Sebi mulls over relaxed norms for REITs, InvITs, startups listing: The ET Realty

To make domestic capital markets more attractive, regulator Sebi has lined up wide-ranging relaxations to its norms for REITs and InvITs and an easier set of listing rules for startups.

Several attempts are being made to garner due attention from business houses in the country but all the efforts failed leading to Sebi reconsidering the proposal to give further relaxations.

The Securities and Exchange Board of India (Sebi) will consider these regulations in its board meeting next month, according to sources.

A consultation process is already underway for making the InvITs(Infrastructure Investment Trusts), REITs (Real Estate Investment Trusts) Regulations and to review the framework for Institutional Trading Platform (ITP) for startups.

Sebi had notified the REIT and InvIT Regulations in 2014, allowing setting up and listing of such Trusts, which are very popular in some advanced markets.

However, no single Trust has been set up as yet as investors wanted further measures, including tax breaks, to make these instruments more attractive.

While the government provided for certain tax benefits in the Budget this year, Sebi has now decided to further relax the rules.

Sebi's board is expected to consider an easier set of norms on REITs and InvITs. It may allow the REITs and InvITs to have up to five sponsors, as against the current norm for maximum three.

Under the proposal for REITs, Sebi would allow up to 20 per cent investment by such trusts in under-construction projects, up from a maximum of 10 per cent allowed currently.

Besides, relaxations would be made to provisions relating to compliance of minimum public holding norms, as also for investments by the associate entities of the trustees.

Sebi also proposed to rationalise the requirements under the Related Party Transactions, under which approval of 60 per cent unitholders apart from related parties, is required for passing a related party transaction.

Further, approval is required of 75 per cent unitholders, apart from related parties, for passing special resolutions such as change in investment manager, investment strategy and delisting of units.

Under the proposal for InvITs, Sebi may allow such trusts to invest in two-level SPV (special purpose vehicle).

The regulator plans to remove the restriction on the SPV to invest in other SPVs, thus allowing InvIT to invest in a holding company which subsequently holds stake in SPVs.

Currently, InvIT holds a controlling stake in SPVs that do not invest in other SPVs.