



Press Release

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For immediate release

New REIT regulations aimed at removing bottlenecks for new entrants: SECP

SECP holds a consultative session on draft REIT Regulations

KARACHI, March 16: The Securities and Exchange Commission of Pakistan (SECP) envisages new regime for Real Estate Investment Trust (REITs) to remove bottlenecks for new entrants and to attract investment in this sector.

The SECP held a consultative session in Karachi to seek stakeholders' comments and suggestions on draft REITs Regulations in order to explain the rationale of the proposed changes.

The Commissioner SECP Mr Akif Saeed said the amended framework of REIT Regulations envisages easing of entry barriers like reduction in capital of RMCs, downward revision of capital of REIT Schemes, simplification of approval procedures, permitting avenues for accessing capital to meet emergency needs and incentives for better performance by REIT managers.

He told participants that these changes have been introduced in view of the suggestions made by real estate industry, and recommendations made by the NBF Reform Committee and after examination of REIT regulations framed by some Asian countries.

Akif Saeed said that most of the properties proposed for REITs had problems of title clearance, litigation, encumbrances, encroachments, valuation, etc. He also explained that the concept of developmental REITs is unique and hardly found in any other comparable jurisdiction. The framework of developmental REITs, therefore, poses peculiar challenges for the investors as well as the regulator.

The additional proposals envisaged inclusion of under construction properties in REITs, timing of transfer of property to a scheme, and requirement of mandatory holding of RMC in the Scheme.

The SECP team reiterated that being a new asset class, a cautious approach is needed to bring about changes in the REIT Regulations so that the interest of investors do not get compromised and capital market does not suffer at this nascent stage, particularly when the fund managers have yet to gain experience of managing REITs in the country.

Representatives of Mutual Fund Association of Pakistan, REIT Management Companies (RMCs), valuers, trustees and representatives of Association of Builders and Developers

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(ABAD) attended the consultative session. Mr. Akif Saeed Commissioner Specialized Companies Division, SECP preside over the session. Efforts of SECP were appreciated by the participants of the meeting. The SECP had notified the draft REIT Regulations on 19 February, 2015 to elicit public opinion.

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