Investments	• Developmental properties[6]; • Listed or unlisted debt of companies; • mortgage backed securities; • Equity shares of companies listed on a recognized stock exchange in India which derive not less than 75% of their revenues from Real Estate activity; • Government securities; • Money market instruments or Cash equivalents;	-	• real estate-related assets, wherever the issuers/assets/securities are incorporated/ located/issued/ traded; • listed or unlisted debt securities and listed shares of, or issued, by local or foreign non-property corporations; • government securities (issued on behalf of the Singapore Government or governments of other countries) and securities issued by a supranational agency or a Singapore statutory board; and • cash and cash equivalent items Not more than 5% of the property fund's deposited

[4] "REIT assets" means real estate and other assets held by the REIT whether directly or through a Special Purpose Vehicle

[5] 'rent generating property' shall mean property of which not less than 75% of the area has been rented/leased out

[6] Provided that such investment shall only be in properties which shall be held by the REIT for not less than three years after completion and shall be leased out;

Regulation Requirement	India (Proposed)	USA	Singapore
			property may be invested in any one issuer's securities or any one manager's funds. A corporation and its subsidiary companies are regarded as one issuer or manager.
Revenue Restrictions	Not less than 75% of the revenues of the REIT other than gains arising from disposal of properties shall be from rental, leasing and letting real estate assets at all times	Sec. 856 (c) (2) of IRC lays the minimum income from real asset and financial investments of the REIT (Atleast 95%), while sec. 856 (c) (3) lays down the minimum income from real-estate related assets (Atleast 75%)	A property fund should not derive more than 10% of its revenue from sources other than: a) rental payments[7] from the tenants of the real estate held by the property fund; or b) interest, dividends, and other similar payments from SPVs and other permissible investments of the property fund.
Shareholder restriction	-	• Minimum of 100 shareholders • no more than 50 percent of its shares held by five or fewer individuals during the last half of the taxable year	-
Distribution of Income	Atleast 90% of the net distributable income after tax of the REIT shall be distributed as dividend to the unit holders.	at least 90 percent of its taxable income in the form of shareholder dividends	Any distributions made by S-REITs to foreign or local investors shall be exempt from tax provided atleast 90% of the taxable income is distributed
Mode of Investment in properties	Directly or through SPVs holding atleast 90% of their assets directly in such properties		Direct ownership or a shareholding in an unlisted special purpose vehicle ("SPV") constituted to hold or own real estate

[7] Rental payments include income that is ancillary or incidental to the leasing of real estate such as income from use of signage space and advertising contributions by tenants.

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Regulation Requirement	India (Proposed)	USA	Singapore
Location Restrictions	REIT shall only invest in assets based in India.	No such restriction	Can invest both, in or outside Singapore.
Non permissible investment	Vacant land or agricultural land or mortgages other than mortgage backed securities.	-	Vacant land and mortgages (except for mortgage-backed securities)
Permitted investment in a single project	100% of the corpus of the REIT, subject to the condition that minimum size of such asset is not less than Rs. 1000 crore	Concentration limits has been laid down in Para 4 (B) of Section 856 (c)	-
Initial offer restrictions	• REIT should be registered with SEBI • Value of REIT assets[8] should be atleast ` 1000 crores. • Minimum offer size should be atleast ` 250 crore. • Minimum public[9] float should be of 25%	-	• Minimum asset size of S$20 million (For REITs denominated in foreign currency the minimum asset size is of at least US$20 million); • Atleast 25% of the units are to be held by 500 public unit holders
Minimum Subscription and unit size	Under both the initial offer and follow-on public offer, minimum subscription amount shall be atleast ` 2 lakhs. The unit size shall be of ` 1 lakh.	-	-
Borrowings and Deferred payments	• The aggregate consolidated borrowings and deferred payments of	-	• The total borrowings and deferred payments[10] (collectively, the "aggregate leverage") of

[8] "Value of the REIT assets"means aggregate value of all the assets under the REIT as assessed by the valuer
[9] 'public' shall not include any related party to the REIT or any person as may be specified by the Board
[10] Deferred payments include deferred payments for assets whether to be settled in cash or in units in the property fund.

Regulation Requirement	India (Proposed)	USA	Singapore
	the REIT shall never exceed 50% of the value of the REIT assets. • If the aggregate consolidated borrowings and deferred payments of the REIT exceed 25% of the value of the REIT assets, for any further borrowing: (a) credit rating shall be obtained from a credit rating agency registered with SEBI; and (b) approval of unit holders shall be obtained in the manner specified.		a property fund should not exceed 35% of the fund's deposited property. • The aggregate leverage of a property fund may exceed 35% of the fund's deposited property (up to a maximum of 60%) only if a credit rating of the property fund from Fitch, Moody's or Standard and Poor's is obtained and disclosed to the public. • The property fund should continue to maintain and disclose a credit rating so long as its aggregate leverage exceeds 35% of the fund's deposited property.
Cap on income from other sources	25%		10%
Investment in units of other REITs	Not permitted		Permitted
Transaction with related parties	Permitted subject to fulfillment of conditions specified in Regulation 19.		Permitted subject to fulfillment of conditions specified in Paragraph 5