

CIRCULAR

SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2024/158

November 13, 2024

To,

Indian REITs Association

All Real Estate Investment Trusts (REITs)

All Parties to REITs

All Recognised Stock Exchanges

All Depositories

Madam/Sir,

Sub: Relaxation from certain provisions for units allotted to an employee benefit trust for the purpose of a unit based employee benefit scheme, Alignment of timelines for making distribution by REITs and Format of Quarterly Report and Compliance Certificate - Real Estate Investment Trusts (REITs)

Relaxation from certain provisions for units allotted to an employee benefit trust for the purpose of a unit based employee benefit scheme

1. SEBI (Real Estate Investment Trusts) Regulations, 2014 (“REIT Regulations”) were amended on July 13, 2024 to provide a framework for unit based employee benefit (“UBEB”) scheme. The framework for UBEB scheme, *inter-alia*, provides that issuance of units to the employee benefit trust shall be based on the guidelines for preferential issue of units, including pricing guidelines as specified by the Board.
2. Chapter 10 of the Master Circular for Real Estate Investment Trusts (REITs) dated May 15, 2024 (“Master Circular”) provides the guidelines for preferential issue and institutional placement of units by REITs. The provisions for preferential issue of units, *inter-alia*, provides the following lock-in and allotment related restrictions:

“10.6. **Lock-in**

10.6.1.

10.6.2. *The units allotted to persons other than the sponsor(s) shall be locked-in for a period of one year from the date of trading approval for such units.*

10.6.3. *The entire pre-preferential issue unitholding of the allottees, if any, shall be locked-in from the relevant date up to a period of six months from the date of trading approval.”*

“10.7. Allotment

10.7.1. *Preferential issue of units shall not be made to any person who has sold or transferred any units of the issuer during the 90 trading days preceding the relevant date. Further, where any person belonging to the sponsor(s) or Sponsor group(s) has sold/transferred their units of the issuer during the 90 days preceding the relevant date, all sponsors and members of sponsor group(s) shall be ineligible for allotment of units on a preferential basis.*

Provided that this restriction on preferential issue of units shall not apply to a sponsor(s) or member of the sponsor group, in case any asset is being acquired by the REIT from that sponsor(s) and/or or member of sponsor group(s), and preferential issue of units is being made to that sponsor and/or member of the sponsor group, as full consideration for the acquisition of such asset.

10.7.2.”

3. In order to promote ease of doing business and to facilitate the acquisition of units by the employee benefit trust and the subsequent transfer of units to the employees as per the terms of the UBEB scheme, it is proposed that the aforementioned lock-in and allotment related restrictions shall not apply to the employee benefit trust. Accordingly, in Chapter 10 of the Master Circular –

3.1. a new paragraph 10.6.4. is inserted as under:

“The lock-in requirement mentioned at paragraph 10.6.2. and 10.6.3. above shall not be applicable in case of units allotted to an employee benefit trust for the purpose of a unit based employee benefit scheme in compliance with Chapter IVA of the REIT Regulations.”

3.2. the following proviso is inserted under paragraph 10.7.1.:

“Provided further that this restriction on preferential issue of units shall not be applicable in case of units allotted to an employee benefit trust for the purpose of a unit based employee benefit scheme in compliance with Chapter IVA of the REIT Regulations.”

Format of Quarterly Report and Compliance Certificate

4. Regulation 9(3) of the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014 (“REIT Regulations”) requires as under:
“The trustee shall oversee activities of the manager in the interest of the unit holders, ensure that the manager complies with regulation 10 and shall obtain compliance certificate from the manager in the form as may be specified on a quarterly basis.”
5. Regulation 10(18)(a) of the REIT Regulations requires as under:
“The manager shall submit to the trustee-
(a) quarterly reports on the activities of the REIT including receipts for all funds received by it and for all payments made, position on compliance with these regulations, specifically including compliance with regulations 18,19 and 20, performance report, status of development of under-construction properties, within thirty days of end of such quarter;”
6. To ensure uniformity across the industry, Indian REITs Association (“IRA”), in consultation with SEBI, shall specify the format of quarterly report and compliance certificate required to be submitted by the Manager of the REIT to the Trustee under Regulation 10(18)(a) and Regulation 9(3) of the REIT Regulations respectively, and publish it on its website. Any future changes to this format shall be made by IRA in consultation with SEBI, prior to implementation.
7. All REITs shall follow the aforementioned format specified by IRA to ensure compliance with Regulation 10(18)(a) and Regulation 9(3) of the REIT Regulations.

Alignment of timelines for making distribution by REITs

8. REIT Regulations were amended on September 27, 2024 to revise the timelines for making distributions made by REITs w.e.f. November 27, 2024. Chapter 19 and Annexure 14 of the Master Circular for REITs dated May 15, 2024 related to procedural framework for dealing with unclaimed amounts lying with REITs also provides reference to the timelines for making distributions. Accordingly, Master Circular for REITs is modified as under to align timelines for making distributions with the REIT Regulations:

8.1. Para 19.2. of Chapter 19 of Master Circular for REITs shall be modified as under:

“Regulation 18(16)(c) of the REIT Regulations, inter-alia, provides the timelines for distribution. However, in certain cases it has been observed that the distribution amounts remained unclaimed or unpaid because of various reasons, including failure to update account details by the unitholders.”

8.2. Clause A(1) of Part 1 Annexure 14 of Master Circular for REITs shall be modified as under:

“Transfer of unclaimed amount to Unpaid Distribution Account: Where a distribution has been made by the manager within the timelines specified under Regulation 18(16)(c) of the REIT Regulations, but the payment to any unitholders has remained unpaid or unclaimed, the Manager, shall within seven working days from the date of expiry of timelines specified under Regulation 18(16)(c) of the REIT Regulations, transfer such unclaimed amounts to an Escrow Account to be opened by it on behalf of the REIT in any scheduled bank. Such account shall be termed as the ‘Unpaid Distribution Account’”

9. This circular shall be applicable with immediate effect.

10. This circular is being issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, Regulations 17E(1)(c), 9(3), 10(18)(a), 18(16) and 33 of the REIT Regulations. This circular is issued with the approval of the competent authority.
11. The recognized Stock Exchanges are advised to disseminate the contents of this Circular on their website.
12. This Circular is available on the website of the Securities and Exchange Board of India at www.sebi.gov.in under the category "Legal" and under the drop down "Circulars".

Yours faithfully

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