

INTRODUCTION OF THE SECURITIES (REAL ESTATE INVESTMENT TRUSTS) RULES 2021

Following the proposal made in the Budget Speech 2019/20, with regard to promoting the development of Real Estate Investment Trusts ("**REIT**") in Mauritius, and consultation made by the Financial Services Commission ("**FSC**" or the "**Commission**") calling upon various stakeholders' views on the proposed rules, the FSC introduced the Securities (Real Estate Investment Trusts) Rules 2021 (the "**REIT Rules**"), effective from 04 September 2021. We are pleased to note that the Regulator has taken on board our proposals made during that process. The REIT Rules were issued by the FSC under Section 93 of the Financial Services Act 2007 and Sections 97 and 155 of the Securities Act 2005.

REITs have traditionally been associated with virtues like regular dividend-based income, competitive market performance, transparency, liquidity, inflation protection and portfolio diversification. Accordingly, we believe that this new regulated REITs regime might propel Mauritius to become the African hub for primary property listings and also encourage cross listings on the Mauritius platform and other African securities exchanges.

I. Operating as a REIT

In order to be authorised to operate as a REIT, an application to the Commission shall be made by the CIS manager or proposed CIS manager or by the promoter of the REIT, in accordance with new REIT Rules.

REIT is defined as:

"a collective investment scheme or closed-end fund that invests primarily in real estate asset with the aim to provide returns to holders derived from the rental income of the real estate asset."

II. Main highlights from the REIT Rules

- ✓ The REIT must have a **minimum funding of subscriptions of at least 90%** of total amount raised from investors so as to begin operating (or such higher amount as may be disclosed in its prospectus submitted to the Commission at time of application);
- ✓ Subject to certain conditions as provided in the REIT Rules, a REIT **shall be listed on the Stock Exchange of Mauritius Ltd within a period of 6 months after being duly authorized by the FSC to operate as a REIT**. Failure to comply with this requirement would require the REIT to return all funds received from investors and forthwith surrender its authorisation to the Commission;
- ✓ **The REIT shall have a CIS manager at all times** which is duly licensed by the Commission and having a place of business in Mauritius or by an authority which is identified in the International Organisation of Securities Commission Multilateral Memorandum of Understanding;
- ✓ **Every REIT shall appoint a valuer** who shall be an approved or registered valuer with a professional institution recognised by the International Valuation Standards Council.

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- ✓ As part of the investment practice put in place and subject to meeting certain conditions, a REIT may **invest in real estate assets (freehold or leasehold) within or outside Mauritius, government securities and cash & cash equivalent items**;
- ✓ A REIT **shall invest at least 75 per cent of its gross asset value in income producing real estate assets**;
- ✓ A REIT **shall not undertake property development activities** whether on its own, in a joint venture with others, or by investing in unlisted property development companies unless the REIT intends to hold the developed property for at least 3 years upon completion;
- ✓ Requirement to file its **annual report within 6 months** from the balance sheet date of the REIT and **half-yearly report within 45 days** from its interim period; and
- ✓ There are certain obligations pertaining to **related party transactions** including, *inter alia*, conditions to be respected when carrying out such transactions, various disclosure requirements and so on.

In addition to the above, we wish to highlight that the REIT Rules also provide certain for investment restrictions, borrowing limitations as well as a yearly distribution requirement. The prominent elements under these sections comprise:

- ✓ The **aggregate borrowings** of a REIT shall **not** at any time exceed **45%** of its **gross asset value**;
- ✓ The REIT shall in **each year**, distribute **at least 75%** of its **distributable income** to its beneficiaries or participants, to the extent the **solvency test** (as defined in the Companies Act) is met.

For any further information pertaining to the above, please do not hesitate to contact us.

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