

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, June 16th, 2010

NOTIFICATION

S.R.O. 516 (I) /2010.- In exercise of the powers conferred by sub-section (2) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan is pleased to make the following amendments in the Real Estate Investment Trust Regulations, 2008, namely,-

In the aforesaid Regulations,-

- (1) in regulation 2, sub-regulation 1,-
 - (a) in clause (iii), after the word “sale” the words “or rent” shall be inserted;
 - (b) in clause (iv), the comma and words “, and its subsequent sale” at the end shall be omitted;
 - (c) after clause (iv), amended as aforesaid, the following new clauses shall be added, namely,-

“(iva) “Developmental Component of Hybrid REIT Scheme” means that part of the Hybrid REIT Scheme which is for the development of Real Estate for industrial, commercial or residential purposes, through construction or refurbishment;

(ivb) “Hybrid REIT Scheme” means a REIT Scheme which has a Developmental Component of Hybrid REIT Scheme and a Rental Portfolio of Hybrid REIT Scheme;” ;
 - (d) in clause (ix), for the word “first” the word “initial” shall be substituted;
 - (e) for clause (xvii), the following shall be substituted, namely,-

“(xvii) “Project” means a project consisting of a single or multiple sites of a Developmental REIT Scheme, a single building or multiple buildings in the case of a Rental REIT Scheme, or a combination of both in case of a Hybrid REIT Scheme, managed by the RMC as per the business plan approved by the Commission;” ;

(f) in clause (xviii), after the word “Scheme” at the end the words “or the rental portfolio of a Hybrid REIT Scheme” shall be inserted;

(g) in clause (xxiii),-

(i) for the word “and” appearing for the third time a “comma” shall be substituted; and

(ii) after the word “Scheme” appearing at the end the words “or a Hybrid REIT Scheme” shall be inserted; and

(h) after clause (xxviii), the following new clause shall be inserted, namely,-

“(xxviiiia) “Rental Portfolio of Hybrid REIT Scheme” means that part of the Hybrid REIT Scheme which is for making investments in commercial or residential Real Estate with the purpose of generating rental income from it;” ;

(2) in regulation 3,

(a) in sub-regulation (1),-

(i) in clause (a), after the word “rupees” appearing at the end the words “and its equity shall not be less than its paid up capital” shall be inserted;

(ii) for clause (b), the following new clauses shall be substituted, namely,-

“(b) before applying for the approval of the Offering Document increase its paid up capital to at least two hundred (200) million rupees;

(ba) after the approval of the Offering Document maintain equity of at least two hundred (200) million ;” ;

(b) in sub-regulation (2),-

(i) in clause (b), for the word, brackets and numbers “fifty (50)” the word, brackets and numbers “sixty (60)” shall be substituted;

(ii) in clause (d), after the word “more” the word “public” shall be inserted;

(iii) in clause (f), -

(I) for the word “offer” the word “issue” shall be substituted; and

(II) the words “and are transferred to RMC” shall be omitted;

(3) in regulation 4,-

(a) in clause (g), for the word, brackets and numbers “fifty (50)” the word, brackets and numbers “sixty (60)” shall be substituted;

(b) for clause (f), the following clauses shall be substituted namely, -

“(f) ensure that proceeds from the Project are distributed amongst the Unit Holders;

(fa) ensure that after the disposal of the Project the REIT Scheme is dissolved;” ;

(c) in clause (i),-

(i) for the words “shall be” the word “are” shall be substituted; and

(i) the words and comma“ in each financial year,” shall be omitted;

(d) for clause (j), the following new clause shall be substituted, namely,-

“(j) ensure that the REIT Fund has a minimum fund size of

rupees two (2) billion for Rental REIT Scheme or a Developmental REIT Scheme and rupees three (3) billion for a Hybrid REIT Scheme and the Trust Deed provides for the same;” ;

- (d) in clause (p), the words “and borrowings from financial institutions and capital markets” shall be omitted;
 - (e) in clause (q),-
 - (i) after the word “received” the words “by the Trustee” shall be added; and
 - (ii) the words “and that the borrowings are repaid on their due dates” shall be omitted;
 - (f) in clause (w), the words “and subsequent sale” shall be omitted;
 - (g) after clause (x), the following new clause shall be added, namely,-

“(xa) in case of a Hybrid REIT Scheme, be responsible for the development or refurbishment and/or subsequent sale or rental of the Real Estate according to the approved business plan;”;
 - (h) in clause (z), in the beginning the words, brackets, numbers and comma “notwithstanding anything contained in regulation (3)(2)(f),” shall be inserted; and
 - (h) in clause (mm), after the word “rating” appearing for the first time the word “for itself and” shall be inserted;
- (4) in regulation 7,-
- (a) in clause (f), after the word “Scheme” appearing for the first time the words “or Developmental Component of Hybrid REIT Scheme” shall be added;
 - (b) in clause (g),-
 - (i) the words “of registration” shall be omitted;
 - (ii) after the word “Scheme” the words “or Rental Portfolio of Hybrid REIT Scheme” shall be inserted;

- (iii) in sub-clause (i) the word “and” appearing at the end shall be omitted;
 - (iv) for sub-clause (ii), the following new sub-clauses shall be substituted, namely,-
 - “(ii) ensure that a binding purchase agreement for the Real Estate has been executed in the name of the Trustee after the approval of the Commission and the purchase has been entered into upon payment of ten (10) percent of the total value of the Real Estate which may be in cash or Units of the REIT Scheme; and
 - (iii) ensure that the Real Estate has been granted completion certificate by the concerned authorities and is clear from any defect which may render it ineligible for rent;” and;
- (5) in regulation 8,-
 - (a) in clause (l), sub-clause (i), for the word “scheme” the words “Scheme or Developmental Component of Hybrid REIT Scheme” shall be substituted;
 - (b) in clause (m),-
 - (i) after the word “Scheme” the words “ or Rental Portfolio of Hybrid REIT Scheme” shall be added; and
 - (ii) for the words, brackets and numbers “RMC has entered into a binding purchase agreement on twenty five (25) percent down payment to the owner of the Real Estate” the words “requirements of Regulation 7(g) have been fulfilled” shall be substituted; and
 - (c) in clause (n), after the word “Scheme” appearing for the first time the words “ or Developmental Component of Hybrid REIT Scheme” shall be added;
- (6) in regulation 15, in clause (l), -
 - (a) after the word “or” the words and comma “Developmental component of Hybrid REIT Scheme, or” shall be inserted;

- (b) after the word “Scheme” appearing at the end the words “ or Rental component of Hybrid REIT Scheme” shall be inserted; and
 - (c) in clause (m), the words “borrowing and” shall be omitted;

- (7) in regulation 17, in sub-regulation (1),

in proviso to clause (c), for the numbers, brackets and words “17(b) or (c)” the number, brackets and words “17(1)(b) or 17(1)(c)” shall be substituted”;

- (8) in regulation 26,-
 - (a) for sub-regulation (3), the following new sub-regulation shall be substituted, namely,-

“(3) Any fees and costs incurred on valuation, before the launch of a REIT Scheme, shall be paid by the Commission and then may be claimed by the Commission from the respective RMC if the REIT Scheme is not approved for registration.” and
 - (b) after sub-regulation (3) amended as aforesaid the following new sub-regulations shall be inserted, namely,-

“(4) Where fees and costs is incurred by the Commission on valuation, before the launch of a REIT Scheme and the REIT Scheme is subsequently registered, the Commission may claim the incurred cost from the REIT Scheme.

(5) Fees and costs incurred on valuation after the launch of a REIT Scheme shall be paid by the REIT Scheme.”;

- (9) in CHAPTER VI, in the heading, the comma and word “, Borrowing” shall be omitted;

- (10) in regulation 27,-
 - (a) in sub-regulation (1), after the word “plan” at the end the words “and constitutive documents” shall be added; and
 - (b) in sub-regulation (2), the word “not” shall be omitted;

- (11) for regulation 28, the following new regulation shall be substituted, namely,-

“28. Policy for Customer Advances. - (1) The policy for Customer Advances and maximum limits thereof, shall be disclosed by the RMC in the constitutive documents.

(2) The REIT Scheme may utilize up to thirty (30) per cent of Customer Advances on the Project.

(3) An RMC shall not borrow money for the purposes of a REIT Scheme and no borrowing is allowed against any assets of a REIT Scheme.

(4) A Developmental REIT Scheme or the Developmental Component of Hybrid REIT Scheme may collect up to ninety (90) per cent of the sale value as Customer Advances.

(5) Disclosure about Customer Advances and liabilities of the REIT Scheme shall be made in the quarterly and the annual accounts of the REIT Scheme and shall include Customer Advances as a percentage of REIT Fund and the terms of the agreement for receipt of Customer Advances.” ;

- (12) in regulation 29, in sub-regulation (1), the words “in each financial year” at the end shall be omitted;
- (13) in regulation 30, in sub-regulation (1), for clause (f), the following new clause shall be substituted, namely,-
- “(f) a Quality Assurance Manager or a Property Manager in relation to a Developmental REIT Scheme or Developmental Component of Hybrid REIT Scheme or a Rental REIT Scheme or Rental portfolio of Hybrid REIT Scheme as the case may be.” ;
- (14) in regulation 32, sub-regulation (3) shall be omitted;
- (15) in regulation 34,-
- (a) sub-regulation (2) shall be omitted;
- (b) for sub-regulation (4), the following new sub-regulation shall be substituted, namely,-
- “(4) All material information regarding the acquisition of Real Estate in the case of a Developmental REIT Scheme or Developmental Component of Hybrid REIT Scheme, or execution of a purchase agreement in the case of a Rental REIT Scheme or

Rental Portfolio of Hybrid REIT Scheme shall be disclosed in the Offering Document.” ;

- (c) in sub-regulation (8), for the “full stop” at the end “full colon” shall be substituted and thereafter at the end a new proviso shall be added, namely,-

“Provided that an institution owned or controlled by Federal Government may hold Units of a RIET Scheme up to fifty five (55) per cent against the Real Estate being sold/transferred to the REIT Scheme.”

- (16) in regulation 37,-

- (a) after sub-regulation (2), the following new sub-regulation shall be added, namely,-

“(2A) The RMC, in case of a Hybrid REIT Scheme shall, for the Developmental Component of Hybrid REIT Scheme be entitled to an annual management fee not exceeding one (1) percent of the developmental component forming part of the initial REIT Fund, and for the Rental Portfolio of Hybrid REIT Scheme, the annual management fee shall not exceed three (3) percent of the annual operating income from the Rental Portfolio of Hybrid REIT Scheme.”;

- (b) in sub-regulation (3), for the word “or” a “comma” shall be substituted;

- (c) after the number and bracket “(2)” the word, brackets and numbers “ or (2A)” shall be added; and

- (d) after the word “of” appearing for the first time the words “each quarter of an” shall be inserted;

- (17) in regulation 38, sub-regulation (1) the following new sub-regulation shall be substituted, namely,-

“(1) The monitoring fee paid annually to the Commission for the life of the REIT Scheme,

- (i) in case of a Developmental REIT Scheme shall be 0.20 percent of the initial REIT Fund,

- (ii) in the case of a Rental REIT Scheme shall be 0.10 percent of the initial REIT Fund, and
- (iii) in the case of a Hybrid REIT Scheme, for the Developmental Component of Hybrid REIT Scheme, shall be 0.20 percent of the developmental component forming part of the initial REIT Fund, and for the Rental Portfolio of Hybrid REIT Scheme shall be 0.1 percent of rental component forming part of the initial REIT Fund.” ;

(18) in regulation 39, after sub-regulation (2), the following new sub-regulation shall be inserted, namely,-

“(2A) A Trustee, in case of a Hybrid REIT Scheme, shall for the Developmental Component of Hybrid REIT Scheme be entitled to an annual fee not exceeding 0.20 percent of the developmental component forming part of the initial REIT Fund, and for the Rental Portfolio of Hybrid REIT Scheme the fee shall not exceed one-fifth of the fee charged by the RMC on the rental component forming part of the REIT Fund.

Explanation: - For the purpose of Regulations 37, 38 and 39 the “developmental component forming part of the initial REIT Fund” means the part of the REIT Fund which will be utilized for funding the Developmental Component of Hybrid REIT Scheme and the “rental component forming part of the REIT Fund” means the part of the REIT Fund which will be utilized for the Rental Portfolio of Hybrid REIT Scheme.” ;

(19) in Schedule I,-

(a) in clause (1), sub-clause (viii), before the word “does” the words and comma “in case of promoters,” shall be inserted;

(b) in clause (4),-

(i) in sub-clause (ii), for the words “member of a stock exchange” the words “stock brokerage house” shall be substituted; and

(ii) in sub-clause (iii), after the word “spouse” the words “or dependent” shall be added;

(20) in Schedule III, in clause (7), in sub-clause (i), for the numbers “25” the numbers “10” shall be substituted;

(21) in Schedule IV,-

- (a) in clause (2), in sub-clause (v), for the words “based upon” the words “by using either two of” shall be substituted; and the table shall be substituted with the following new table, namely,-

Type of REIT scheme	Approach (as defined by IVSC)
REIT Scheme	1. Income Capitalization Approach 2. Sales Comparison Approach 3. Cost Approach

and

(22) in Schedule V,-

- (a) for table (C), the following new table shall be substituted, namely,-

	Fee payable by REIT Scheme	Developmental REIT	Rental REIT	Hybrid REIT
Regulation 37	Annual Fee payable to RMC	Up to 1 % of initial REIT Fund	Up to 3 % of the annual operating income	for the Developmental Component of Hybrid REIT Scheme, not exceeding one (1) percent of the developmental component forming part of the initial REIT Fund, and for the Rental Portfolio of Hybrid REIT Scheme, not exceed three (3) percent of the annual operating income from the Rental Portfolio of Hybrid REIT Scheme.
Regulation 38	Annual Monitoring	Equal to 0.20% of initial REIT Fund	Equal to 0.10% of initial REIT	for the Developmental

	Fee payable to the Commission		Fund	Component of Hybrid REIT Scheme, 0.20 percent of the developmental component forming part of the initial REIT Fund, and for the Rental Portfolio of Hybrid REIT Scheme, 0.1 percent of rental component forming part of the initial REIT Fund
Regulation 39	Annual Fee payable to Trustee	Up to 0.20% of initial REIT Fund	Up to (1/5 th) of annual fee charged by RMC	for the Developmental Component of Hybrid REIT Scheme not exceeding 0.20 percent of the developmental component forming part of the initial REIT Fund, and for the Rental Portfolio of Hybrid REIT Scheme shall not exceed one-fifth of the fee charged by the RMC on the rental component forming part of the REIT Fund
Regulation 40	Fee payable to Quality Assurance Manager/ Property Manager Fee	Negotiable	Negotiable	Negotiable
Regulation 23	Fee payable to Valuer	Negotiable	Negotiable	Negotiable

No. SEC/SCD/REITs/Reg/2010/32/ _____

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