

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the , 2006

S.R.O. (I)/2006. - The following draft Real Estate Investment Trust Rules, 2006, proposed to be made by the Federal Government in exercise of the powers conferred by section 282B of the Companies Ordinance, 1984 (XLVII of 1984), are hereby published, as required by section 506 of the said Ordinance, for the information of all persons likely to be affected thereby, and notice is hereby given that the draft will be taken into consideration after thirty days of its publication in the official Gazette.

Any objection or suggestion that may be received from any person in respect of the said draft before the expiry of the aforesaid period of thirty days shall be considered by the Federal Government.

THE REAL ESTATE INVESTMENT TRUST RULES, 2006

CHAPTER I. - Preliminary

1. Short title and commencement.-(1) These rules may be called the Real Estate Investment Trust Rules, 2006.

(2) They shall come into force at once.

2. Definitions.-(1) In these rules, unless there is anything repugnant in the subject or context, -

(i) “Administrator” means a person appointed by the Commission to manage the affairs of a REIT Scheme upon cancellation of the licence granted to

the REIT Management Company by the Commission pursuant to sub-rule (8) of rule 9;

- (ii) “associated companies” and “associated undertakings” have the same meaning as defined in sub-section (2) of section 2 of the Ordinance;
- (iii) “close relative” means spouse, minor children, lineal ascendants and descendants, brothers and sisters;
- (iv) “Commission” means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997(XLII of 1997);
- (v) “company” means a company incorporated under the Companies Ordinance, 1984 (XLVII of 1984);
- (vi) “connected person”, in relation to a REIT Management Company or a Trustee, means,-
 - (a) any person holding legal or equitable title, directly or indirectly, to ten per cent or more of the ordinary share capital of the REIT Management Company or the Trustee, as the case may be, or being able to exercise, directly or indirectly, ten per cent or more of the total voting power in the REIT Management Company or the Trustee, as the case may be;
 - (b) any person controlled by a person who or which meets one or both of the descriptions given in sub-clause (a);
 - (c) any member of the group of which the REIT Management Company or Trustee forms part; or
 - (d) any REIT Schemes(s) managed by the REIT Management Company;

- (e) any director or key officers as may be prescribed of the REIT Management Company or the Trustee, as the case may be, or of any of their connected persons as specified in sub-clauses (a), (b), (c) and (d);
- (vii) “constitutive documents” mean the principal documents governing the formation of the REIT Scheme, and include the trust deed and all related material agreements;
- (viii) “credit rating company” means a credit rating company registered under the Credit Rating Company Rules, 1995;
- (ix) “equity” includes paid up share capital, reserves and un-appropriated profits (minus accumulated losses), excluding deferred tax reserves, Surplus on Revaluation of Fixed Assets Account as described in section 235 of the Ordinance, treasury stocks and redeemable preference shares;
- (x) “Form” means any of the forms annexed to these rules;
- (xi) “group” means, (a) as regards a juridical person, such person and all of its subsidiaries and holding company, if any, as well as associated companies and subsidiaries of such associated companies along with all such juridical persons that are controlled by either of the entities referred to hereinbefore or over which such entities exercise significant influence or in which they hold a substantial ownership interest as well as all such natural persons who may be acting in concert with, or who may be capable of exercising control or significant influence over, or who may hold a substantial ownership interest in any of the entities referred to hereinbefore.

(b) as regards a natural person, such person and all other natural persons who are close relatives as well as all persons, whether natural or juridical, acting in concert with such person or over whom such person exercises significant influence or control or in which such person holds a substantial ownership interest.

For the purpose of this definition,-

(a) “subsidiary” will have the same meaning as defined in sub-section (2) of section 3 of the Ordinance;

(b) “control” will have the same meaning as defined in section 2 of the Listed Companies (Substantial Acquisition and Voting Shares and Takeovers) Ordinance, 2002 or any successor statute thereto;

(c) “substantial ownership interest” means beneficial ownership of ten per cent or more of the voting power in an enterprise by a person and his close relatives;

(d) “significant influence” means the ability to influence the management of a company or other enterprise and to thereby participate in the making of financial and operating policies of the company or enterprise, either exercised by representation on the Board of Directors or through a

partnership interest or by statute or by agreement.

- (xii) “holder” or unit holder”, in relation to a unit, mean the person who is entered in the register as the holder of that unit;
- (xiii) “independent director”, in relation to a REIT Management Company, means a director who can be reasonably perceived as being able to exercise independent business judgment without being subject to any apparent form of interference and includes a director who is not a connected person or a close relative with respect to such REIT Management Company, its associated companies or undertakings or its promoters or directors and who does not have any other relationship, whether pecuniary or otherwise, with such REIT Management Company, its associated companies or undertakings, directors or executives;
- (xiv) “listed”, in relation to securities, means securities which have been allowed to be traded on a stock exchange;
- (xv) “NBFC” means a non-banking finance company that has been established and licensed under the NBFC Rules;
- (xvi) “NBFC Rules” means the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2006;
- (xvii) “net asset value” or “NAV” means the difference between the value of the REIT Assets and the liabilities of the REIT Scheme on any date on which valuation is carried out, such difference being computed in the manner, if

- any, prescribed by the Commission;
- (xviii) “NAV per unit” means the net asset value divided by the number of units outstanding on any date on which valuation is carried out;
- (xix) “non-real estate assets” means,-
- (a) listed securities issued by companies whose main business is not selling, purchasing, leasing, managing, or developing real estate;
 - (b) unlisted secured debt securities issued by companies referred to in sub-clause (a) above that have been assigned a minimum investment grade rating by a credit rating company, subject to such conditions as the Commission may from time to time prescribe;
 - (c) government securities;
 - (d) cash and cash equivalents; and
 - (e) such other investments as the Commission may from time to time permit;
- (xx) “offering document” means a document, or documents issued together, containing material information about a REIT Scheme in order to invite the public to buy units in the REIT Fund;
- (xxi) “Ordinance” means the Companies Ordinance, 1984 (XLVII of 1984);
- (xxii) “ordinary resolution” means a resolution passed by holders by a simple majority of votes of those present and entitled to vote in person or by proxy at a duly convened meeting of the holders;
- (xxiii) “person” includes an individual, a Hindu undivided family, a firm, an association or body of individuals whether incorporated or not, a company

- and every other juridical person;
- (xxiv) “prescribe” or “prescribed” means a prescription, direction, stipulation or specification made by the Ordinance, these rules or the Commission from time to time;
- (xxv) “promoter” means a person who has made an application to the Commission to form a REIT Management Company under Rule 4.
- (xxvi) “property valuer” means the person appointed in accordance with rule 17 to value the REIT Assets;
- (xxvii) “property company” means a company primarily engaged in the purchase, development and sale or leasing out of real estate;
- (xxviii) “real estate” means land, situated within Pakistan, along with all natural or human-made items affixed to the land, whether the interest therein is freehold or leasehold, and whether the purpose or use thereof is residential, commercial or industrial;
- (xxix) “real estate related assets” shall include securities issued by such listed companies whose main business is the selling, purchasing, leasing, managing, or developing real estate, and mortgage backed securities as approved by the Commission and such other assets as may be specified by the Commission from time to time;
- (xxx) “register” means the register of a REIT Fund’s unit-holders kept and maintained in accordance with clause (m) of rule 8;
- (xxxi) “REIT Assets” means all real estate, real estate related assets or non-real estate assets acquired through investment of all or part of the REIT Fund

and shall include such part of the REIT Fund as may be available at any time in the form of a credit balance in the REIT Bank Account;

(xxxii) “REIT Scheme” or “real estate investment trust scheme” means a scheme which consists of a closed-end collective investment scheme constituted as a unit trust fund, to be known as the “REIT Fund”, vested in a Trustee in terms of a deed of trust and managed by a REIT Management Company for the purpose of investment primarily in real estate for a definite or indefinite period;

(xxxiii) “REIT Management Company” means a company licensed by the Commission in accordance with rule 5 to establish a REIT Scheme and to provide REIT Management Services;

(xxxiv) “REIT Management Services” means the investment advisory services provided for the management of a REIT Scheme in accordance with these rules, and shall include administering and managing the REIT Fund and the REIT Assets, as well as marketing and distributing the units of a REIT Fund;

(xxxv) “record” includes all documentary and electronic materials created, generated, sent, communicated, received or stored regardless of physical form or characteristics;

(xxxvi) “Schedule” means the Schedule to these rules;

(xxxvii) “shadow director” means a person, in relation to a REIT Management Company or a REIT Scheme, whose directions or instructions (not being advice given in a professional capacity) are customarily acted upon by the directors or

chief executive or any other officer or share registrar of that REIT Management Company or trustee and may include a majority shareholder acting in concert with all such shareholders over whom he or she exercises influence, including the spouse and lineal descendants as well as ascendants, in the REIT Management Company or the holding company or one who controls the majority holding whether directly or indirectly or through a group, in the REIT Management Company, or

Any person, who along with connected persons or close relatives or the group of which such person is a part, owns more than ten percent of the shareholding of the REIT Management Company or the Trustee, and who has been the specific beneficiary, to an extent not shared by the shareholders in general, of actions or decisions taken by the Board of Directors or the senior management of the REIT Management Company or the Trustee.

(xxxviii) “significant holder” means any holder who holds ten per cent or more of the outstanding units and for the purposes of this definition, the holdings of any close relative of a holder, or those of a group whereof a holder is a member, will be deemed holdings of such holder;

(xxxix) “special resolution”, by holders, means a resolution passed by a majority of not less than three-fourths of such holders as are present and entitled to vote in person or by proxy at a duly convened meeting;

(xl) “stock exchange” means a stock exchange registered under the Securities

and Exchange Ordinance, 1969 (XVII of 1969);

(xli) “trust” means a trust established by a deed of trust in terms of the provisions of the Trusts Act, 1882 (II of 1882);

(xlii) “trust deed” means the deed of trust entered into between a REIT Management Company and a Trustee that governs the establishment and operation of a REIT Scheme;

(xliii) “Trustee” means a trustee, appointed in respect of a REIT Scheme in accordance with rule 12, who is a party to the trust deed;

(xliv) “unit” means a unit of a REIT Fund;

(xlv) “unlisted security” means a security not listed or quoted on a stock exchange; and

(xlvi) “valuation date” means any date at which the REIT Assets are valued by the property valuer in accordance with rule 20.

(2) Words and expressions used but not defined in these rules shall have the same meaning as assigned to them in the Companies Ordinance (XLVII of 1984), the Securities and Exchange Ordinance, 1969 (XVII of 1969), and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

CHAPTER II. - REIT Management Company

3. REIT Management Company.-(1) A company may be incorporated under the Ordinance with the prior approval of the Commission, having as one of its main objects the establishment of a REIT Scheme and the provision of REIT Management Services, provided that each of its promoters and proposed directors fulfils the terms and conditions prescribed in the “fit and proper” criteria as the Commission may, prescribe,

and provided further, that if any difficulty arises in giving effect to such terms and conditions or it would be in the interest of the general public or the capital market to do so, the Commission may, for reasons to be recorded in writing, relax any of such terms and conditions in a particular case or class of cases subject to such qualifications as the Commission may deem fit.

(2) The object of the REIT Scheme shall be to maximize the return for the unit holders through a prudent strategy of investment in, and development of, real estate.

4. Permission to form REIT Management Company.-(1) Persons desirous of forming a REIT Management Company shall make an application to the Commission as set out in Form I providing information, specified in the Annexure thereto, along with all the relevant documents and receipt evidencing the payment of a non-refundable processing fee as may be prescribed.

(2) The Commission may, if it is satisfied that the persons seeking permission to form the REIT Management Company fulfil the terms and conditions specified in rule 3, permit by an order in writing such persons to establish a REIT Management Company:

Provided that the promoters of the REIT Management Company shall not alienate their shares for a minimum period of three years from the date of commencement of business except with the prior approval of the Commission and the promoters shall, unless otherwise permitted by the Commission, collectively hold at all times at least twenty per cent of the issued capital of the REIT Management Company.

(3) The permission granted to establish a REIT Management Company under sub-rule (2) shall be valid for a period of six months unless extended for a maximum period of three months under special circumstances, on the application of the promoters

made before the expiry of said six months. During the validity of this permission, the promoters of the REIT Management Company shall get the REIT Management Company incorporated as a public limited company under the Ordinance.

5. Conditions for grant of licence.-(1) A REIT Management Company shall make an application to the Commission for grant of licence for establishing a REIT Scheme and carrying on the business of providing REIT Management Services. The said application shall be submitted to the Commission in the form as set out in Form II along with a non-refundable processing fee as may be prescribed for such licence.

Provided that an NBFC duly licensed by the Commission to undertake the business of asset management services that also seeks to establish a REIT Scheme and carry on the business of providing REIT Management Services may make an application to the Commission for grant of license under sub-rule (1) and such application shall be considered eligible for further inquiry provided that:

(i) its directors and the chief executive meet the “fit and proper” criteria stated in rule 3; and

(ii) its Memorandum of Association provides as one of its main objects the establishment of a REIT Scheme and the provision of REIT Management Services;

(2) The Commission, after making such inquiry and after obtaining such further information, as it may consider necessary, may grant a licence to a newly incorporated company or an existing NBFC licensed as an Asset Management Company in Form-III

for the establishment of a REIT Scheme and the provision of REIT Management Services if it is satisfied that the company and its promoters have fulfilled the following conditions in addition to the conditions specified in rule 3:-

- (a) It is incorporated as a public limited company under the Ordinance and has at least seven directors of whom at least two are independent directors;
- (b) A license to carry on the same business has not been issued to any group company;
- (c) its directors, significant shareholders, chief executive and chief financial officer are persons of integrity having knowledge and experience of matters involving real estate, the management and development thereof, deriving rental and capital gains income therefrom, rendition of advisory services relating thereto, and of dealing in the issuance, distribution and administration of listed securities;
- (d) it has an equity attributable to the business of real estate management services of at least such amount as may be prescribed by the Commission.
- (e) it has adequate financial, technical, organizational and human resources and appropriate systems, procedures and processes in place to provide REIT Management Services in a proper and efficient manner;
- (f) a credit rating company has assigned to it such rating as the Commission may prescribe;
- (g) it has allotted at least twenty per cent of the paid-up share capital to its promoters, unless otherwise permitted by the Commission pursuant to Rule 4 (2);

- (h) the chief executive of the company is a person who does not hold such office in any other company; and
- (i) its directors do not serve in the same capacity in any other REIT Management Company.

(3) Without prejudice to the conditions specified under sub-rule (2), the Commission may, while granting a licence, impose such other conditions, as it may deem necessary.

(4) No person may consent to or present himself for appointment or election to the board of directors of a REIT Management Company without the prior approval of the Commission.

(5) The licence granted to the REIT Management Company under these rules shall be valid for the life of the REIT Management Company unless cancelled or suspended under Rule 9 (a) or voluntarily surrendered by the REIT Management Company; an annual supervision fee shall be paid by the REIT Management Company to the Commission at such rates as may be prescribed.

(6) The Commission may, after making such inquiry and after obtaining such further information as it may consider necessary, renew the licence of a REIT Management Company for one year in the form as set out in Form V on such conditions as it may deem necessary.

6. Commencement of operations by REIT Management Company.-(1) A REIT Management Company shall commence its business and operations only after it has been issued a licence in terms of rule 5 and all conditions contained in rule 5 have been

complied with. In case a REIT Management Company fails to commence its business within six months from the date of issuance of licence, the licence issued to it shall be liable to be cancelled unless the six-month period is extended by the Commission on receipt of an application made by the company one month prior to the expiration of such period.

(2) Without prejudice to the terms and conditions specified in rule 7, the Commission may, subsequent to the grant of licence to the REIT Management Company, impose any other condition, as it may deem necessary in the public interest.

7. Conditions applicable to a REIT Management Company.-(1) A REIT Management Company shall,-

- (a) maintain adequate financial, technical, organizational and human resources, and employ appropriate systems, procedures, processes and personnel to provide REIT Management Services in a proper and efficient manner on an ongoing basis;
- (b) without prejudice to the generality of clause (a) and unless otherwise permitted by the Commission.
 - (i) have on its board of directors at all times at least one person with senior management level experience of at least five years in the financial sector; and
 - (ii) employ at least two persons in senior management positions each of whom shall have experience of at least five years in managing collective investment schemes;
- (c) have on its board of directors at all times at least two directors who are

also sponsors of the REIT Management Company and two independent directors;

- (d) unless otherwise permitted by the Commission, appoint key executives including the chief investment officer, chief financial officer, chief internal auditor and chief compliance officer who fulfill such “fit and proper criteria” as may be prescribed;;
- (e) have at least one investment committee and may appoint more than one investment committees whether for different funds or for different asset classes. The investment committee shall, at all times, act independently for each fund.
- (f) The investment committee shall have a minimum of three members and shall comprise of such personnel who fulfill such “Fit and Proper” criteria as may be prescribed
- (g) The constitution of the investment committee shall be approved by the Board of Directors of the REIT Management Company.
- (h) The investment committee shall be responsible to the chief executive who shall ensure that the committee functions effectively
- (i) At least two-thirds of the investment committee members shall be present prior to taking any investment related decision or other decisions relating to the responsibilities of the investment committee. However, if the quorum is not present, in the event of an emergency, the fund manager, in consultation with another member of the investment committee, may take decisions and shall record in writing the decisions and the circumstances

of the emergency and circulate the document to other members of the investment committee

- (j) The investment committee shall meet with such frequency as may be decided by it and shall have such role, powers and duties as are specified by the Commission from time to time;
- (k) maintain satisfactory internal controls and written compliance procedures which address all applicable regulatory requirements;
- (l) maintain such books of accounts and other records as shall depict a true and fair picture of its state of affairs;
- (m) prepare its accounts in conformity with the International Accounting Standards notified under sub-section (3) of section 234 of the Ordinance and technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time;
- (n) be assigned by a credit rating company such credit or management rating which shall not be lower than a grade specified by the Commission under clause (e) of sub-rule (2) of rule 5, and such credit or management rating shall be updated at least once every financial year;
- (o) publish the rating, if any, assigned under clause (h) in its annual report and the quarterly reports and annual report of the REIT Scheme and any advertisement and brochures relating thereto; and
- (p) within one year of any fall of rating below the grade referred to in clause (h), obtain a fresh rating from a credit rating company, and if such rating is at or above the grade referred to in clause (h), the Commission may permit

the REIT Management Company to continue its operations on such conditions as are deemed to be in the interest of the unit holders of the REIT Scheme managed by it, provided that during the period that such rating remains below the grade referred to in clause (h), the REIT Management Company shall not cause the REIT Scheme managed by it to enter into any new real estate transaction, and, provided further that, if the REIT Management Company fails to achieve the grade referred to in clause (h) for two consecutive financial years, the Commission may, if it deems it to be in the interest of the unit holders, proceed against the REIT Management Company under rule 9.

- (2) A REIT Management Company shall not,
- (a) unless otherwise permitted by the Commission, hold less than ten per cent or more than twenty per cent of the outstanding units of the REIT Fund managed by it, provided that in the event of a public offering of the units of the REIT Fund being undersubscribed by fifty per cent or more the REIT Management Company shall subscribe to the unsubscribed portion of the offer subject to its holding not exceeding the limit of twenty per cent specified herein above;
 - (b) appoint or elect from among (i) the same family, including persons who are close relatives of each other; (ii) the employees of its holding company; and (iii) the board of directors of any member of its group, taken collectively, more than twenty-five per cent of its directors;
 - (c) purchase anything from, or sell anything to, any connected person without

the prior approval in writing of the Commission;

Provided that this restriction shall not apply to employees and chief executive of a REIT Management Company (barring the directors) if a purchase or sale is effected in accordance with a written policy, which has been duly approved by the Board of Directors of the REIT Management Company and filed with the Commission;

- (d) obtain the management of another REIT Scheme, without the prior approval of the Commission in writing;
- (e) transfer ownership of controlling shares, merge with, acquire or take-over any other company unless it has obtained prior approval of the Commission in writing to the scheme of such transfer, merger, acquisition or takeover;
- (f) make a loan or advance money to any person except in connection with the ordinary course of business of the REIT Management Company.

Provided that it may make loans and advances to its employees (subject to provisions of section 195 of the Ordinance) in accordance with the company's pre-defined policy in writing, which has been duly approved by its Board of Directors and filed with the Commission;

- (g) participate in a joint account with others in any transaction;
- (h) apply any part of its assets to real estate, provided that it may purchase real estate for its own use out of the equity funds available to it;
- (i) remove any of its records or documents relating to its business from Pakistan to a place outside Pakistan without the prior permission of the

Commission;

- (j) change its chief executive or replace any member of the board of directors, excluding any director nominated by creditors, sponsoring financial institutions and insurance companies, without the prior approval of the Commission;
- (k) make investment in any unlisted securities without the approval of the Commission; and
- (l) offer any units of the REIT Scheme managed by it, or any of its own or other securities, for any consideration other than cash nor make any loan or advance against these securities.

8. Obligations of REIT Management Company.-A REIT Management Company licensed by the Commission shall,-

- (a) through the deed of trust, provide for the REIT Fund that is to vest in the Trustee for the benefit of the unit holders of the said Fund. All transactions undertaken and property or assets acquired in furtherance of the objects of the REIT Scheme shall be undertaken or acquired, as the case may be, in the name of the Trustee.
- (b) manage the REIT Scheme, including the REIT Fund and the REIT Assets, in accordance with the constitutive documents and all applicable laws in the sole and exclusive interest of the unit holders, in good faith and to the best of its ability without gaining any undue advantage for itself or any of its connected persons;
- (c) carry out all transactions involving the REIT Scheme managed by it on an

arm's length basis;

(d) ensure, without prejudice to the generality of clause (a), that the following financial and economic aspects of the REIT Scheme are professionally managed in the sole and exclusive interest of the unit holders, namely,:-

(i) formulation of the investment strategy and policy of the REIT Scheme and efficient management of all the risks related thereto;

(ii) determination of the borrowing limits for the purposes of the REIT Scheme;

(iii) managing the cash flows generated by the REIT Scheme;

(iv) formulation of the schedules for the payment of dividend out of the net cash inflow generated by the REIT Scheme; and

(v) formulation and implementation of the leasing strategies with respect to the REIT Assets;

(e) ensure that proper legal title to the real estate acquired through REIT Funds is vested in the Trustee, and that all material contracts, including rental agreements, entered into in furtherance of the objects of the REIT Scheme with respect to REIT Assets are legal, valid and binding, and

enforceable by or on behalf of the Trustee in accordance with the stipulated terms of such contracts and agreements;

(f) cause the legal title to real estate and the validity, binding nature and enforceability of the material contracts referred to in clause (d) to be certified by lawyers acceptable to the Commission;

(g) arrange adequate insurance coverage as may be prescribed in relation to the real estate assets of the REIT Scheme;

(h) account to the Trustee for any loss in value of the REIT Assets where such loss is attributable to the REIT Management Company;

(i) where it delegates one or more functions in relation to the REIT Scheme, obtain prior approval of the Commission and,-

(i) ensure that its delegates have sufficient experience and financial resources at their disposal to enable them to conduct the delegated function;

(ii) demonstrate that it has proper due diligence procedures and management or administrative structures in place for the selection and on-going monitoring of the delegatee(s) that are deemed fit

and proper; and

- (iii) ensure that the agreement between the REIT Management Company and each of the delegates clearly documents the demarcation of functions between the Management Company and the delegate and the fee(s) payable for the delegated function;
- (j) be responsible for the acts or omissions of all persons, howsoever, designated, to whom it may delegate any of its functions as REIT Management Company as if such acts or omissions were its own;
- (k) maintain at its principal office proper books of account and record of the activities undertaken in connection with the REIT Scheme in order to enable a complete and accurate view to be formed of the assets and liabilities as well as the income and expenditure arising out of the REIT Scheme, and of all transactions undertaken with respect to the REIT Scheme and of the amounts received by the REIT Management Company in respect of issue of units of the REIT Fund and of pay-outs, if any, by way of distributions to the unit holders;
- (l) within four months of close of the financial year, prepare and transmit to the unit holders, the Commission and stock exchange(s) on which the units are listed, the annual report, together with a copy of the balance sheet,

income and expenditure account, cash flow statement, statement of changes in equity, the auditor's report of the REIT Scheme, the valuation report setting out and explaining the net asset value of the REIT Assets as determined by the property valuer, and a statement of income and expenditure of the REIT Management Company in relation to the REIT Scheme, and such balance sheet and income and expenditure account shall comply with any requirements that the Commission may from time to time specify in Schedule I;

- (m) within one month of the close of the first, second and third quarter of the year of account of the REIT Scheme, prepare and transmit to the unit holders, the Commission and stock exchange(s) on which the units are listed, the balance sheet as at the end of that quarter, income and expenditure account, a cash flow statement and a statement of changes in equity for that quarter, whether audited or otherwise;

Provided that the Commission, subject to such conditions as may be prescribed, may allow the REIT Management Company to transmit the said quarterly accounts to the unit holders by placing them on the company's website. The REIT Management Company shall, however, make available the printed copy to any unit holders, free of cost, as and when requested.

- (n) maintain the register of unit holders and keep the Commission informed of the location where the register is kept;
- (o) appoint, in respect of the REIT Scheme upon its establishment, and upon occurrence of any vacancy, with the consent of the Trustee, an auditor who shall be a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), provided that the auditor so appointed,-
- (i) is not the auditor of the REIT Management Company, the Trustee or the property valuer; and
 - (ii) has not been the auditor of the REIT Scheme for more than three consecutive years;
- (p) furnish to the Commission, a copy of the annual report of the REIT Management Company together with copies of the balance sheet, income and expenditure account, cash flow statement, statement of changes in equity and the auditor's report within four months of the close of the financial year and a copy of the half yearly report of the REIT Management Company together with copies of the balance sheet, income and expenditure account and the auditor's report within two months of the close of the half year, together with a statement containing the following

information, namely:-

- (i) The total number of unit holders of the REIT Fund;
 - (ii) particulars of the personnel (executive, research and other) managing the REIT Scheme, whether such persons are employees of the REIT Management Company or its delegates; and
 - (iii) such other information that the Commission may from time to time specify;
- (q) obtain a rating of the REIT Scheme once the Scheme has become eligible for rating as per the rating criteria of a licensed credit rating company and such rating shall be updated at least once every financial year and also published in the annual and quarterly reports of the REIT Scheme;
- (r) ensure that the unit holders are given sufficient prior notice of not less than 30 days and, where applicable, the right to vote with respect to any material change in the REIT Scheme, such as material changes in the investment policy or objectives;
- (s) ensure compliance with any applicable laws, rules and regulations

regarding the activities undertaken in furtherance of the REIT Scheme or its administration; and

- (t) furnish in respect of the REIT Scheme to the stock exchange(s) on which the units are listed, and to the Commission such information within such time limits as the Commission may, from time to time, specify.

9. Cancellation of licence.-(1) Subject to sub-rule (2), where the Commission is of the opinion that a REIT Management Company has contravened any provision of the Ordinance, these rules, or any guidelines issued under these rules, or is in breach of any material provisions of the constitutive documents, or has otherwise neglected or failed to comply with any order or direction of the Commission or with any requirement of these rules or has failed or neglected to carry out its duties to the satisfaction of the Trustee, or the Commission considers that it would be in the interest of the unit holders so to do, the Commission may on its own motion or on the report of the Trustee by order in writing,

- (a) cancel or suspend the licence of the REIT Management Company granted under these rules;
- (b) remove the REIT Management Company as manager of the REIT Scheme;
- (c) issue, cease and desist orders to the REIT Management Company;

(d) order compensation to be paid to the unit holders;

(e) impose fine; or

(f) take any combination of the above-mentioned actions.

(2) No such orders shall be made under sub-rule (1) except after offering the REIT Management Company an opportunity of being heard.

(3) A REIT Management Company may apply to the Commission for the cancellation of its licence as a REIT Management Company if it has, with the prior approval of the Commission, transferred management of the REIT Scheme being managed by it to another REIT Management Company.

(4) A REIT Management Company removed from office under sub-rule (1), shall not be entitled to or be paid any compensation or damages for loss of termination of office.

(5) If the licence of the REIT Management Company is cancelled under sub-rule (1), the Commission shall appoint another licensed REIT Management Company as a replacement thereof, and the REIT Management Company whose licence has been cancelled shall not be eligible to be granted a licence to conduct business as a REIT

Management Company again.

(6) Upon cancellation of licence under sub-rule (1), the functions and carrying on the business of the REIT Management Company shall cease and the Commission may apply to move the Court for a winding up order in respect of the REIT Management Company or take such other action against the REIT Management Company as the Commission may deem fit.

(7) Notwithstanding cancellation of licence under sub-rule (1), the directors, chief executive, chairman and other officers of the REIT Management Company shall not be absolved of any civil and criminal liability under these rules, the Ordinance, or any other law for the time being in force.

(8) Where the licence of a REIT Management Company has been cancelled under sub-rule (1), the Commission may, by an order in writing, appoint a person as Administrator to manage the affairs of such REIT Management Company subject to such terms and conditions as may be specified in the order.

(9) The management of the affairs of the REIT Management Company, shall vest in the Administrator on and from the date of the Administrator's appointment until a liquidator is appointed by the Court.

CHAPTER III. - Formation of Real Estate Investment Trust Scheme

10. Formation of REIT Scheme.-(1) No REIT Scheme shall be deemed established and no units shall be offered to any person unless the constitutive documents have been approved by the Commission and authorization to make a public offer of the units has been granted.

(2) The authorization referred to in sub-rule (1) may be granted if a REIT Scheme specified in the constitutive documents fulfils the following terms and conditions, namely:-

- (a) investment out of the REIT Fund shall only be made in real estate, real estate related assets and non-real estate assets in such minimum and maximum ratios as may be prescribed by the Commission;
- (b) not less than ninety per cent of the annual audited accounting income arising out of the REIT Scheme shall be distributed to the unit holders as dividends in each financial year;
- (d) no speculative trading of real estate shall be conducted and, accordingly, any real estate acquired shall be held for a period of at least two years, unless the rationale for disposal prior to the expiry of such minimum holding period has been clearly communicated to the unit holders and the unit holders have accorded their consent to such sale by way of a special resolution at a general meeting;
- (e) the REIT Fund shall have a minimum proposed capital as may be prescribed;
- (f) the units of the REIT Scheme shall be held by such minimum number of

persons as may be prescribed by the Commission. The Commission may also prescribe the maximum proportion of units that may be held by five or fewer persons.

(g) the units of the REIT Fund shall be listed in accordance with the listing regulations of the stock exchanges and shall be freely tradable. Application for listing shall be made by the REIT Management Company. Such units may not be de-listed without the prior approval of the Commission in writing.

(3) The authorization referred to in sub-rule (1) shall not be granted unless,-

(a) the REIT Management Company has entered into a firm and specifically enforceable agreement to purchase, acceptable to the Commission, with the owner(s) of the real estate that is intended to be acquired as a REIT Asset;

(b) the agreement to purchase referred to in clause (a) specifies that the real estate intended to be acquired as a REIT Asset shall be conveyed by the owner(s) to the Trustee and that the Trustee shall be entitled to demand and enforce performance by the owner(s) in terms of the agreement to purchase; and

(c) the units of the REIT Fund to be offered to the public have been underwritten by an underwriter appointed by the REIT Management Company with the prior approval in writing of the Commission.

(4) Subject to sub-rules (2) and (3), an application for the authorization of a REIT Scheme shall be submitted to the Commission by a REIT Management Company in the form as set out in completion of Form VI and shall be accompanied by the following information and documents, namely:-

- (a) The REIT Scheme's constitutive documents in accordance with any requirements that the Commission may from time to time specify in Schedules II and III;
- (b) the REIT Management Company's latest audited accounts, if applicable, and resumes of its directors;
- (c) the Trustee's latest audited accounts, if available;
- (d) the Trustee's consent letter to act as Trustee;
- (e) the property valuer's latest audited accounts;
- (f) the property valuer's consent letter to act as property valuer; and

(g) non-refundable application fee as may be prescribed .

(5) The Commission shall grant authorization to the REIT Scheme in the form as set out in Form VII if it is satisfied that the terms and conditions specified in sub-rules (2) and (3) are fulfilled.

11. De-authorization.-(1) Following the authorization of a REIT Scheme, if the REIT Management Company concerned does not wish to maintain such authorization, it shall, with the prior approval of the Commission, give at least three months' notice to the unit holders about its intention not to maintain such authorization.

(2) If the Commission deems that further continuation of the authorization of the REIT will not be in the interest of the unit holders, it shall give a three months' notice to the holders about the Commission's intention not to maintain such authorization, provided that no such notice shall be served and no such authorization shall be cancelled without providing the REIT Management Company an opportunity of being heard.

(3) In case of de-authorization, the REIT Management Company shall be required to wind up the REIT Scheme and pay to each holder his proportionate share of the NAV of the REIT Assets in such manner and within such time as may be specified by the Commission.

CHAPTER IV. - Trustee

12. Appointment of Trustee.- Every REIT Scheme for which authorization is requested shall be structured as a trust and a Trustee shall be appointed with the approval of the Commission.

13. Trustee and the REIT Management Company to be independent.- The Trustee shall neither be a connected person nor associated company or undertaking of the REIT Management Company.

14. Conditions applicable to Trustee.- The Trustee shall be,-

- (a) a scheduled bank licensed under the Banking Companies Ordinance, 1962 (LVII of 1962), which has been assigned a minimum investment grade rating by a credit rating company, and has been in operation for at least five years provided that the said bank or any of its associated companies is not licensed as a REIT Management Company; or
- (b) a trust company which is a subsidiary of a scheduled bank, which has been assigned a minimum investment grade rating by a credit rating company;
or
- (c) a foreign bank operating as a scheduled bank in Pakistan and operating as a trustee internationally which has been assigned a minimum investment grade rating by a credit rating company; or

- (d) an NBFC undertaking investment finance services or housing finance services, which has been assigned a minimum investment grade rating by a credit rating company, and has been in operation for at least five years, provided that the said NBFC is not acting as the REIT Management Company for any REIT Scheme, and that such NBFC has been approved by the Commission to act as Trustee.
- (e) such other person as the Commission may specify, fulfilling such fit and proper criteria as may be determined by the Commission from time to time;
- (2) In exercising its authority under rule 12, the Commission may consider the availability of appropriate systems, personnel, management and such other criteria, as may be prescribed by the Commission from time to time.

15. Obligations of Trustee.- The Trustee shall,-

- (a) exercise all due diligence and vigilance in carrying out its functions and duties under the trust deed, the other constitutive documents, these rules and all other applicable laws in order to supervise furtherance of the objectives of the REIT Scheme and to protect the rights and interests of the unit holders;

- (b) ensure that the REIT Assets are properly identified and held for the benefit of the unit holders in accordance with the provisions of the constitutive documents, these rules and all other applicable laws;
- (c) ensure that the REIT Fund and all REIT Assets are lawfully vested in it and hold such Fund and Assets in trust for the holders in accordance with the provisions of the constitutive documents, these rules and all other applicable laws;
- (d) take all reasonable care to ensure that the REIT Management Company fulfils its obligations under clauses (d), (e) and (f) of rule 8;
- (e) be liable for any negligent act or omission on its part or on the part of any of its agents resulting in any loss or depreciation to the REIT Fund or the REIT Assets;
- (f) appoint , at least once a year, an approved property valuer to value the real estate forming part of the REIT Assets and to produce valuation reports with respect to such real estate in accordance with rule 21;
- (g) cause a determination of the net asset value of the REIT Assets to be carried out at any time if it or the REIT Management Company come to

the conclusion that such valuation will be beneficial or the unit holders through a special resolution require that such valuation be carried out;

- (h) ensure that the issue and transfer of the units of the REIT Fund are carried out in accordance with the provisions of the constitutive documents and any rules or directions issued by the Commission;
- (i) carry out the instructions of the REIT Management Company in respect of investments unless they are in conflict with the provisions of the constitutive documents, these rules or any other applicable law;
- (j) ensure that the investment and borrowing limits set out in these rules, the constitutive documents and the conditions of authorization of the REIT Scheme are complied with;
- (k) ensure that no real estate is acquired or disposed of by or on behalf of the Trustee until the Trustee has obtained a recent valuation report, that is of a date not more than three months before the date of such decision, prepared by a property valuer appointed and instructed in writing by the Trustee;
- (l) take all reasonable care to ensure that all transactions carried out by the REIT Management Company in connection with the REIT Scheme are conducted at arm's length and that all related party transactions are carried

out in accordance with rules 29 and 30;

- (m) issue a report to be included in the annual report to be sent to holders, stating whether, in its opinion the REIT Management Company has in all material respects managed the REIT Scheme in accordance with the provisions of the constitutive documents, these rules and all applicable laws, or if the REIT Management Company has not done so, specify the deviations and the steps that the Trustee has taken in respect thereof;
- (n) take all reasonable care to ensure that units are not issued until subscription monies have been paid; and
- (o) ensure that the NAV per unit is calculated as and when an annual valuation report is issued by the property valuer for the relevant period, and that such NAV per unit is published in the annual report of the REIT Scheme.

16. Retirement or removal of Trustee.- (1) The Trustee may, subject to the prior permission of the Commission, retire from its office on the appointment of a new Trustee approved by the Commission and the retirement shall take effect from the date of transfer of the REIT Fund and all REIT Assets to the newly appointed Trustee.

- (2) For the purpose of appointment of a new Trustee the deed of trust may be

amended in accordance with provisions of the Trusts Act, 1882 (II of 1882).

(3) The Trustee may be removed by notice in writing from the Commission in any of the following events, namely:-

- (a) The Trustee goes into liquidation, becomes bankrupt or has a receiver or administrator appointed over his assets;
- (b) for good and sufficient reason, the Commission states in writing that a change in the Trustee is desirable in the interests of the holders; or
- (c) a special resolution is passed by the holders resolving that the Trustee is liable to be removed in a general meeting specifically called for this purpose by the Commission upon petition of holders of no less than ten per cent of the outstanding units, with the Trustee and its connected persons abstaining from voting on such resolution and, in respect of such general meeting, the reference in rule 32 to the Trustee shall be deemed a reference to the Commission.

Provided that no such order shall be made under sub-rule (3)(b) except after offering the Trustee an opportunity of being heard.

CHAPTER V. - Property Valuer

17. Appointment of property valuer.- A property valuer shall be appointed in accordance with clause (f) of Rule 15, and with the approval of the Commission, in respect of every REIT Scheme for which authorization is requested.

18. Property valuer to be independent.- The property valuer shall neither be a connected person nor an associated company or undertaking of the REIT Management Company, the Trustee or any significant holder or itself be a unit holder of the REIT Fund.

19. Conditions applicable to property valuer.- (1) The property valuer shall be a person that fulfils the “fit and proper” criteria as may be prescribed .

(2) The property valuer shall be independent of the REIT Scheme, the Trustee, the REIT Management Company and each of the significant holders.

20. Obligations of property valuer.- (1) The property valuer shall value the real estate comprised in the REIT Assets on the basis of the current market price as well as such other basis as may be prescribed by the Commission with physical inspection of the site of the real estate and of the building(s) and facilities erected thereon once a year, and also at the time of issuance of new units. A property valuer shall also produce a valuation report on all real estate intended be acquired or sold by the REIT Management Company or in any other circumstances as may be prescribed.

(2) The valuation methodology shall follow the best practices prevalent in the industry and such guidelines that the Commission may from time to time issue.

(3) The property valuer shall ensure that its opinion and valuation is independent of, and unaffected by, its business or commercial relationship with other persons.

21. Contents of valuation report.- (1) The property valuer shall as a minimum,-

- (a) include all material details in relation to the basis of valuation and the assumptions used;
- (b) describe and explain the valuation methodologies adopted;
- (c) set out such particulars in respect of each real estate project as are prescribed by the Commission from time to time;
- (d) set out particulars of any real estate for which the REIT Management Company has an option to purchase;
- (e) include a letter stating the independent status of the property valuer and that the valuation report is prepared on a fair and unbiased basis; and

- (f) such other information as may be prescribed by the Commission from time to time.

22. Retirement or removal of property valuer.- (1) The property valuer shall retire after it has conducted valuation of the real estate REIT Assets for three consecutive years. The same property valuer may only be re-appointed after a gap of another three years.

(2) The property valuer may be removed by notice in writing by the Trustee in any of the following events, namely:-

- (a) the property valuer goes into liquidation, becomes bankrupt or has a receiver or administrator appointed over his assets; or
- (b) for good and sufficient reason, the Trustee states in writing that a change in the property valuer is desirable in the interests of the holders; or
- (c) an ordinary resolution is passed by the holders requiring the removal of the property valuer, with all connected persons of the property valuer abstaining from voting on such resolution.

(3) In addition, the property valuer shall retire in all other cases provided for in the constitutive documents.

(4) Upon retirement or dismissal of the property valuer, the Trustee shall appoint a new property valuer that meets the qualification requirements of this Chapter.

Chapter VI. - Investments, Borrowing and Dividend Policy

23. Investments allowed to REIT Fund.- Subject to the restrictions and requirements in rule 25 and sub-rule (2) of rule 10, the REIT Fund may only be invested in real estate, real estate related assets and non-real estate assets.

24. Investment policy and diversification.- (1) The investment policy of a REIT Scheme shall be clearly and concisely stated in the constitutive documents and shall,-

- (a) with regard to real estate, indicate how the investments out of the REIT Fund are likely to be allocated among (i) real estate yielding rental income; (ii) real estate to be acquired, held and resold; and (iii) the real estate to be acquired, developed and resold; and
- (b) specify whether the REIT Scheme is to exist for a definite or indefinite period, and if it is to exist for a definite period, the circumstances wherein it shall cease to exist and the manner in which holders shall thereupon receive their respective proportionate shares of the Net Asset Value.

(2) Unless it is stated clearly in the offering document that the execution of the REIT Scheme shall not result in a diversified portfolio of real estate, the real estate acquired through the investment of the REIT Fund must be reasonably diversified in terms of the type(s) of real estate (e.g. residential, commercial, industrial) and geographical location taking into account the type and size of the REIT Scheme, its investment objectives, and the prevailing market conditions.

(3) Acquisition of all real estate, real estate related assets or non real estate assets through the REIT Fund shall involve lawful acquisition of title including all rights, interests and benefits related to the ownership thereof. Unless otherwise approved by the Commission, all such real estate, real estate related assets and non real estate assets shall be free from all encumbrances at the time of acquisition.

(4) Unless otherwise approved by the Commission, the real estate proposed to be acquired through the REIT Fund shall be specifically identified in the offering document.

(5) The real estate proposed to be acquired through the REIT Fund shall be wholly acquired, provided that where such acquisition is not possible at least a major portion of the real estate shall be acquired through the REIT Fund and the Trustee of the REIT Scheme must be able to exercise all rights and interests over such real estate without any hindrance whatsoever.

(6) The REIT Fund may be invested in the acquisition of uncompleted units in a building or an uncompleted building as a whole, which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, subject to such conditions as are specified by the Commission for such acquisition(s).

25. Restrictions on utilization or encumbrance of REIT Fund or REIT Assets.- The REIT Fund or REIT Assets shall not be utilized, directly or indirectly, for,–

- (a) investment in vacant land and mortgages. However, there shall be no prohibition on the investment of the REIT Fund in vacant land that has been approved for development in order to develop such land and build thereon, provided such investment is not in a joint account or venture with others;
- (b) lending or making an advance not connected to objects or furtherance of the REIT Scheme or for securing or guaranteeing or otherwise becoming directly or contingently liable for any obligation or indebtedness of any person;
- (c) acquiring any asset that involves the assumption of any liability that is unlimited;

- (d) effecting a short sale in any security;
- (e) purchasing any asset in a forward contract;
- (f) purchasing any asset on margin;
- (g) participating in a joint account with others in any transaction;
- (h) trading in commodities or becoming involved in commodity contracts;
- (i) acquiring any security of which another REIT Fund, is the issuer; and
- (j) making an investment in a company which has the effect of vesting the management, or control over the affairs, of such company in the Trustee.

26. Borrowing policy. (1) Borrowing for the purposes of the REIT Scheme against the security of REIT Assets may be made in the name of the Trustee strictly in accordance with the limits, terms and conditions as may be prescribed by the Commission.

(2) The borrowing policy of the REIT Scheme shall be disclosed in the offering document.

27. Dividend policy.- (1) The dividend policy of the REIT Scheme shall be clearly and concisely stated in its constitutive documents.

(2) The dividends shall only be paid in cash, unless otherwise allowed by the Commission on an application made to the Commission by the REIT Management Company, for reasons to be recorded in writing and after review of such further information as may be required by the Commission in the best interest of the REIT Scheme and the unit holders or the capital market.

Chapter VII. - Related Party Transactions

28. Related parties and related party transactions.- (1) The persons to be considered “related parties” for the purpose of any transaction pertaining to the REIT Scheme shall include the following, namely:-

- (a) the REIT Management Company;
- (b) the Trustee;
- (c) the property valuer;
- (d) a significant holder;
- (e) a director or senior executive of any of the entities in (a) to (d);

- (f) close relative(s) of the persons in (d) and (e); and
- (g) a controlling entity, holding company, subsidiary or associated company of any of the entities in (a) to (d).

(2) Any transaction pertaining to, or having a bearing on, the REIT Scheme involving any of the “related parties” shall be a “related party transaction”.

29. Disclosure of related party transactions.- (1) The offering document, quarterly reports and annual reports of the REIT Scheme shall in relation to the related party transactions disclose the following, namely:-

- (a) Beneficial interests, and any changes thereof, of the related parties in the REIT Fund or any aspect of the REIT Scheme; and
- (b) the potential conflicts of interest involving the related parties and the measures implemented to address such conflicts.

(2) Where any of the related parties has an interest in a business that competes or is likely to compete, either directly or indirectly, with the activities undertaken or to be undertaken in furtherance of the REIT Scheme the offering document shall prominently disclose the following, namely:-

- (a) A description of the business of the related party and its management, to enable investors to assess the nature, scope and size of such business, with an explanation as to how such business may compete with the activities entailed in the furtherance of the REIT Scheme;
- (b) where applicable, a statement from the relevant related party that it is capable of performing, and shall perform, its duty in relation to the REIT Scheme independently of its other business and in the best interest of the REIT Scheme and the holders;
- (c) a statement as to whether any of the business or assets of the related parties may be, or are likely to be, acquired or invested in through utilization of the REIT Fund in the future, together with the time frame during which such acquisition or investment is likely. If there is any change in such information after the authorization of the REIT Scheme, the REIT Management Company shall announce such change by way of press announcement as soon as the REIT Management Company or the Trustee becomes aware of such change; and
- (d) where REIT Funds are to be utilized for acquiring real estate from any of the related parties the offering document shall prominently disclose the following, namely:-

- (i) Valuation report of the real estate that the related party has agreed to sell; and
- (ii) the price to be paid out of the REIT Fund for the subject real estate and other terms of the transaction.

30. Related party transactions.- (1) The REIT Management Company or the Trustee shall not without the prior approval of the Commission in writing enter into any transaction with a related party who beneficially owns ten per cent or more of the equity of the REIT Management Company or ten per cent or more of the units of the REIT Fund.

(2) All related party transactions carried out concerning or having a bearing on the REIT Scheme shall be,-

- (a) carried out at arm's length and in an open and transparent manner. Where circumstances permit, such transactions shall only be carried out as part of a process providing for open tender or competitive bidding by auction;
- (b) valued as regards the real estate involved, if any, by an independent valuer who meets the requirement set out in these rules;
- (c) consistent with the investment objectives and strategy of the REIT

Scheme;

(d) in the best interests of the holders; and

(e) properly disclosed to the holders.

(3) If cash forming part of the REIT Assets is placed or deposited with the Trustee, the REIT Management Company, the property valuer of the REIT Scheme or with any other related party (being an institution licensed to accept deposits), cost of funds shall be paid on the deposit at a rate not lower than the prevailing commercial rate for a deposit of that size and term. All borrowings from any related person shall also be made strictly on commercial terms and shall carry not more than the return payable in similar commercial transactions at or around the same time.

(4) The holders' prior approval shall not be required for related party transactions where the consideration or value of the aggregate transaction(s) in a financial year is less than five per cent of the most recent Net Asset Value of the REIT Assets as disclosed in the most recent published audited financial statements, and adjustments for any subsequent transactions since the publication of such financial statements;

Provided that the REIT Management Company shall issue an announcement to the holders in accordance with rule 34.

(5) Related party transactions in the nature of services provided in the ordinary and usual course of real estate or property management, such as renovation and maintenance work, relating to the real estate assets comprised in the REIT Assets shall be contracted on normal commercial terms and shall be subject to the prior approval of the Trustee;

Provided that where the service to be contracted with the related party is of a one-off nature, and the contracted value exceeds fifteen per cent of the aggregate value of committed expenditure or actual expenditure on services related to the aforesaid real estate assets during the preceding twelve months, prior approval of the holders by way of an ordinary resolution passed in a general meeting shall be required, unless the service to be contracted is procured under a public tender. The requirements set out in rule 34 shall be complied with to inform the holders of such particulars as the nature and value of the service, the name of the related party, the date of general meeting and the result of the holders' voting:

Provided further that services provided by the REIT Management Company, the Trustee and the property valuer as contemplated under the constitutive documents shall not be deemed related party transactions but particulars of such services and the remuneration payable, except where any transaction has a value of not more than one million rupees, shall be disclosed in the next published quarterly account or annual report of the REIT Scheme.

(6) The holders' prior approval shall be required for related party transactions that do not fall within any of the categories as specified in sub-rules (4) and (5). Such approval shall be by way of an ordinary resolution passed in a general meeting.

(7) Neither the REIT Management Company, its delegates, the property valuer of the REIT nor any other related person may receive any benefit, monetary or otherwise, from a property agent, real estate developer or real estate builder in consideration of referring transactions involving the execution of the REIT Scheme to such property agent, real estate developer or real estate builder.

(8) Where related party transactions falling within sub-rules (4) and (5) above have been carried out a summary disclosure of the total value of such transactions, their nature and identities of the related parties shall be made in the annual report of the REIT Scheme. Where there is no such transaction conducted during the financial year covered by the annual report, an appropriate negative statement to that effect shall be made in the annual report.

(9) For related party transactions that do not require holders' approval but are considered by the REIT Management Company and the Trustee to be material, disclosure of the particulars of such transactions shall be made in the next published quarterly or annual report of the REIT Scheme.

Chapter VIII. - Miscellaneous

31. Termination.- No REIT Scheme shall be terminated unless,-

(a) the unit holders have approved the plan and scheme of termination through a special resolution at a general meeting; and

(b) the Commission has granted its written approval to such plan and scheme.

32. General Meetings.- The provisions of the Ordinance governing matters relating to general meetings of a company shall *mutatis mutandis* apply to general meetings of the unit holders of units in a REIT Fund as if such holders were members of a company, provided that any holder who has a material interest in the transaction put up for approval shall abstain from voting at the general meeting. For the purpose of meetings of the unit holders the company secretary of the REIT Management Company shall act as if he was the company secretary of a company of which the unit holders were members.

33. Offer of units and cost thereof. (1) Units representing the capital of a REIT Scheme shall be offered to the public at par but no such offer shall be made unless it has been underwritten by an underwriter appointed by the REIT Management Company with the prior approval in writing of the Commission.

(2) Where the REIT Management Company decides to increase the issued capital of the REIT Fund by the issue of further units such units shall be offered, with the prior

approval of the Commission, to the existing unit holders in proportion to the units held on the date of book closure by each unit holder and such offer shall be made by a notice specifying the number of units to which a unit holder is entitled and prescribing a cut-off date within which the offer, if not accepted through payment of the requisite subscription amount, will be deemed to have been declined and if the whole or any part of the units so offered are declined the REIT Management Company may issue and allot such units in any manner it may deem fit.

(3) The offer of units made pursuant to sub-rule (2) shall be made at par, unless otherwise permitted or directed by the Commission for sufficient reason to be recorded in writing.

(4) All expenses incurred in connection with the establishment and authorization of the REIT Scheme as well as the offer for sale and allotment of the units of the REIT Fund, including commission payable to the underwriter, shall be borne by the REIT Management Company and shall be reimbursable out of the REIT Fund at the time of termination of the REIT Scheme.

(5) The expenses referred to in sub-rule (4) shall be reported to the Commission giving break-ups under separate heads, within one month of completion of the allotment of the units.

34. Advertisements and invitations to invest.- (1) Advertisements, marketing

materials and other invitations to the public in Pakistan to invest in a REIT Fund, including public announcements, shall be submitted to the Commission for approval prior to their issue. All such advertisements, marketing materials, invitations and announcements shall have proper risk warning statements, including a reference to the offering document for a detailed discussion of the risk factors of the REIT Scheme, and shall otherwise be in accordance with such guidelines as the Commission may specify from time to time.

(2) The offering document, in addition to complying with the provisions of the Ordinance pertaining to a prospectus, shall comply with the requirements that the Commission may from time to time specify in Schedule-III.

(3) Any advertisement, or invitation submitted for approval, which concerns the Trustee must be accompanied by the Trustee's written consent.

(4) The approval so granted may be varied or withdrawn by the Commission after giving an opportunity of being heard to the REIT Management Company.

(5) Approval of an advertisement or invitation shall be valid for a period of sixty days from the date of approval provided that there is no change in the features of the REIT Scheme for which the advertisement was approved.

35. Remuneration payable to REIT Management Company.- (1) Subject to

sub-rule (2), the REIT Management Company shall be entitled to be paid annually, after the accounts of the REIT Scheme have been audited, a remuneration not exceeding three per cent of the average net asset value over the preceding year. For the purposes of this rule, the word average means average net asset value calculated on quarterly basis during the year.

(2) The Trustee shall, in safeguarding the interests of the unit holders in relation to any remuneration payable to the REIT Management Company, consider whether such remuneration is reasonable having regard to the nature, quality and extent of the services performed by the REIT Management Company, including and with reference to:

- (a) the amount of such remuneration in relation to the size and the composition of the portfolio of the REIT Fund;
- (b) the success of the REIT Management Company in meeting the investment objectives of the fund; and
- (c) the performance of the fund including the income of the fund, and the maintenance or appreciation of the capital.

(3) If the Trustee forms the opinion at any time that these fees are unreasonable, having regard to the interests of the unit holders, then the Trustee shall take

such necessary actions, which may include convening a meeting of unit holders, to ensure that the fees are commensurate with the services rendered.

36. Annual fee payable to the Commission.- An annual fee equal to one twentieth of one per cent of the average annual net asset value of the REIT Assets, calculated in accordance with rule 35, shall be payable to the Commission.

37. Remuneration payable to Trustee.- A Trustee shall be entitled to such fee or remuneration as may be allowed by the REIT Management Company after prior approval of the Commission, and such remuneration shall be charged as an expense to the REIT Fund and the receipts arising out of the REIT Scheme.

38. Power of the Commission to issue Guidelines and Regulations.- (1) (a)
The Commission shall have the power to issue such general guidelines or regulations as may be necessary in order to give effect to the provisions of the Ordinance, the NBFC Rules or these Rules.

(b) The Commission may also issue rulings, including advance ruling, in response to specific queries made by a REIT Management Company or persons intending to be sponsors of a REIT Management Company with respect to any matter pertaining to an existing or intended REIT Scheme.

(2) No provision of these rules imposing any liability shall apply to any act done or omitted in good faith in conformity with a guideline, regulation or advance ruling

of the Commission, notwithstanding that such guideline, regulation or advance ruling may thereafter be amended or rescinded or determined by judicial or other authority to be invalid for any reason. In the event of an amendment, rescission or judicial determination contrary to an earlier view expressed by the Commission reasonable time shall be provided to all REIT Schemes affected thereby in order to achieve compliance.

39. Power of the Commission to give directions.- The Commission may, if it is satisfied that it is necessary and expedient so to do in the interest of the unit holders or the capital market in Pakistan, by an order in writing, require such compliance by the REIT Management Company, the Trustee, the property valuer, or any person having any material dealings relating to the affairs of the REIT Scheme, individually or collectively, that is considered essential for the enforcement of these rules and the safe custody and ownership of REIT Funds and Assets and require the submission of periodic or special reports, disclosure of information and the making of such arrangements, within such time as may be specified. , to *inter alia*,—

- (a) disinvest the whole or such part of the investment portfolio acquired through the REIT Fund as may be specified;
- (b) refrain from investing in or disinvesting from such assets as may be specified; and
- (c) co-opt one or more persons nominated by the Commission as members of

the board of directors of the REIT Management Company with the same status, powers and rights as the other members of such board.

40. Power to require to furnish information, etc.- (1) The Commission may, at any time, by notice in writing, require the REIT Management Companies generally, or any REIT Management Company in particular, in relation to the REIT Scheme(s) being managed by them or it, to furnish to the Commission within the time specified therein or such further time as the Commission may allow, any statement or information or document relating to the business or affairs of such REIT Management Company or REIT Management Companies (including any business or affairs with which such REIT Management Company or REIT Management Companies is or are concerned) and, without prejudice to the generality of the foregoing power may call for information, at such intervals as the Commission may deem necessary.

(2) No REIT Management Company, in relation to the REIT Scheme being managed by it, and no director, officer, employee, agent or auditor thereof shall in any document, report, return, accounts, information or explanation required to be furnished in pursuance of these rules, or in any application made under these rules, make any statement or give any information which he knows or has reasonable cause to believe to be false or incorrect or omit any material fact therefrom.

41. Special audit.- (1) The Commission shall monitor the general financial condition of the REIT Schemes, and may at any time order special audit , including the

special audit of the concerned REIT Management Company or the Trustee, and appoint an auditor at the expense of the REIT Scheme being audited, who shall not be the external auditor of any REIT Scheme, to carry out detailed scrutiny of the affairs of such REIT Scheme or its REIT Management Company or its Trustee, provided that the Commission may, during the course of the scrutiny, pass such interim orders and give directions as it may deem appropriate.

(2) On receipt of the special audit report, the Commission may direct the REIT Management Company or the Trustee concerned to do or to abstain from doing certain acts and issue directives for immediate compliance which shall be complied forthwith or take such other action as the Commission may deem fit.

43. Inspection of REIT Scheme by the Commission.- (1) Notwithstanding anything to the contrary contained in these rules, The Commission may, at any time, in exercise of any and all powers provided under Section 478 of the Ordinance

(i) inspect the REIT Scheme and its books at the expense of the Scheme being inspected.

(ii) inspect books of account, record, systems, and procedures, of any Trustee in relation to a REIT Scheme

(iii) inspect the properties owned by the REIT Scheme

(2) The inspection shall be carried out by such officer(s) of the Commission as the Commission may so appoint.

(3) the Commission shall provide to the REIT Management Company and the Trustee a copy of its report on the inspection made under this rule

(4) It shall be the duty of every director or officer of the concerned REIT Management Company, and of the Trustee and the property valuer of the REIT Scheme, and of any other person who has had any dealing with the REIT Management Company relating to business or affairs in general of the REIT Scheme, to produce before any officer appointed under sub-rule (2), hereinafter referred to as the “inspecting officer”, all such books, accounts and other documents in his custody or power and to furnish the inspecting officer with such statements and information relating to the affairs of the REIT Management Company, the Trustee, the property valuer and the REIT Scheme within such time as the inspecting officer may require.

(5) The inspecting officer may examine on oath any director or officer of the REIT Management Company, or the Trustee or the property valuer of the REIT Scheme, or any other person who has had any dealing with the REIT Management Company relating to the business or affairs in general of the REIT Scheme and may administer oath accordingly.

(6) The Commission may, during the course of the inspection, pass such interim orders and give directions as it may deem appropriate

(7) The Commission may after the consideration of the inspection report:

- (a) direct the REIT Management Company or Trustee to do or to abstain from doing certain acts and issue order for immediate

compliance, which shall be complied forthwith; and

(b) initiate further proceedings on the basis of the report including taking such action as the Commission may deem fit under the Ordinance or under these rules.

44. Advisory Committee. – The Commission may, for the purpose of obtaining advice in carrying out the purpose of these rules, constitute an Advisory Committee consisting of such persons having special knowledge of the subject matter thereof, as it may think fit.