

Feedback Received on Consultation Paper – Improvement in Real Estate Investment Trust (REIT) Regulations, 2022

Sr.	Relevant Area	Relevant Proposal	Stakeholder's Comment	Stakeholder's Name
1.	Definition of Accredited investors	6(i)(a) The definition of Accredited Investors is proposed to be expanded to include Limited Liability Partnerships (LLP) and other registered partnership.	We agree to the proposed changed.	AKD RMC
2.			Will increase the qualified investor base and will be helpful for REITs	Faysal Funds
3.			We agree to the proposal in Consultation paper 6(i)(a)	Arif Habib Dolmen RMC
4.			We agree to the proposal in Consultation paper 6(i)(a) The concept of accredited investors would improve the overall funding for a REIT; however the definition should have further clarity to determine the eligibility criteria for the LLPs and registered partnerships to be an accredited investor. For instance, imposing a minimum capital condition below which a partnership cannot be an accredited investor.	Banking Sector
5.	Definition of Borrowing	6(i)(b) Scope of borrowing can be expanded to enable a REIT Scheme to borrow from its associated companies/associated undertakings.	We agree to the proposed changed.	AKD RMC
6.			Increasing borrowing avenues will help REITs in getting favorable terms.	Faysal Funds
7.			In continuation with 6(i)(b) of consultation paper we propose to add: "directors / sponsors" to the definition	Arif Habib Dolmen RMC
8.			In continuation with 6(i)(b) of consultation paper it is proposed to add: "directors / sponsors" to the definition	Anonymous
9.			We suggest the proposal in Consultation paper 6(i)(b) should be carefully reviewed. Considering the nature of transaction which is related party transaction that may create additional avenues for leverage (borrowings other than banks). Further there needs to be monitoring controls for the such transactions to be at arm's length and no priority of payments other than in the ordinary course of business.	Banking Sector
10.			Scope of Borrowing can be further expanded by defining cap on gearing threshold in the light below: "An RMC shall not solicit, arrange or obtain any borrowing before registration of the Trust Deed, except Borrowing that has already been obtained against the Real Estate. The borrowing shall not exceed more than 50% of the REIT fund size."	JS Investments Ltd.
11.			Further clarity is required on what additional checks will be proposed for ensuring these related party transactions are conducted on an arm's length basis.	Banking Sector
12.			Limitations on borrowing for residential REITs: • I would strongly urge the SECP to practice its regulatory right to strictly monitor any leveraging or borrowing through associated company assets to be commercial only	Ammaz Khan

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			<ul style="list-style-type: none"> No REIT may use borrowed assets to purchase real estate to further create new rental households. 		
13.	Definition of Customer Advances	6(i)(c)	We agree to the proposed changed.	AKD RMC	
14.		It is being contemplated that clarity may be provided through the definition of customer advance in the REIT Regulations, to clearly pronounce that an SPV can receive customer advances against sale of real estate in case a REIT Scheme is executed in SPV structure. At present, customer advances are only allowed in the name of the REIT Scheme, which is causing operational difficulties for REIT Schemes being executed in SPV structure.	Allowing SPV to receive Customer Advances will enable REITs isolate REIT projects in SPVs and keep operations of SPV ringfenced.	Faysal Funds	
15.		We agree to the proposal in Consultation paper 6(i)(c)		Arif Habib Dolmen RMC	
16.		We agree to the proposal in Consultation paper 6(i)(c)		Banking Sector	
17.	Definition of Financial Close	6(i)(d)	We agree to the proposed changed.	AKD RMC	
18.		It is being deliberated that the concept of financial close may be omitted from the REIT Regulations.	Linking transfer of Real Estate and public listing to REIT Registration will compel RMCs to register REITs with high expectation of achieving project goals and success.	Faysal Funds	
19.		We agree to the proposal in Consultation paper 6(i)(d)		Arif Habib Dolmen RMC	
20.		To encourage timely listings and make REITs a viable capital market asset class, the timeline for transfer of real estate and listing of REIT Scheme may be linked to the date of registration of REIT Scheme. Concept of financial close would resultantly become redundant and can accordingly be omitted from the REIT Regulations	We agree to the proposal in Consultation paper 6(i)(d)		Banking Sector
21.		As it is often not possible to have the requisite funding available at the time of registration of the REIT Scheme, using the date of such registration to determine the timeline for transfer of real estate in the name of the REIT Scheme can create problems. We propose that instead of the current definition of "financial close" appearing in the REIT Regulations, a narrower definition of "financial close" may be used by linking it to the concept of commitments for the Initial REIT Size (i.e. the initial capital size (monetary value) of the REIT Scheme. as may set out in the Trust Deed), as suggested below: "Financial Close" means the date declared by the RMC and notified by the RMC to the Unit Holders in writing as the financial close of the REIT Scheme, provided that Financial Close shall only be			Anonymous

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			<p>declared on or after the date on which aggregate investment commitments for the Initial REIT Size have been received.</p> <p>With such an amended definition of financial close, timelines for transfer of real estate in the name of the REIT Scheme may continue to be linked to financial close. Subsequently, timelines for listing of REIT Units may then be linked to the transfer of real estate in the name of the REIT Scheme.</p>	
22.	Definition of REIT Project	6(i)(e) Clarity is proposed to be added in the definition of REIT project to emphasize that income of a REIT Scheme from the REIT project shall only be in the form of rental incomes or capital gains or a combination thereof.	<p>We agree to the proposed changed.</p> <p>REIT Project: Clarity is proposed to be added in the definition of REIT project to emphasize that income of a REIT Scheme from the REIT project shall only be in the form of rental incomes or capital gains or a combination thereof.</p>	AKD RMC
23.		Clarity is proposed to be added in the definition of REIT project to emphasize that income of a REIT Scheme from the REIT project shall only be in the form of rental incomes or capital gains or a combination thereof.	<p>The revenue sources from the mentioned REIT projects type in REIT regulations cannot be limited to Rental Income and Capital Gain only:</p> <ol style="list-style-type: none"> 1. Residential Development REIT: The primary source of revenue for this type of REIT shall be sale of residential units Examples: Naya Nazimabad Apartment REIT, Globe Residency REIT, TPL REIT Fund I 2. Retail Rental REIT: A rental REIT operating a mall would have majority of its revenue from rental income, but shall include ancillary income from marketing, parking and other activities. Examples: Simon Property Group, Federal Realty Investment Trust. Realty Income Corp, Slate Retail REIT, Cedar Realty Trust, Arif Habib Dolmen City REIT. 3. Hospitality REITs: REITs which operate Hospitality REITs around the globe generate revenue from: <ol style="list-style-type: none"> a. Room rental b. Food & Beverage Revenue c. Guest Transportation d. Amenities including water sports, SPA and others Examples: APLE Apple Hospitality REIT, RLJ Lodging Trust, Pebblebrook Hotel Trust, Sunstone Hotel Investors 4. Telecom Infrastructure REITs: REIT operating Telecom Towers assets on yielding basis have primary source of revenue from rental but is also supported by the following ancillary income: <ol style="list-style-type: none"> a. Revenue from providing primary and secondary power sources b. Leasing of Equipment c. Security provision at site d. Hosting Fee e. Construction management f. DAS (Distributed Antenna System) Revenue 	Anonymous

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			<p>Examples: American Towers, Crown Castle, SBA Communications</p> <p>5. Data Center REITs: The primary source of revenue for Data Center REITs is rental income but is supported by various other ancillary revenue sources:</p> <ul style="list-style-type: none"> a. Management agreements b. Property and construction management service c. Sale of Assets d. Revenue against provision of power supply <p>Examples: Digital Reality Trust, Digital Core REIT, Keppel DC REIT, Mapletree Industrial Trust</p> <p>The above mentioned limitation on revenue sources for REITs are very restrictive in nature since not all REITs are supported by 100% rental income, but are usually supported by ancillary income which make them attractive for investors.</p>	
24.			We agree to the proposal in Consultation paper 6(i)(e)	Banking Sector
25.			Clarity on revenues of REITs from Rent or Capital Gains will keep the revenue scope clear and help in REIT Project planning.	Faysal Funds
26.			We agree to the proposal in Consultation paper 6(i)(e).	Arif Habib Dolmen RMC
27.			<p>The diverse revenue sources from following different type of REIT projects should be covered in the regulation:</p> <ul style="list-style-type: none"> 1. Residential Development REIT 2. Retail Rental REIT 3. Hospitality REITs 4. Infrastructure* REITs <p>*The types of Infrastructure REITs should be clearly defined in the regulation, i.e. Telecom Infrastructure, Data Centre, Healthcare Infrastructure. However, it is proposed that any energy or renewable projects should be excluded from the definition of Infrastructure REIT as these are already governed under stringent regulatory regimes.</p>	Banking Sector
28.			<p>Our clients have informed us that a REIT Scheme can often have income from sources other than rental income and capital gains and are of the view that the tax exemption ought to apply to all income of the REIT Scheme.</p> <p>In any event, the proposed change is likely to result in legal controversies as to the amount of revenues that are allocable to a particular source of income.</p>	Anonymous
29.			I fully support clarity of the matter in which income is generated, but I have more reservations about the nature of residential REITs and their income generation.	Ammaz Khan
30.		6(i)(f)	We agree to the proposed changed	AKD RMC

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31.	Definition of Trustee	It is envisaged that the definition of Trustee and eligibility criteria for trustee can be modified so that a trustee already registered under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) is eligible to act as trustee of a REIT Scheme.	Appropriate	Faysal Funds
32.			We agree to the proposal in Consultation paper 6(i)(f)	Arif Habib Dolmen RMC
33.			We agree to the proposal in Consultation paper 6(i)(f) that a single point of registration should exist, however instead of replacing the definition we can retain the part where we define who can act as Trustee to under these regulations.	Banking Sector
34.	Material Deviation from Trust Deed	6(ii)(a) Approval of the Commission in case of material deviation from standard format of the trust deed can be discontinued.	We agree to the proposed change Approval of Material Deviation in Trust Deed: the concept of material deviation along with requirement of seeking approval for the same from the Commission can be deleted.	AKD RMC
35.			Regulators should have an oversight if there is a material deviation but the approval can be eliminated in case where Trust Deed is as per the given standard format in regulations.	Faysal Funds
36.			We agree to the proposal in Consultation paper section 6(ii)(a)	Arif Habib Dolmen RMC
37.			We suggest the proposal in Consultation paper section 6(ii)(a) to be reviewed .	Banking Sector
38.			The existing procedure for the registration of trust deeds and REIT schemes can be lengthy and complex, potentially discouraging new entrants. Proposed Changes: - Simplify the trust deed registration process by introducing a standardized electronic submission system such as PRIDE introduced for PSX. - Implement a pre-approval system where the basic structure and compliance of the trust deed can be reviewed and approved in principle before formal submission.	Banking Sector
39.		Commission approval must be in place.	Banking Sector	
40.	NOC on name of REIT Scheme	6(ii)(b) To facilitate RMCs by addressing issues in the naming convention of REIT Schemes, RMCs should be required to obtain NOC from the Commission regarding name of the REIT scheme,	We recommend some amendment in the proposed consultation paper clause The name of the proposed REIT is the discretionary of Sponsor and RMC to select the name of the REIT scheme in view to take the benefit of his goodwill. We recommend that the SECP should display all the names of the registered REIT Scheme which has already been selected in its web portal to avoid the discrepancy of the same name. In case of duplication SECP must informing the RMC to change the duplicate name rather than to take NOC.	AKD RMC

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41.		prior to proceeding with registration of the trust with the relevant trust authorities.	No objection on name of the Trust/REIT Scheme should be given in the NOC issued under the relevant trust laws.	Zameen RMC
42.			We submit that the amendment proposed in Consultation paper section 6(ii)(b) be deleted.	Arif Habib Dolmen RMC
43.			Amendment proposed in consultation paper section 6(ii)(b) should be deleted	Anonymous
44.			We submit that the amendment proposed in Consultation paper section 6(ii)(b) be reviewed. As an alternate, the commission can publish the list of registered REIT schemes on its website and add a general criterion in place of an NOC requirement , considering ease of doing business for the REITs.	Banking Sector
45.			Appropriate to avoid similar or duplicate names.	Faysal Funds
46.			While the intent of the proposed change is welcome, we suggest the SECP may facilitate an online database, wherein the name availability may be confirmed, as is available in the context of companies. Moreover, a negative criterion, may be introduced in the REIT Regulations. This will avoid adding another NOC from the SECP.	Anonymous
47.	Consent of Trustee on IM		6(ii)(c) Clarity can be added in the process flow for registration of REIT Scheme by reinforcing that RMC shall prepare the Information Memorandum (IM) and obtain consent of Trustee on the same prior to submission of IM to the Commission.	Preparation of IM is the responsibility of RMC which includes the project detail, financial information, technical information and other details of the project for which RMC and sponsor are responsible. This matter is directly related to the business plan and the success of the project which is the main responsibility of the RMC and the sponsor. This IM is subsequently be submitted to SECP. So, consent of the trustee on IM must not be required.
48.		Appropriate		Faysal Funds
49.		Regarding Consultation paper section 6(ii)(c), we submit that consent of the Trustee on the Information Memorandum must not be required.		Arif Habib Dolmen RMC
50.		Consent of the Trustee on the Information Memorandum should not be required		Anonymous
51.		We agree to the proposal in Consultation paper section 6(ii)(c).		Banking Sector
52.		Approval for Registration of REIT Scheme		6(ii)(d) To streamline the registration process for REIT Scheme, approval of the Commission for registration of REIT Scheme may be reinstated.
53.	Appropriate.		Faysal Funds	
54.	We agree to the proposal in Consultation paper section 6(ii)(d).		Arif Habib Dolmen RMC	
55.	We agree to the proposal in Consultation paper section 6(ii)(d).		Banking Sector	

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56.	Public Offering and listing of REIT Units.–	(a) <u>Listing of REIT Scheme</u> : The timeline for transfer of real estate/shares of SPV in the name of the REIT Scheme can be linked to the date of registration of REIT Scheme, whereas the timelines for mandatory listing of a REIT Scheme can be linked to the transfer of real estate/shares of SPV in the name of REIT Scheme.	Views: Delays in listing REIT schemes can hinder investor confidence and liquidity. Proposed Changes: - Introduce incentives such as reduced listing fees for REIT schemes that achieve early listing within the mentioned time period of three years	Banking Sector
57.			The linking of timeline for mandatory listing of REIT Schemes with transfer of real estate in the name of REIT Scheme instead of Financial Close is a positive initiative and will enhance the number of listings and shall make REITs a viable capital market asset class opening more avenues for retail investors.	PSX
58.			"SPV to keep its money deposited with bank having minimum AA rating" As per the regulations Trustee can be a scheduled bank with AA- rating. Hence, the same rating requirement for depositing money should be considered to remove any inconsistency. Further, excluding Banks with AA- rating will exclude several financially sound banks and limit the banking options available.	Banking Sector
59.			We agree to the proposed change.	AKD RMC
60.			The timelines for listing of the REIT Scheme may be linked to the transfer of real estate as proposed in the Consultation Paper. This should, however, be subject to the timelines for transfer of real estate being linked to financial close (the definition of which is proposed to be revised, as set forth above).	Anonymous
61.			Cascading the deadlines i.e. linking deadline for transfer of real estate with registration of REIT and that of listing of REIT with transfer of real estate will be beneficial for unit holders and will provide regulatory milestones to adhere. Alternately, 6(i)(d) is achieving the similar objective by linking both tasks to registration. Listing of Development/Hybrid REIT within 3 years of transfer of Real Estate/SPV Shares - Defining listing deadline will be beneficial for the unit holders. Listing of REITs other than Development/Hybrid within 1 years of transfer of Real Estate/SPV Shares - Defining listing deadline will be beneficial for the unit holders.	Faysal Funds
62.			We agree to the proposal in Consultation paper section 6(iii)(a) to the extent that transfer of Real Estate / Shares of SPV be linked to the date of registration of the REIT Scheme. We further submit that the timeframe of listing of a Rental REIT should remain at a maximum of 3 years from the date of Transfer of Real Estate/ Shares of SPV.	Arif Habib Dolmen RMC
63.	The timeframe of Listing of a Rental REIT should remain at a maximum of 3 years from the date of Transfer of Real Estate / Shares of SPV.	Anonymous		

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64.			We submit that the timeframe of listing of a Rental REIT should remain at maximum of 3 years from the date of Transfer of Real Estate / Shares of SPV.	Banking Sector
65.			<p>Public Offering and listing of REIT Units. – (1) A REIT Scheme shall be listed subject to issuance or sale of Units to the public, through an Offering Document/Prospectus, as approved by the Commission, within maximum period of three (3) years from the date of Transfer of Real Estate or financial close whichever is later. Should an extension be necessary, the RMC is required to submit its reason(s) for the extension 6 months prior to the end of the maximum period.</p> <p>In light of the foregoing considerations and pursuant to an exhaustive analysis of prevailing market dynamics and regulatory paradigms in- comparably regulated jurisdictions, we hereby express our unequivocal opposition to the imposition of a 12-month mandate for the listing of rental REITs post-establishment, advocating instead for a recalibration of the regulatory framework to allow for a more flexible timeline that is congruent with the strategic imperatives of operational maturation, market readiness, and investor confidence, thereby ensuring the long-term viability and success of the REIT ecosystem.</p>	JS Investments Ltd.
66.	Transfer of Real Estate or shares of SPV.	The timeline for transfer of real estate/shares of SPV in the name of the REIT Scheme can be linked to the date of registration of REIT Scheme, whereas the timelines for mandatory listing of a REIT Scheme can be linked to the transfer of real estate/shares of SPV in the name of REIT Scheme.	<p>Views: The current 120-day period for transferring real estate or shares to the REIT scheme may be insufficient, particularly for large-scale projects.</p> <p>Proposed Changes:</p> <ul style="list-style-type: none"> - Extend the initial transfer period to 180 days with a provision for additional 180-day extension upon justified request. - Introduce milestone-based monitoring where progress is evaluated at regular intervals to ensure compliance without unnecessary delays. 	Banking Sector
67.			We agree to the proposal in Consultation paper section 6(iii)(a) to the extent that transfer of Real Estate / Shares of SPV be linked to the date of registration of the REIT Scheme.	Banking Sector
68.			We agree to the proposed changed.	AKD RMC
69.			<p>Cascading the deadlines i.e. linking deadline for transfer of real estate with registration of REIT and that of listing of REIT with transfer of real estate will be beneficial for unit holders and will provide regulatory milestones to adhere.</p> <p>Alternately, 6(i)(d) is achieving the similar objective by linking both tasks to registration.</p> <p>Listing of Development/Hybrid REIT within 3 years of transfer of Real Estate/SPV Shares - Defining listing deadline will be beneficial for the unit holders.</p> <p>Listing of REITs other than Development/Hybrid within 1 years of transfer of Real Estate/SPV Shares - Defining listing deadline will be beneficial for the unit holders.</p>	Faysal Funds

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70.			<p>An RMC shall transfer the Real Estate in the name of Trustee on the behalf of the REIT Scheme, subject to the following conditions:</p> <p>(i) title of the Real Estate shall be transferred within 120 days of registration of REIT Scheme unless: (a) In context of hybrid REIT, title of the real estate shall be transferred within 120 days of Financial Close</p> <p>The listing of Hybrid REITs should be contingent upon the attainment of financial closure. Given that Hybrid REITs rely exclusively on financial closure and are not amenable to financing through customer advances, it is imperative to distinguish these schemes from those that can be funded through customer advances. This legal differentiation is essential to ensure clarity and to provide appropriate regulatory treatment for the various REIT schemes based on their respective capitalization methods.</p>	JS Investments Ltd.
71.			<p>We agree to the proposal in Consultation paper section 6(iii)(a) to the extent that transfer of Real Estate / Shares of SPV be linked to the date of registration of the REIT Scheme.</p> <p>We further submit that the timeframe of listing of a Rental REIT should remain at a maximum of 3 years from the date of Transfer of Real Estate/Shares of SPV.</p>	Arif Habib Dolmen RMC
72.			<p>We agree to the proposal in Consultation paper section 6(iii)(a) to the extent that transfer of Real Estate / Shares of SPV be linked to the date of registration of the REIT Scheme.</p> <p>We submit that the timeframe of listing of a Rental REIT should remain at maximum of 3 years from the date of Transfer of Real Estate / Shares of SPV.</p>	Banking Sector
73.	Return of Subscription Money	6(iii)(b)	We agree only clarification should be given weather SI should bear the cost from his initial investment.	AKD RMC
74.		In order to protect the retail investors in case of failure of RMC to transfer real estate/shares of SPV in the name of the REIT Scheme within the stipulated timelines, the costs relating to launch of REIT Scheme shall be borne by the	Restricting launching cost to Strategic Investor rather than all unit holders is appropriate.	Faysal Funds
75.		In order to protect the retail investors in case of failure of RMC to transfer real estate/shares of SPV in the name of the REIT Scheme within the stipulated timelines, the costs relating to launch of REIT Scheme shall be borne by the	Regarding Consultation paper section 6(iii)(b), we submit that cost relating to launch of REIT and initial expenses shall be borne by the strategic investors "through the REIT scheme"	Arif Habib Dolmen RMC
76.		In order to protect the retail investors in case of failure of RMC to transfer real estate/shares of SPV in the name of the REIT Scheme within the stipulated timelines, the costs relating to launch of REIT Scheme shall be borne by the	cost relating to launch of REIT and initial expenses shall be borne by the strategic investors " through the REIT scheme "	Anonymous
77.		In order to protect the retail investors in case of failure of RMC to transfer real estate/shares of SPV in the name of the REIT Scheme within the stipulated timelines, the costs relating to launch of REIT Scheme shall be borne by the	Regarding Consultation paper section 6(iii)(b), we submit that cost relating to launch of REIT and initial expenses shall be borne by the strategic investors "through the REIT scheme"	Banking Sector

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78.		strategic investors of the REIT Scheme.	We suggest that the SECP reconsider this proposal. Our clients have commented that it would be unfair for the strategic investors to bear costs relating to the launch of the REIT Scheme, if the failure to transfer real estate/ shares of the SPV in the name of the trustee is due to matters beyond their control. Effectively, the proposed change would be tantamount to the strategic investors becoming guarantors. Strategic investors should only be required to bear such costs where the failure to transfer real estate / shares of the SPV, is attributable to the strategic investors.	Anonymous
79.	Minimum Holding by RMC and Strategic Investor	6(v) Strategic investment can be linked to total fund size instead of initial fund size. Strategic investors, along with the RMC, are the major stakeholders having the decision-making powers and financial capability/resources to ensure successful execution of the REIT Scheme.	We agree with the proposed changed.	AKD RMC
80.			At present, the existing REIT Regulations, 2022 require that an RMC shall hold or arrange through Strategic Investor(s), a minimum twenty-five (25) per cent Units of the initial size of the REIT Fund (equity only), till revocation of the fund or listing of REIT Scheme, whichever is earlier and the same shall be kept in an account marked as blocked and shall not be sold, transferred or encumbered. The SECP may consider imposing a requirement of lock-in period for the Strategic Investor(s) post listing. Such a measure may result in increasing the confidence of general public / investors who subscribe the units of the REIT Scheme through IPO.	PSX
81.			Appropriate and will keep Strategic Investor's interest that will be beneficial for unit holders over the term of REIT Scheme.	Faysal Funds
82.			Minimum holding of Strategic Investor should remain unchanged i.e. linked to 'Initial Fund Size'.	Anonymous
83.			Linking of Strategic Investment to total fund size instead of initial fund size will be detrimental to the growth of perpetual REIT Fund or a REIT Fund with multiple projects. Real Estate development is a capitals intensive business while REIT Management is more of an intellectual capital from the REIT Manager. In case of a perpetual RIET Scheme with growth objective as per defined investment policy in its offering document cannot make its initial strategic investor to inject investment every time it's adding new project into its portfolio. After achieving the financial close based on initial portfolio, it's the REIT Manager whose responsibility is to ensure growth and add on to further assets as per defined investment policy through debt capital or right issue(s) in the fund without going to strategic investor every time. The proposed change will again bring the registration of new REIT Scheme to halt and sector will become stagnant as it was during the period from 2008 to 2021.	Anonymous
84.			We agree to the proposal in Consultation paper section 6(v)	Banking Sector
85.	Clarity is required about minimum holding in terms of %age	Banking Sector		
86.	We agree to the proposal in Consultation paper section 6(v)	Arif Habib Dolmen RMC		

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87.			Linking of Strategic Investment to total fund size instead of initial fund size will unnecessarily result in complicated compliance requirements, and will make it challenging for strategic investors to maintain their investment ratio holding in a REIT having multiple projects, which can be detrimental for the industry.	Banking Sector
88.			We suggest the SECP to reconsider this proposal. Requiring strategic investors to hold at least 25% Units of the total size of the REIT Fund till revocation of the REIT Fund or listing of the REIT Scheme, whichever is earlier (as opposed to at least 25% Units of the initial size of the REIT Fund during such time, as currently contemplated in the REIT Regulations) would require further injections by a Strategic Investor each time the size of a REIT Fund increases. Our clients have commented that such continued obligation on the Strategic Investors could dampen investment in REITs.	Anonymous
89.	Obligations of an RMC and Trustee	6(vi) It is envisaged that the roles and responsibilities of RMC and Trustee may be enhanced for increased transparency, better coordination, improved supervision and monitoring of the REIT scheme, and to mitigate any regulatory arbitrage between direct investment structure and SPV structure	1. Consultation Paper 6(vi)(c): This should be deleted. 2. We agree to the proposal in Consultation paper section 6(vi)(a), (b), (d) and (e).	Banking Sector
90.		(a) RMC to provide Trustee, original title documents of real estate and all other approvals related to Real Estate including but not limited to NOC and approved layout plan from the relevant building and land authorities. (b) Trustee to have half yearly progress review meetings with RMC and relevant stakeholders.	(a) Will be in the interest of REIT Scheme unit holders. (b) Will be in the interest of REIT Scheme unit holders. (c) As discussed in 6(vi)(a) there will be two progress reviews between RMC and Trustee. Each progress report can be linked to an intermediate period if applicable rather than the annual. (d) Apparently looks like a scope of Trustee's role in operations of REIT. (e) Appropriate	Faysal Funds
91.		(a) RMC to provide Trustee, original title documents of real estate and all other approvals related to Real Estate including but not limited to NOC and approved layout plan from the relevant building and land authorities. (b) Trustee to have half yearly progress review meetings with RMC and relevant stakeholders.	1. The proposal in Consultation Paper 6(vi)(c) regarding progress report by Trustee should be deleted. 2. Consultation Paper 6(vi)(d): This should be reworded as "directors of SPV should comply with the Fit and Proper Criteria as defined in the REIT Regulations, 2022" 3. We agree to the proposal in Consultation paper section 6(vi)(a), (b) and (e).	Arif Habib Dolmen RMC
92.		(a) RMC to provide Trustee, original title documents of real estate and all other approvals related to Real Estate including but not limited to NOC and approved layout plan from the relevant building and land authorities. (b) Trustee to have half yearly progress review meetings with RMC and relevant stakeholders.	The proposal in Consultation Paper 6(vi)(c) regarding progress report by Trustee should be deleted. Consultation Paper 6(vi)(d): This should be reworded as "directors of SPV should comply with the Fit and Proper Criteria as defined in the REIT Regulations, 2022."	Anonymous

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93.		<p>(c) Trustee to publish progress report on the REIT Scheme and such report to be circulated along with annual financial statements of the REIT Scheme.</p> <p>(d) Trustee to provide consent to the RMC on appointment of board of directors of SPV.</p> <p>(e) RMC to ensure compliance with the requirements specified in the Shariah Governance Regulations, 2023 in case of Shariah compliant REIT Scheme.</p>	<p>The responsibility for publishing the progress report on the REIT Scheme should be vested in the REIT Management Company (RMC) rather than the Trustee. The RMC possesses the requisite expertise to evaluate the progress and performance of the REIT Scheme and is capable of providing detailed explanations for any delays, supported by appropriate reasons. The RMC is uniquely positioned to assess and elucidate any discrepancies between the actual progress and the planned milestones, whereas the Trustee lacks the technical knowledge, expertise, and comprehensive insights into the REIT project.</p> <p>Assigning this responsibility to the RMC would ensure the production of more accurate and insightful reporting, thereby enhancing the transparency and accountability of the REIT Scheme.</p>	Banking Sector
94.			<p>An RMC shall: (viii) with the consent of the Trustee, appoint auditor, Valuer, Development Advisor, Property Manager, Transaction Advisor, Independent consultant or other REIT intermediaries, where required for smooth functioning of the REIT Scheme or the SPV:</p> <p>The progress report of the REIT Scheme/REIT Project should be prepared and circulated by the RMC instead of the Trustee.</p>	Zameen REIT Management Company Limited
95.			<p>We suggest the SECP to reconsider this proposal.</p> <p>Requiring the Trustee to publish progress reports on the REIT Scheme and requiring the RMC to seek consent of the Trustee as regards the appointment of the SPV's directors, would, in our view, be overregulation and likely result in increased costs for the REIT Scheme.</p> <p>If the proposal set forth in Paragraph 6(vi)(c) of the Consultation Paper is to be retained, the SECP should include guidelines as to the contents of the required progress reports.</p>	Anonymous
96.			Our recommendation is the progress report by Trustee should be deleted.	AKD RMC
97.	Additional Requirements for Execution of REIT Scheme	6(iv) Following additional requirements may be introduced for SPV structure to ensure protection of	<p>Creation of charged on REIT asset in favor or trustee for all SPV is not possible. It will create difficulties for arranging bank borrowings / financial facility. It would also create legal and administrative complexities, further increasing costs for the investor.</p> <p>By transferring the share of SPV in the name of trustee, trustee becomes the custodian of SPV shares in exchange of REIT Units and hence all the assets indirectly come in the name of trustee.</p>	AKD RMC

Sr.	Relevant Area	Relevant Proposal	Stakeholder's Comment	Stakeholder's Name
98.	in SPV Structure	<p>unitolders, optimize the SPV structure by bringing it at par with direct investment structure and safeguard investment of REIT Scheme against any prior litigations:</p> <p>(a) Creation of charge on REIT assets in favor of Trustee for all SPV structures as opposed to creation of charge only in case of SPV structures involving movable assets.</p>	<p>We suggest that this amendment in consultation paper section 6(iv)(a) is not required.</p> <p>We also propose that the existing requirement under regulation 8(3) of a charge on moveable assets also be removed.</p> <p>We propose further that, in addition to the transfer of minimum 75% shares of SPV to trustee, original title documents be placed with the trustee as custodian.</p> <p>We agree to the proposal in consultation paper section 6(iv)(b) and (c).</p>	Arif Habib Dolmen RMC
99.			<p>Amendment in consultation paper section 6(iv)(a) is not required.</p> <p>The existing requirement under regulation 8(3) of a charge on moveable assets should also be removed.</p> <p>Further, in addition to the transfer of minimum 75% shares of SPV to trustee, original title documents should be placed with the trustee as custodian.</p>	Anonymous
100.		<p>(b) SPV to keep its money deposited with bank having minimum AA rating.</p> <p>(c) Shareholders of SPV other than REIT Scheme to give an undertaking that they shall be liable for any legal obligations arising from commitments/obligations of company prior to appointment of company as SPV by RMC.</p>	<p>We suggest that this amendment in consultation paper section 6(iv)(a) is not required. The scheme obtains loans through collateralizing REIT assets and creating a charge in favor of trustee would impact its ability to borrow externally.</p> <p>We propose that in addition to the transfer of minimum 75% shares of SPV to trustee, original title documents be placed with the trustee as custodian.</p> <p>We agree to the proposal in consultation paper section 6(iv)(b) and (c).</p>	Banking Sector
101.			<p>"SPV to keep its money deposited with bank having minimum AA rating"</p> <p>As per the regulations Trustee can be a scheduled bank with AA- rating. Hence, the same rating requirement for depositing money should be considered to remove any inconsistency. Further, excluding Banks with AA- rating will exclude several financially sound banks and limit the banking options available</p>	Banking Sector
102.			<p>(a) Creation of charge on all SPV Structures as against previously limited to only movable assets – Appropriate</p> <p>(b) SPV to maintain deposit with at least AA rated banks - Will limit the risk of the REIT and hence will be beneficial for the unit holders</p> <p>(c) Undertaking by shareholders of SPV other than REIT to be responsible for any legal obligations due to prior commitments - ill reduce the risk of REIT unit holders.</p>	Faysal Funds

Sr.	Relevant Area	Relevant Proposal	Stakeholder's Comment	Stakeholder's Name
103.			Eliminate the need for creation of charge on REIT Assets in favor of Trustee for all SPV structures should be eliminated.	Zameen RMC
104.			We suggest the SECP to reconsider this proposal. The requirement to create a charge on REIT assets in favour of the Trustee for all SPV structures would add another layer of regulatory complexity without any actual corresponding benefit to the Trustee. It may be highlighted that the RMC will be in control and under the management of the SPV, and the shares of the SPV are in any case, held in the name of the Trustee.	Anonymous
105.	Independence	6(vii)	Will be in the interest of REIT Scheme unit holders and progress of REITs.	Faysal Funds
106.		Explanation can be added to the term "independent" to address ambiguity and enable better assessment of independence between RMC, Trustee and the Valuer. Therefore, independence be determined on basis that there is no cross-shareholding or cross-directorship, similar to the criteria for independence as provided under the NBFC Regulations.	We agree with the proposed changed.	AKD RMC
107.			We agree to the proposal in Consultation paper section 6(vii)	Arif Habib Dolmen RMC
108.			We agree to the proposal in Consultation paper section 6(vii)	Banking Sector
109.	Retirement or removal of Trustee/Valuer	6(viii)	(a) Providing opportunity of hearing will be appropriate for fair decision.	Faysal Funds
		(a) <u>Removal of Trustee</u> : It has been identified that in case of removal of trustee by the Commission, an opportunity of hearing should be provided to the trustee by the Commission.	(b) The possibility of regulatory intervention through direction to remove a valuer in extra-ordinary circumstances might benefit REITs as an asset class. In normal course of business, through consent of Trustee is appropriate.	
110.			We agree with the proposed changed.	AKD RMC
111.			We agree to the proposal in Consultation paper section 6(viii)(a) and (b)	Arif Habib Dolmen RMC
112.			We agree to the proposal in Consultation paper section 6(viii)(a) and (b)	Banking Sector
113.		(b) <u>Removal of Valuer</u> : Power of the Commission to direct RMC to remove valuer is being considered to be deleted. Alternatively, RMC may remove valuer on	The Valuer should be on the approved list of PBA valuator with no delisting history.	Banking Sector

Sr.	Relevant Area	Relevant Proposal	Stakeholder's Comment	Stakeholder's Name
		occurrence of certain events as already provided for in the REIT Regulations, with the consent of trustee.		
114.	Extinguishment/Revocation of REIT Scheme	6(ix) <u>Grounds for revocation of REIT scheme</u> (b) Opportunity of hearing: (c) Cancellation of REIT Scheme:	Views: The existing procedure for the registration of trust deeds and REIT schemes can be lengthy and complex, potentially discouraging new entrants. Proposed Changes: - Simplify the trust deed registration process by introducing a standardized electronic submission system such as PRIDE introduced for PSX - Implement a pre-approval system where the basic structure and compliance of the trust deed can be reviewed and approved in principle before formal submission	Banking Sector
115.			Revocation /liquidation of a REIT Scheme and its capital should be allowed by the Unit Holders through special resolution and/or by the order/permission of the Commission. Trustee and/or RMC should not have any role on revocation /liquidation of a REIT Scheme	AKD RMC
116.			Regarding the proposal in Consultation paper 6(ix) and current regulation 36, we submit the following: Regulation 36(1)(i) should be reworded as: The REIT Scheme has reached end of its life as specified in the Trust Deed and has achieved its objectives as stated in the Constitutive documents. Remove all clauses other than 36(1)(i), 36(1)(ii) and 36(1)(vii), i.e. remove 36(1)(iii), 36(1)(i)(iv), 36(1)(i)(v), 36(1)(i)(vi), 36(1)(i)(viii)	Arif Habib Dolmen RMC
117.			Regarding the proposal in Consultation paper 6(ix) and current regulation 36, it is submitted: Regulation 36(1)(i) should be reworded as: The REIT Scheme has reached end of its life as specified in the Trust Deed and has achieved its objectives as stated in the Constitutive documents Remove all clauses other than 36(1)(i), 36(1)(ii) and 36(1)(vii), i.e. remove 36(1)(iii), 36(1)(i)(iv), 36(1)(i)(v), 36(1)(i)(vi), 36(1)(i)(viii)	Anonymous
118.			(a) The events mentioned are redundant as Trustee is responsible to ensure applicability of Trust Deed, IM etc. but spelling them out will remove any remote chance of ambiguity. (b) Appropriate for fair decision. (c) Appropriate	Faysal Funds
119.			We agree to the proposal in Consultation paper section 6(ix)	Banking Sector

Sr.	Relevant Area	Relevant Proposal	Stakeholder's Comment	Stakeholder's Name
120.	Shariah Governance Framework	6(x) To ensure better compliance with the shariah principles and align REIT Regulations with newly promulgated Shariah Governance Regulations, 2023, multiple changes are being evaluated.	Appropriate. Clarity should be introduced whilst aligning these regulations with SGR, 2023 in terms of obtaining a Shariah Compliance Certificate from SECP, role of Shariah Advisor etc.	Faysal Funds
121.			We agree with the proposed change.	AKD RMC
122.			We agree to the proposal in Consultation paper section 6(x)	Arif Habib Dolmen RMC
123.			We agree to the proposal in Consultation paper section 6(x)	Banking Sector
124.	Schedule III - Annual Monitoring Fee	6(xi) An explanation may be added to elaborate the calculation of average fund size for determination of the annual monitoring fees to be paid by a REIT Scheme.	We agree with the proposed change.	AKD RMC
125.			Specifying the formula will remove ambiguity.	Faysal Funds
126.			We agree to the proposal in Consultation paper section 6(xi)	Arif Habib Dolmen RMC
127.			We agree to the proposal in Consultation paper section 6(xi)	Banking Sector
128.	Additional Suggestions			
129.	<p>Views: As per the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017, scheduled banks can act as Consultants to the Issue only for public offerings of debt securities and Growth Enterprise Market listings, but not for equity offerings or collective investment schemes such as REITs on the Main Board of PSX.</p> <p>Proposed Changes - Allow scheduled banks to act as Consultants to the Issue for all offerings on the Main Board of PSX, including REITs. This will require an amendment to the relevant regulations to broaden the scope of services that banks can provide.</p>			Banking Sector
130.	<p><u>Regulation 10 - Addition of new Real Estate in REIT Scheme.</u></p> <p>Regulation 10 provides that an RMC may acquire additional Real Estate in an existing REIT Scheme, subject to, inter alia, the RMC sharing adequate information with the Unit Holders relating to Real Estate as specified in part "Details of REIT Scheme" of Schedule IV-A, where applicable, at least 21 days before the addition of Real Estate. Since a listed REIT Scheme would be disclosing such acquisition to Unit Holders as price sensitive information in any case, we suggest that the additional requirement to disclose the details set forth in Schedule IV-A as regards such acquisition to the Unit Holders should not apply to a listed REIT Scheme.</p>			Anonymous
131.	<p><u>Income Tests:</u> Regulations should include Income Tests like U.S. In U.S, to be treated as REIT and avail tax exemption, the REIT must pass an income test which is given below. However, the test should be drafted carefully considering the local language in real estate sector and should not create any hindrance for the REIT sector. Apart from taking inspiration from U.S, a generic clause may be added stating that any income which is not linked to processing of any products or services may be considered income of the REIT if the RMC takes prior opinion from the REIT Auditor clearly stating that the income is directly linked to the real estate.</p>			Anonymous

Sr.	Relevant Area	Relevant Proposal	Stakeholder's Comment	Stakeholder's Name
			<p>U.S 75% Gross Income Test: At least 75% of the company's gross income for each taxable year must generally consist of the following types of income:</p> <ul style="list-style-type: none"> • Rents from Real Property* • Interest on obligations secured by real property (e.g., mortgage loans) • Dividends received on, and gain from the sale of, shares of other REITs • Dividend or interest income from the temporary investment of certain new capital raised by the REIT • Gain from the sale of real property • Abatements and refunds of real estate taxes • Income and gain from "foreclosure property" <p>*Rents from Real Property: Rents from real property do not generally include:</p> <ul style="list-style-type: none"> • Rents from a tenant based in whole or in part on income or profitability, except that formulas based on gross receipts or sales are generally permitted • Rents from a tenant in which the Company actually or constructively (pursuant to attribution rules) owns a 10% or greater equity interest • Any amount received if the Company provides impermissible services to the tenant (in more than a de minimis amount) other than through an "independent contractor" or a Taxable REIT Subsidiary (TRS) 	
132.			<p>1. <u>Addition of new clauses with respect to purchase of Real Estate on Installment REIT Scheme or SPV (as applicable) must be allowed to purchase Real Estate for which consideration is to be paid, in installments, under a payment plan.</u> In case of such purchase, 'right of use' of the Real Estate must also be allowed so that the REIT Scheme or SPV (as applicable) can undertake construction and other ancillary activities on the Real Estate. Purchase of Real Estate may be restricted from land development authorities like RUDA, CBD Punjab, DHAs, etc. Accordingly, the requirement for transfer of the Real Estate to Trustee within 120 days (or as extended) must be relaxed. Similarly, it is recommended that Customer Advances are allowed to be collected before the transfer of Real Estate to the SPV/Real Estate, subject to approval/NOCs of the relevant authority.</p> <p>2. <u>Regulation 14 - Recovery of initial expenses.</u> Expenses to be incurred in connection with the establishment and registration of the REIT Scheme as well as the offer for sale, allotment and issuance of Units including commission payable to underwriters, if not included in the private or public offer, shall be borne by an RMC, and shall be reimbursed to the RMC out of REIT Assets after annual audit of the REIT Scheme in equal installments paid annually and shall be amortized over a period of five (5) years or life of a REIT Scheme, whichever is shorter, and the same shall be stated in the Information Memorandum and the Offering Document/Prospectus (as applicable).</p>	Zameen RMC
133.			<p>1. <u>Regulation 2(1)(xlvi) Units</u> "Units" means the instrument of ownership (Equity) of a REIT Scheme signifying the beneficial interest of the Unit Holders in such REIT Scheme;</p> <p>2. <u>Regulation 2(1)(xlvi) Units</u> We propose to add the following in the definition: "A REIT Scheme shall issue only fully paid units, which may be of different kinds and classes as provided in its information memorandum".</p>	Banking Sector

Sr.	Relevant Area	Relevant Proposal	Stakeholder's Comment	Stakeholder's Name
		<p>3. <u>Regulation 11 Conversion of REIT Scheme</u> Conversion of a REIT scheme should only be subject to approval by Unit holders. We propose to remove "that in case of Developmental REIT, conversion shall only be allowed after complete development of the project stated in the Information Memorandum and/or Offering Document/Prospectus."</p>		
134.		<p>1. <u>Regulation 2(1)(xlvi) Units</u> "Units" means the instrument of ownership (Equity) of a REIT Scheme signifying the beneficial interest of the Unit Holders in such REIT Scheme;</p> <p>2. <u>Regulation 2(1)(xlvi) Units</u> We propose to add the following in the definition: "A REIT Scheme shall issue only fully paid units, which may be of different kinds and classes as provided in its information memorandum".</p> <p>3. <u>Regulation 2(1)(viii), 2(1)(xii), 2(1)(xv), 2(1)(xxxiii), and 5 – Types of REIT Schemes</u> Remove "Types of REIT Scheme"</p> <p>4. <u>Regulation 8(1)(i) Transfer of Real Estate or Shares of SPV</u> We propose that Regulation 8(1)(i) be amended as follows: (i) title of the Real Estate shall be transferred, or a binding contract for the transfer of Real Estate shall be executed within 120 days after the Financial Close registration of REIT Scheme: Provided that in case of acquisition of Real Estate on installments under a binding contract, title of the Real Estate shall be transferred within 120 days after the payment of final installment; Provided further that subject time-line can be extended twice for a period of 120 days up to maximum of 360 days subject to information of same to the Commission, the Trustee, general public (in case of Listed REIT) and Unit Holders along with detailed Page 9 of 81 valid rationale at least 10 working days before completion of initial 120 days and extension thereon, if availed);"</p> <p>5. <u>Regulation 11 Conversion of REIT Scheme</u> Conversion of a REIT scheme should only be subject to approval by Unit holders. We propose to remove the proviso and amend Regulation 11(1) as follows: "An RMC can convert one REIT Scheme into another REIT Scheme subject to approval of the Unit Holders through Special Resolution: Provided that in case of Developmental REIT, conversion shall only be allowed after complete development of the project stated in the Information Memorandum and/or Offering Document/Prospectus."</p> <p>6. <u>Regulation 14(1) Recovery of initial expenses.</u> Expenses to be incurred in connection with the establishment and registration of the REIT Scheme as well as the offer for sale, allotment and issuance of Units including commission payable to underwriters, if not included in the private or public offer, shall be borne by an RMC, and shall be</p>		Arif Habib Dolmen RMC and Anonymous

Sr.	Relevant Area	Relevant Proposal	Stakeholder's Comment	Stakeholder's Name
			<p>reimbursed to the RMC out of REIT Assets and amortized after annual audit of the REIT Scheme in equal installments paid annually over period of five (5) years or life of a REIT Scheme, whichever is shorter, and the same shall be stated in the Information Memorandum and the Offering Document/Prospectus (as applicable).</p> <p>7. <u>Regulation 15(1)(viii) Obligation of RMC – Trustee's Consent</u> We propose to remove the requirement for Trustee's consent on the appointment of Development Advisor, Property Manager, Transaction Advisor, Independent consultant or other REIT intermediaries. Hence, the following revision is proposed in Regulation 15(1)(viii):</p> <p>“(viii) with the consent of the Trustee, appoint auditor, and Valuer, Development Advisor, Property Manager, Transaction Advisor, Independent consultant or other REIT intermediaries, where required for smooth functioning of the REIT Scheme.”</p> <p>8. <u>Regulation 15(1)(xxxvii) Obligation of RMC – Customer Advances</u> We propose to amend the Regulation 15(1)(xxxvii) as follows: (xxxvii) not solicit Customer Advances before transfer of Real Estate in the name of Trustee, except where the Real Estate is acquired on installments/deferred payment and agreement with the seller allows solicitation of advances before transfer of title.</p> <p>9. <u>Regulation 36(1) Extinguishment/Revocation</u> We propose to add the following new sub clauses to Regulation 36(1): “A REIT Scheme may partially redeem units on pro-rate basis upon the disposal of a particular real estate.” and “REIT may offer unit holders the option to redeem their units or a portion of units against the real estate asset within the REIT portfolio subject to special resolution by the unit holders.”</p>	
135.			<p>Regulations on Residential REITs:</p> <ul style="list-style-type: none"> • Any REIT, operating a residential property should be operated under the legal rental acts pertaining to the territory e.g. THE PUNJAB INFORMATION OF TEMPORARY RESIDENTS ACT 2015 • Hybrid REITs that mix residential and commercial should be scrutinized such that commercial and residential income is not mixed in order to gouge residential owners by increasing rents unduly for profit • SECP should enforce inclusion of basic amenities such as security, water, gas, electricity etc. in residential REITs, as otherwise, for higher profits, these can be forgone • Extra food for thought, but not necessarily a demand: Offering shares at discounted prices for Residential REIT residents to improve ownership. • Legal Protection of Tenant as per law 	Ammaz Khan