



External Relations Department

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SBP reforms regulations to facilitate Banks/DFIs investment in REITs to boost housing and construction sector

In line with Government of Pakistan's initiative for the development of housing and construction sector, the State Bank of Pakistan (SBP) has been taking various regulatory steps to enhance banks/DFIs participation through their financing in the development of these sectors. In order to boost activities in these sectors further, the SBP has now made changes to certain provisions of existing Prudential Regulations for Corporate & Commercial Banking to encourage enhanced participation and investment of banks/DFIs in the Real Estate Investment Trusts (REITs).

REITs are asset management companies that own or finance income-producing real estate across a range of property sectors. These asset management companies raise funding from general public and institutions by floating various kinds of funds. REITs deploy funds by investing in real estate properties thereby enhancing the investment in housing and construction sector to contribute in economic growth and development. The units of listed REITs, are tradable on stock exchanges and offer a number of benefits to investors.

The changes in SBP regulations would enable banks/DFIs to make higher investments in REITs to the tune of 15% of their equity as against existing limit of 10% of equity. This move will not only bring more capital towards REITs but would also enable banks/DFIs to diversify their investments.

In addition, SBP has also relaxed restriction, in existing regulations, on seeking financing against shares of listed group companies. It will enable investors in raising liquidity for further investment in new business opportunities and ventures leading to greater economic activity. The change in regulation would also benefit the capital market by encouraging sponsors of companies to consider listing on the stock exchanges. This will promote documentation of the economy, transparency, and good corporate governance practices as well.
