

SEBI Board Approves Changes Across REITs, InvITs, AIFs and Accredited Investors

8 October 2026

Background

On 24 September 2026, the Securities and Exchange Board of India (SEBI), at its 215th board meeting (Board Meeting) held in Mumbai, approved several proposals placed before it after public consultation, as summarised in Press Release No. 59/2026.

As set out below, the key proposals approved in the Board Meeting relate to the following:

1. measures for real estate investment trusts (REITs) and infrastructure investment trusts (InvITs), including ease of doing business measures and the issuance of depository receipts (DRs) against their units;
2. extending investor protection under the alternative investment funds (AIFs) regime; and
3. changes to the accredited investor framework, including its application across AIF, specialised investment fund (SIF) and portfolio management services (PMS) products.

The measures will be implemented upon notification of the relevant amendments and, where applicable, issuance of the detailed framework or consequential circulars.

A. Measures to Facilitate Foreign Investment and Ease of Doing Business for REITs and InvITs

In recent years, SEBI has undertaken several reforms to enhance and streamline the regulatory framework governing REITs and InvITs. These developments reflect a broader regulatory focus on promoting investment in the real estate and infrastructure sectors by facilitating access to capital, easing operational constraints and making REITs and InvITs more accessible to investors.

1. Issuance of depository receipts on units of REITs and InvITs

SEBI has approved amendments to the SEBI (Real Estate Investment Trusts) Regulations, 2014 (REIT Regulations) and the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (InvIT Regulations), to enable the issuance of DRs against units of REITs and InvITs. A DR is a separate instrument issued by a foreign depository against underlying securities held with a domestic custodian. The proposed DRs will represent an interest in the underlying REIT or InvIT units, rather than direct issuance of REIT or InvIT units.

While the Depository Receipts Scheme, 2014, and the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (NDI Rules) recognised REIT and InvIT units as eligible underlying securities for issuance of DRs and permitted foreign investors to invest in such units, the REIT Regulations and the InvIT Regulations did not contain any corresponding enabling provisions for such units to be used as underlying securities for the issuance of DRs. The amendment seeks to align the REIT and InvIT regulatory framework with the DR and foreign exchange framework.

Comment: The amendment seeks to bridge the aforementioned gap by facilitating foreign investment in REITs and InvITs through the issuance of DRs. While foreign investors could already invest directly in REIT and InvIT units, the DR route will provide an alternative mechanism for foreign investors to obtain

exposure to such units through a foreign-currency-denominated instrument. As a starting point, the framework envisages the issuance and listing of such DRs in the IFSC in India. However, the exact listing requirements and operational aspects of the DR route will become clearer once SEBI publishes the detailed framework.

2. Ease of doing business measures for REITs and InvITs

Following several recommendations on measures to facilitate ease of doing business for REITs and InvITs, SEBI has approved the following amendments to the InvIT Regulations and the REIT Regulations:

- a. Threshold for unitholder approval: The threshold for unitholder approval has been changed from 75% of the unitholders by value to 75% of the total votes cast.

Certain matters under the REIT Regulations and InvIT Regulations (such as (i) acquisition by a person (other than the sponsor, its related parties and associates) of more than 25% of the outstanding units of the REITs and InvITs, and (ii) a change in sponsor) require approval of 75% of the unitholders by value. However, securing the aforesaid approval is not feasible due to the diverse ownership of units and the absence of voting by some unitholders.

Under the revised framework, the 75% threshold will be calculated only on the basis of the votes actually cast. Non-voting unitholders will not be counted for or against the resolution. This is intended to make the approval process more practical and align it with the Companies Act, 2013, where voting thresholds are generally based on votes cast.

Comment: The amendment is intended to address the difficulty of obtaining investor approval from 75% of all outstanding units, especially in REITs and InvITs with scattered ownership and unpredictable voter participation. By calculating the threshold with reference to votes actually received, the amendment is expected to simplify the approval process for matters requiring a 75% threshold and reduce the risk of transactions facing impediments because of non-participation by unitholders in the voting.

However, the revised threshold may also result in a higher proportion of non-voting or inactive unitholders being left out from the denominator, thereby making it easier for a resolution to obtain the requisite approval despite being supported by a smaller proportion of the overall unitholder base.

- b. Exit offer on exit of one of the sponsors: SEBI has clarified that, where there are multiple sponsors, an exit offer to dissenting unitholders arising from any of the following:
- (i) a change in sponsor through the entry or exit of a sponsor;
 - (ii) a change in control of an existing sponsor; and
 - (iii) conversion to a self-sponsored investment manager,

may be made by either the outgoing sponsor or its group entities, or the continuing sponsor or its group entities.

For the purposes of this provision, 'dissenting unitholders' will mean only those who voted against the resolution, unlike the present position, which includes all unitholders who have not voted in favour of the resolution, including those who did not vote at all. For the benefit of unitholders, the notice to unitholders shall contain a disclaimer stating that the exit option will be offered only to unitholders who voted against the resolution.

Further, it has been specified that all units tendered must be accepted so that all dissenting unitholders receive a complete exit. If the minimum public unitholding (MPU) after the exit offer falls below the minimum threshold due to the exit offer, MPU compliance must be achieved within 1 year from completion of the exit offer, in accordance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, read with the Securities Contracts (Regulation) Rules, 1957.

Comment: The clarification provides operational flexibility in multi-sponsor structures and structures with a large number of 'sleeping' investors without compromising clarity on compliance responsibility.

- c. Recognition of remote common infrastructure as real estate: The definition of 'real estate' or 'property' has been amended to include 'remote' common infrastructure within that definition.

A REIT is permitted to invest in common infrastructure even if it is not co-located with the relevant real estate project. However, under the extant REIT Regulations, the definition of 'real estate' specifically referred to common infrastructure only in relation to composite real estate projects, industrial parks and special economic zones (SEZs). As a result, remote common infrastructure was not recognised as 'real estate' under the REIT Regulations.

The amendment now expressly includes remote common infrastructure within the definition of 'real estate' or 'property', thereby facilitating the inclusion of such infrastructure within the REIT framework and promoting environmental sustainability.

Comment: The amendment addresses a regulatory mismatch whereby REITs could invest in common infrastructure irrespective of whether it was co-located with the relevant real estate, while the definition of 'real estate' specifically recognised common infrastructure only in relation to composite real estate projects, industrial parks and SEZs. By expressly recognising remote common infrastructure as 'real estate' or 'property', the amendment provides clarity on the treatment of such infrastructure within the REIT framework and promotes environmental sustainability.

B. Extending the Protection Available to Investors of AIFs Constituted as Trusts to Investors of All Forms of Aifs

The protection available to investors of AIFs constituted as trusts has been extended to investors of AIFs constituted as companies or limited liability partnerships (LLPs). Accordingly, irrespective of the form in which an AIF is constituted, the manager of the AIF or its officers will not be permitted to use the AIF's assets to pay for their own losses, damages or expenses, including costs of resolving investor disputes.

Comment: Under the existing SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations), this protection was available only to investors of AIFs constituted as trusts, pursuant to which the manager of the AIF or its officers could not use the assets of the trust to pay for their own losses, damages or expenses, including costs of resolving investor disputes. The amendment extends this protection to all AIFs, irrespective of their form of constitution. Accordingly, investors in AIFs constituted as companies or LLPs will receive the same protection as investors in AIFs constituted as trusts.

C. Review of the accredited investor framework to facilitate participation by sophisticated investors

Since 2021, the framework for accredited investors has identified investors with the financial capacity and sophistication to understand, evaluate and bear the risks of complex investment products. Following verification of their financial capacity, these investors receive specific regulatory and compliance relaxations.

However, stakeholders have noted certain difficulties, including duplication of documentation, increased costs, longer timelines and multiple touchpoints for investors in obtaining accredited investor status and completing the onboarding process.

Accordingly, the Alternative Investment Policy Advisory Committee (AIPAC) considered these issues and made recommendations to SEBI. SEBI subsequently invited public comments on the proposals through its consultation paper dated 13 August 2026 (AI Consultation Paper), with the objective of simplifying the accreditation process and expanding the pool of eligible investors.

The key amendments to the accredited investor framework are as follows:

1. *Manager-led accreditation:* In addition to accreditation agencies, the following entities have now been permitted to grant accreditation status to investors:
 - a. managers of AIFs;
 - b. asset management companies (AMCs) offering SIFs; and
 - c. SEBI-registered portfolio managers.

This accreditation is valid for 3 years and is portable across AIF, SIF and PMS products within the same group, subject to appropriate safeguards.

Comment: Much of the information required for accreditation of an investor by accreditation agencies, such as know-your-customer (KYC) details, financial information, organisational structure, etc., is

already collected by managers at the time of onboarding. Accordingly, by permitting managers to accredit investors and permitting portability across products, SEBI has eliminated duplicate effort, time and cost and improved the investor experience without compromising the credibility of accredited status.

2. Securities market exposure as an eligibility criterion: Investors have been permitted to qualify for accreditation based on their securities market assets, as follows:
 - a. INR 5,00,00,000 (Indian Rupees Five Crore) for individuals, Hindu undivided families (HUFs), family trusts and sole proprietorships; and
 - b. INR 20,00,00,000 (Indian Rupees Twenty Crore) for body corporates and trusts (other than family trusts).

Comment: The amendment relaxes the eligibility criteria for accreditation, which was previously based on income and net worth (with net worth ordinarily requiring manual certification by a chartered accountant), allowing approximately 3,70,000 investors to qualify for accreditation as compared with approximately 96,000 investors at present.

The investors' securities market assets are verifiable through either consolidated account statements (eCAS) generated by depositories or broker statements, providing an additional digitally verifiable eligibility criterion and reducing reliance on manual certification.

3. Deemed accreditation for non-residents: All persons resident outside India, as defined under the FEMA, including foreign portfolio investors (FPIs), have been deemed to be accredited investors.

Comment: The amendment facilitates the inflow of foreign capital into the domestic economy by providing sophisticated investors based outside India easier access to the Indian securities market through accreditation, in addition to qualified institutional buyers (QIBs) and Category I FPIs (which already enjoyed the benefits of accredited investors' status).

4. Accreditation of LLPs: An LLP is now eligible for accreditation where each of its partners is an accredited investor.

Comment: The existing framework permits accreditation of a partnership firm where each partner is individually an accredited investor. However, no such 'look-through' provision exists for LLPs. Under the new framework, the approach applicable to partnership firms will now extend to LLPs and simplify the accreditation process.

D. Conclusion

The proposals approved by SEBI are a welcome development, demonstrating SEBI's efforts to align the regulatory framework with the evolving needs of India's investor base.

For REITs and InvITs, the framework for issuing DRs closes the regulatory gap and opens a new route for foreign investment, starting with issuance and listing in the IFSC. Unitholder approval thresholds will now be calculated with reference to actual votes received. Exit offers in multi-sponsor structures have now received much-needed clarity, and remote common infrastructure is now recognised as 'real estate'.

In the AIF space, the investor protections previously available only to AIFs constituted as trusts will extend to AIFs constituted as companies and LLPs as well. This will ensure parity of protection irrespective of an AIF's form of constitution. Further, the overhaul of the accredited investor framework is expected to widen the pool of sophisticated investors and ease of accreditation, given that investment managers would be permitted to grant this status without the need for investors to separately approach an accreditation agency.

Taken together, these measures reflect SEBI's broader effort to balance ease of doing business with investor protection across asset management products.

- Sahil Shah (Partner); Mansi Agarwal (Senior Associate) and Paridhi Gupta (Associate)



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