

Revised Draft of REIT Rules Prepared

Islamabad – November 2, 2006: The Securities and Exchange Commission of Pakistan (SECP), in continuation of its effort to develop the legal framework for ‘Real Estate Investment Trusts (REITs)’ in Pakistan, has prepared a revised draft of the ‘REIT Rules’ to be notified under Part VIII A of the Companies Ordinance, 1984.

The earlier draft of REIT Rules was finalised by SECP and forwarded to the Federal Government for legal vetting and subsequent notification in December 2005. This draft has been withdrawn owing to certain reservations of the Ministry of Law, Justice and Human Rights. Consequently, to avoid further delay, SECP, within three weeks of withdrawing the earlier draft in October 2006, prepared a fresh draft of the REIT Rules. These rules, amended to accommodate certain key stakeholder comments and the observations of the Ministry of Law, Justice and Human Rights, have already been forwarded to the Federal Government for legal vetting and subsequent notification in the Official Gazette.

REITs have the potential to become a valuable addition to both the financial markets and the real estate sector in Pakistan through their unique product features that couple the benefits of mutual funds and the property market. Through REITs, household investors (and savers) will have the opportunity to invest in real estate, through a pooled investment vehicle, managed professionally by fund managers (licensed REIT Management Companies).

The Rules have been drafted within the framework of the Non Banking Finance (NBF) business which is an activity regulated directly by SECP under Part VIII A of the Companies Ordinance, 1984. NBFCs, particularly mutual funds, are a growing phenomenon in Pakistan and the markets are experiencing increased sophistication both at the investors’ and the service providers’ end. It is expected that the introduction of REITs will benefit from this growth and add much-needed depth to the financial markets. The draft rules also cater to concerns over the currently prevalent lack of transactional transparency in the real estate sector and prescribe a detailed set of procedures for valuation and transaction recording.

The revised draft has been placed on the SECP’s website. Comments and feedback on the draft Rules may be forwarded to the SECP on the following address:

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