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SECURITIES FRAUD IN REAL ESTATE INVESTMENT TRUST (REIT): ANALYSING SEBI'S ROLE IN PROTECTING INVESTOR INTEREST

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ABSTRACT

The Real Estate Investment Trust (REIT) provides opportunities to the investors to expand the investment portfolio and helps to raise capital which leads to development of real estate sector. The Securities Fraud affects the Securities Market and contributes to the slowdown of the economy. Securities Fraud in REIT affects the real estate sectors and leads to depreciation of value of assets, under utilisation of properties, financial losses to investors and brings down socio economic development. The Securities and Exchange Board of India (SEBI) protects the REIT investors through the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, other regulations framed by the SEBI and programmes launched by SEBI. The SEBI (REIT) Regulations regulate the REIT investments and safeguards the interest of the investors through registration of REIT, appointment of trustee, manager and valuer, disclosure of information along with the mandatory compliance with investment strategy, policy and conditions. The SEBI (REIT) Regulations take necessary action if there is any violation of regulation with respect to investor's protection. This paper analyses the investments made through REIT and the fraudulent activities directed on REIT investors along with the safeguard measures laid down by the SEBI through SEBI (REIT) Regulations, 2014 and other regulations.

KEYWORDS – Real Estate Investment Trust, REIT, Securities Fraud, Investor, Protection, SEBI

1. INTRODUCTION

A Real Estate Investment Trust (REIT) is a company that owns, operates, or finances income generating real estate properties. A company could be established as REIT through a trust deed in accordance with the Registration Act, 1908¹². The company becomes the sponsor and has right to hold certain REIT units and the other units are offered to the public to invest in these properties without directly purchasing, managing, or financing properties. A trustee

holds the REIT assets¹³ and a manager manages the REIT assets for the benefit of the investors¹⁴.

The REIT holds the real estate assets through a holdco or special purpose vehicle (SPV). The REIT assets could be the properties which are already owned by them or acquire by them for investment purpose. For the investment purpose REIT, acquire loans secured by real estate properties or invest in under-construction properties. The income generated from these properties is used to disperse as dividends to the investors. The investor also earns returns through the appreciation of the properties.

¹² Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 3 (2)

¹³ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 2 (zv) and Regulation 9

¹⁴ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 10



II. IMPORTANCE OF REIT

The REITs has immense potential to utilise and impacts in the following manner¹⁵:

1. Improvisation of Market Liquidity: Investors can take part in the real estate market through REITs without being the actual owners of the real estate property. The improvisation of market liquidity takes place when investors could hold units in the REIT assets.

2. Availability of Capital: The potential of property could be utilised completely since the owners and developers can avail the capital from the various investors. Since 2019, REITs have invested around Rs. 78,000 crore in the real estate industry by raising a total of Rs. 25,905 crore in equity and Rs. 52099 crore in debts.

3. Utilization of Property: Through REITs, the potential of income-generating properties released into play and the helps the owners and developers to monetize the property without mortgage or sale.

4. Improvement of Real Estate Sector: SEBI regulates the REITs in a transparent manner which boosts the investor confidence. This brings more investment into the real estate sector through domestic and foreign capital and develops the real estate sector.

5. Development of Economy: The REITs investment in the property aids to develop the real estate sector and provides more income and job generating opportunities and thus leading to the development of the economy.

6. Increase in Investment Opportunities: The investment in REITs opens the opportunities for the investors to invest in the new investment portfolio and reduces the risk factors in the investment.

III. SECURITIES FRAUD

Section 2(h) of Securities Contracts (Regulation) Act, 1956 defines securities as:

- (i) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities
- (ii) derivative
- (iii) units or other instrument issued by collective investment scheme
- (iv) security receipt
- (v) units or other instrument issued to the investors under any mutual fund scheme
- (vi) Government securities
- (vii) other instruments declared by the Central Government
- (viii) rights or interest in securities

An act of buying, selling or subscribing or agreeing to buy, sell or subscribe any issue of any security or transact by any means a security by a person as principal, agent or intermediary will be considered as *dealing with securities*. This could be handled by the concerned party either by themselves or through mule accounts. The respective party is considered to be *dealing with securities when these acts influence the decision of the investors or providing assistance to all these actions*¹⁶.

Securities fraud means deceiving the investors of capital markets by involving in illegal activities¹⁷. It is a white collared offense that affects the investor's decision and infiltrates monetary loss to them.

Section 2(c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating To Securities Market) Regulations, 2003 constitutes fraud as "any act, expression, omission or concealment committed in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not

¹⁵ Evolution of REIT In India: From Inception to Current Trends, IBEF (DEC. 12, 2024, 05.10 P.M.), <https://www.ibef.org/blogs/evolution-of-reit-in-india-from-inception-to-current-trends>

¹⁶ Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market Regulations, 2003, Regulation 2(b)

¹⁷ Securities Fraud Awareness & Prevention Tips, FBI, (Dec. 13, 2024, 06.00 P.M.), <https://www.fbi.gov/stats-services/publications/securities-fraud>



there is any wrongful gain or avoidance of any loss.”

It also stated that fraud also includes known misrepresentation of truth, concealment of fact, promise made without intention to perform, reckless and careless representation, deception affecting a party's consent, knowingly making a false statement and issuer imposing misinformation that misleads the investors.

IV. SECURITIES FRAUD IN REIT

REITs fraud means deceiving the investors by providing untrue or misleading information related to the REIT investment. There REITs Securities fraud could take place as follows¹⁸:

1. Ponzi Schemes

In this scheme the investor is not paid out of the actual profits from the REITs activities, instead they are paid using the new investor's investment amount. Initially, it spreads the misleading information about the income generating REITs and promises them with high interest but in real terms the investors are invested in bogus REITs assets or undervalued assets.

2. Misrepresentation of Assets

The REITs directly or the brokers of the REITs tend to advise the investors with false information about the properties that has been listed for the investors. The fraudulent party may escalate the assessments of the property and misinform regarding the income generated from the property. These activities will make REITs portfolio seem more valuable and incur financial loss to the investors. In severe circumstances, REITs may list the REIT units and the broker may advise to invest in the REITs units for properties which never existed or owned by them.

3. Concealment of Financial Information

REITs could conceal the fees and any transactions involved with respect to the REITs

assets. They could misrepresent the financial statements or fail to disclose material risks or any other relevant information. This will benefit the insiders by affecting the investors and influence the choices of the investor which eventually ends in uninformed investment decisions.

4. Misrepresentation of Property Values

The fraudulent party deceives the investors by establishing an overestimated value using erred methods, manipulating the income rates, failing to update the values and conceal the quality of the property. The deceiving party may not share the liabilities attached with the properties like suit pending before the Court or loans backed by the property.

5. Fraudulent Public Offerings

The REITs securities are offered to the public through dishonest or unlawful means and it targets the investors with untrue information and assurances. The fraudulent party may offer and sell REIT units of unregistered REITs, intentionally falsify the dangers associated with investments which have high potential risks, shielding the investors to make rational investment decisions, influencing investors to involve without completely disclosures and assuring unrealistic profits in the offer.

6. REITs' Broker Misconduct

The broker misconduct could infiltrate high economic loss to the investors by recommending unvalued or undervalued REITs assets to the investors, not disclosing the market risk, falsely representing the information related to the REITs, assets, value of the assets to their clients, failing to act due diligently, or acting with the intention to the defraud the investors.

V. NEED FOR INVESTOR PROTECTION

In capital market, the investors trust the firm and make their investment. The securities fraudulent activities significantly affect the investors and lead to immense financial losses when the fraudulent activities are unveiled. This

¹⁸ Types of REIT Fraud, Weltz Law, (Dec.10, 2024, 07.15 P.M.), <https://weltz.law/securities-law/alternative-product-securities/reit-lawyer/types-of-reit-fraud/>



causes serious financial issues to the investor and affecting the economic stability of the country. Investor protections assure the company's raise their required capital in a legitimate way and assures the returns that investors are entitled to. If there is no proper mechanism or guidelines to protect the investors, it would make the investors hesitant to invest in the capital market which eventually leads to the failure of the capital market. Failure of investor protection might make the banks as the only medium of finance and creating less economic opportunities in the country. Countries that safeguard the investor interest tend to have a higher firm valuation¹⁹ which generates revenue growth and boost the economy of the country²⁰.

VI. ROLE OF SEBI IN PROTECTION OF REITS INVESTORS

In India, the REITs investors' protection has been governed through regulatory agencies like SEBI with the help of legislation like Securities and Exchange Board of India (SEBI) Act, 1992 and Securities and Exchange Board of India Act (Real Estate Investment Trusts) Regulations, 2014.

The SEBI has duty towards the investors to protect them and in this spirit, *Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014* has come into effect. The regulation has undergone amendments during March 2024, July 2024 and September 2024. The investors are protected against the securities fraud through the following manner:

1. Registration of REIT

The fraudulent REITs or intermediaries tend to deceive the investors with bogus property or list undervalued properties or claim property that is not owned by them. The SEBI oversees the

registration and regulation of the REITs and intermediaries involved in the business²¹. Chapter II of the Regulations laid down the registration procedures to recognise REITs and issues a certificate of registration under the SEBI (REIT) Regulations, 2014.

The registration procedure is done diligently to ensure legible operations of the REIT and guarantees the investors interest. In ***DLF Limited vs. SEBI (2018)***²², DLF Limited, a prominent real estate developer, application to initiate a REIT as been rejected because it failed to fulfil the REIT's essential objective of having two or more projects. DLF challenged SEBI's decision for denying its application to establish a REIT. The Court upheld SEBI's decision of rejecting the application and stated that the eligibility criterion is an essential element to safeguard the interests of investors and preserve the integrity of the REIT market.

2. Listing and Delisting of REIT Units

The investor protection has been ensured by listing the REIT units in the recognised stock exchange²³. This designated stock exchange should be authorised in accordance with *Section 4 of the Securities Contracts (Regulation) Act, 1956*. The SEBI and the designated stock exchanges may approve or reject applications with respect to delisting of the REIT units and this decision shall be undertaken for the interest of the investors.

3. Disclosure of Information to Investors

Before the allotment of the REIT units to the applicants who are interested in investing, the sponsors has a duty towards them to disclose the initial offer, shareholder details in the SPV and ownership of the real estate assets and the sponsors will be liable to the investors for any act or omission, representation or covenants pertaining to the REIT's formation and

¹⁹ La Porta, Rafael, Florencio López-de-Silanes, Andrei Shleifer and Robert Vishny. 2002. "Investor Protection and Corporate Valuation." *Journal of Finance*, (DEC.12, 2024, 4.30 P.M.), <https://onlinelibrary.wiley.com/doi/pdf/10.1111/1540-6261.00457>

²⁰ Mclean, R. D., T. Zhang and M. Zhao, Why Does the Law Matter? Investor Protection and Its Effects on Investment, Finance, and Growth, *Journal of Finance*, (DEC.12, 2024, 4.30 P.M.), <https://onlinelibrary.wiley.com/doi/full/10.1111/j.1540-6261.2011.01713.x>

²¹ Securities and Exchange Board of India Act, 1992 (15 of 1992), Section 11(2) (b)

²² The Legal Framework of Real Estate Investment Trusts in India, Tulja Legal, (Dec. 14, 2024, 04.45 P.M.), <https://tuljalegal.in/blog/the-legal-framework-of-real-estate-investment-trusts-in-india>

²³ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 2(i) and Regulation 2 (u)



transmission of REIT's assets²⁴. In addition to this the SEBI has also introduced a code of advertisement for public issues for ensuring fair and truthful disclosures²⁵.

The Regulations aims to provide all relevant information to the investors or unit holders in order to take an informed decision. It mandates that before investing in REITs, the unit holders must be disclosed about all transactions and valuation reports from valuers in the offer document and transaction document despite of the fact that the transactions took place before or after the initial offer. If any transaction needs approval of the unit holder after the initial offer, an agreement should be entered within six months from the closing date of initial offer or from the approval date of the unit holders.²⁶

In *the matter of Mindspace Business Parks REIT*²⁷, a settlement order was passed by the adjudicating officer for the violation of obligations to disclose information to unit holders.

4. Genuineness of REIT's Assets

The SEBI (REIT) Regulations lays down certain criteria for the properties that should be listed for the investment and expects to submit the occupancy certificate from the relevant authority if the property is a completed property²⁸. If the property involved is under construction, the manager has to appoint appropriate person for the development of those properties and look after the progress of the property till its completion.²⁹

The investor may not receive the returns from their investment properly if the property is the subject matter of any pending suit or has any defective title. Perpetrators tend to deceive the

REIT's investors by offering them to invest in REIT units of defective or disputed property. In order to avoid this, the manager has the duty to make sure that the real estate assets involved in the REIT have legal and marketable titles. If REIT entered into any contacts like rent or lease agreements, the legality, validity, binding nature and enforceability of these agreements have to be verified by the manager³⁰.

5. Management of REIT's Assets

The manager is responsible for REIT assets management and while engaging in any other activity related to REIT assets including the offer and listing of REIT units, the manager have to consult the trustee and appoint an appropriate service provider for the assets management. The responsibilities of the manager ensure the REIT's investment are legible to invest and eventually protects the investors. The manager is the deciding authority with regard to REIT's assets and he could also make decisions regarding investment or divestment of the assets³¹ and has the duty to maintain the records and documents supporting its decision³². The manager has duty to ensure that the REIT investments have to be made in accordance with investment conditions, distribution policy³³ and investment strategy of the REIT. The manager is in charge for the arrangement of adequate insurance coverage for the REIT's assets³⁴.

6. Valuation of REIT's Assets

The investors are easily misguided with false information about the REITs or the assets operated by the REITs to deceive the investor to invest their money in the REIT's units. Therefore it is important to provide transparency in the functioning of REIT. The valuer is appointed and submits valuation report about the assets of the

²⁴Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 11 (2) and Regulation 11 (4)

²⁵ SEBI, Annual Report of the Securities and Exchange Board of India (SEBI), 1996-97, https://www.sebi.gov.in/reports/annual-reports/mar-1997/annual-report-1996-1997_19191.html

²⁶ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 19 (6) (i); Regulation 19 (1); Regulation 19 (3); Regulation 19 (4) and Regulation 19 (8)

²⁷ SO/AS/DP/2024-25/7436

²⁸ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 2 (i) and Regulation 2 (za)

²⁹ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 10 (8)

³⁰ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 10 (2)

³¹ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 10 (4); Regulation 10 (5) and Regulation 10 (1)

³² Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 26 (1)

³³ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 18

³⁴ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, 10 (3) and Regulation 10 (7)



REIT. REIT has the duty to refrain itself from not proposing the investors in any future projects if there is no projects or assets under the REIT for more than six months³⁵. The manger gets the full valuation of the property from the valuer within two months of there is any material development in the property which has the potential to affect the asset's valuation. In this scenario, the manager is bound to disclose about the development and its valuation to the investors within fifteen days.³⁶

7. Trustee's Responsibility

The trustee holds the REIT's assets and act on behalf of the investors. The trustee ensures the operations of REIT confirm the provisions mentioned in the trust deed, regulations and the offer document. The trustee informs the board any discrepancy occurs or any act that affects the interest of the investors.

8. Restrictions on Investment in REIT Units

The valuers and its employees³⁷ and trustee³⁸ are not allowed to invest in units of the REIT or the valued assets. This prevents benefit of REIT entities at the cost of investors and fraudulent activities involving insider trading

9. Investment Conditions and Distribution Policy

The investment in SPVs or properties or securities or transferable development rights made by the REIT should follow the regulations and the investment strategy specified in the offer document. The REIT is refrained from investing in vacant and agricultural land and mortgages except they are mortgage backed securities.³⁹

10. Inspection by SEBI

The inspection take place only with the prior notice to trustee of the REIT and this notice may

not be given if the SEBI conducts the inspection for interest of the investors⁴⁰. It is the SEBI's right to conduct a suo motu investigation of the REIT's operations for the benefit of investors or the securities market⁴¹. The SEBI has the power to restrain the securities related fraudulent activities, unfair trade practices and insider trading by inspecting the public company which has listed its securities on recognised stock exchange. The SEBI could inspect any relevant documents or records of the company if it believes that the company has been involved in fraudulent activities, unfair trade practices and insider trading⁴². To protect the investors specifically related to the fraudulent activities, unfair trade practices and insider trading in the securities market, the SEBI could pass the following orders:

1. To confiscate and hold onto the proceeds or securities related to any transaction that is being investigated
2. To attach the bank account involved in the violation of any provisions or regulations
3. To instruct anyone involved in the securities market to refrain from selling or alienating any assets that are under any investigation.⁴³

SEBI's investigation powers have been imposed to discover a scam in the **Roopalben Nareshbhai Pancha, In Re**⁴⁴ case.

11. Power to take necessary action

The SEBI has powers to issue directions to REIT to delist its REIT units, surrenders its REIT registration certificate from the stock markets and sell its assets for the interest of the interest. It may also restrict the REIT from operating or accessing the capital market for a particular period of time or request the REIT and its parties

³⁵ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 17 (1) (c)

³⁶ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 21 (11)

³⁷ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 12 (e) (i)

³⁸ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 9(15)

³⁹ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 18 (1) and Regulation 18 (2)

⁴⁰ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 28 (1) and Regulation 28 (2)

⁴¹ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Regulation 27 (d)

⁴² Securities and Exchange Board of India Act, 1992 (15 of 1992), Section 11 (2); and Section 11 (2A)

⁴³ Securities and Exchange Board of India Act, 1992 (15 of 1992), Section 11 (4)

⁴⁴ WTM/MSS/ISD/90/2011



to take any other actions in the interest of the investors. The SEBI could suspend the office-bearers from their position in a stock exchange or self-regulatory organisation.⁴⁵

VII. SUPPLRMRNTARY PROTECTION AVAILABLE FOR REIT INVESTORS UNDER SEBI

The SEBI has laid down numerous regulations to regulate the capital markets and these regulations tend to ensure the protection of the REIT investors against securities fraud. In addition to this the SEBI has launched programs that specifically benefit the investors.

1. Regulation of Intermediaries

It is important to regulate the intermediaries involved in the operations of the REIT and the intermediaries are declared with respect to the *Securities and Exchange Board of India (Intermediaries) Regulations, 2008*. The SEBI also train the intermediaries in order to protect the investor's interest⁴⁶.

2. Prohibition of Insider Trading

SEBI (Prohibition of Insider Trading) Regulations, 2015 regulates the insider trading and protects the investors' interest by preventing company insiders from exploiting confidential information for personal gain. SEBI can conduct investigation if it receives complaint from the investors⁴⁷.

3. Regulation of Stock Broker

Investors enter into the security exchange through brokers and SEBI through *SEBI (Stock Broker & Sub Broker) Regulation, 1992* regulates and monitors the brokers and sub brokers. The brokers tend to influence the decisions taken by the investors and in certain cases the unregistered brokers defraud the investors. Certain provisions specifically implemented to prevent the brokers from participating in any

misconduct and impose penalty in case of any default by the brokers.

4. Regulation of Investment Advisers

An investment advisor means a person who provides investment advice to the clients and investment advice means advice with respect to purchase, sale or investment in other transactions of securities or investment products for the benefit of the client⁴⁸. This regulation regularises the actions through registration of advisers and vesting certain obligations like risk profiling, disclosing necessary information to the client and addressing the grievances of the clients. SEBI has the power to inspect and enforce necessary actions if the advisers failed to comply with the regulations⁴⁹.

5. Prohibition of Fraudulent and Unfair Trade Practices

SEBI has laid down the *SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003* to prevent the fraudulent activities and unfair trade practices in the securities market by investigating such actions and enforcing the necessary actions under these regulations⁵⁰.

6. Investor Education and Protection Fund

The amount disgorged with respect to the directions issued for protecting the investors shall be credited to the Investor Education and Protection Fund (IEPF)⁵¹. The Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations stated that the unclaimed or unpaid out of the distributions declared by a REIT can be transferred to the IEPF. IEPF has been set-up on 23rd of July, 2007. The fund has been regulated under the *SEBI*

⁴⁵ Securities and Exchange Board of India Act, 1992 (15 of 1992), Section 11 (4)

⁴⁶ Securities and Exchange Board of India Act, 1992 (15 of 1992), Section 11(2) (f)

⁴⁷ Kaushik Shashwat, Insider Trading under SEBI Prohibition of Insider Trading Regulation Act , IPleaders, (Dec. 11, 2024, 06.00 P.M.), <https://blog.ipleaders.in/insider-trading-under-sebi-prohibition-of-insider-trading-regulation-act/>

⁴⁸ SEBI (Investment Advisers) Regulations, 2013, Regulation 2(1) (m) and Regulation (2) (l)

⁴⁹ Kar Abhilipsa and Mishra, Yashoswini, *SEBI on Investor Protection*, Indian Journal of Integrated Research in Law, Volume IV Issue I, (Dec. 14, 2024, 07.00 P.M.), <https://ijirl.com/wp-content/uploads/2024/02/SEBI-ON-INVESTOR-PROTECTION.pdf>

⁵⁰ Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market Regulations, 2003, Chapter III

⁵¹ Securities and Exchange Board of India Act, 1992 (15 of 1992), Section 11 (5)



(Investor Protection and Education Fund) Regulations, 2009.

Amount will be credited to the fund from the various sources and it will be utilised for investors' protection and investor education and awareness promotion based on the recommendation made by the advisory committee constituted by the SEBI. This could be accomplished by conducting educational activities and awareness programmes, funding and aiding investor education and awareness activities of Investors' Associations recognized by the SEBI. The SEBI has the power to make payment to eligible investors who have suffered losses from violation of securities laws⁵².

7. Investor Grievances

SEBI handles the complaints filed against various entities like listed companies, stock exchange brokers, managers and transfer agents for any grievances related to delays, accounts statements manipulation and unauthorized trades and movements of shares. If the investor intended to complaint against a listed company or registered intermediary with SEBI, initially the investor have to approach then respective company or intermediary. If the company or intermediary fails to respond or the response was not satisfactory, then the investor can approach the SEBI for relief. Office of Investor Assistance and Education receives investor's grievances and the appropriate enforcement actions (adjudication, direction, prosecution, etc.) are taken against entities if the measures taken by them are not adequate.

8. SEBI Complaints Redress System (SCORES)

SEBI introduced SEBI Complaints Redress System (SCORES), a web based centralized grievance redress system to file complaints by the investors. It allows the investors to follow up the complaints that were filed earlier and track their redressal status⁵³.

VIII. CONCLUSION

Indian real estate sector has been expected to contribute 13% of GDP by 2025⁵⁴. Boosting the Indian real estate sector paves way for increase in property value and generates more income from the property. Considering the India's demographic and rapid growth in urbanisation, real estate sectors will help to generate more economic opportunities like increase in employments, inwards flow of funds, betterment of social and economical infrastructure and building technical capacity. Though it brings various benefits, the real estate finds difficulties in collecting the funds for completion of the construction of the property or to develop any facilities in the property to improve its value. REIT is one of the strategic ways to collect funds from the investors and pool them together for unlocking the potential of properties. It also provides option to the owners to generate funds without mortgaging or burdening the banks for a huge amount.

A new framework for a unit based employment benefit scheme has been introduced in the REIT⁵⁵. This is evident that REIT could also be interconnected with social schemes like Pradhan Mantri Awas Yojana which aims to houses to its citizens. Although the returns may not be high when compared to the high income generating properties, the pooling of funds from the investors and providing returns to them from minimal amount collected from citizens will create mutual benefit to all the stake holders involved. Investments through REIT has tendency to improve the socio economic conditions in India.

Many properties are under construction due to shortage of capital investments. The REIT faces difficulty in raising funds in the existing condition and this is worsen by the securities fraud. In US the securities fraud in REIT have been increasing and the fraudulent parties

⁵² Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009, Regulation 4 and Regulation 5

⁵³ Vinay Babbar, Investor Protection, (Dec.17, 2024, 6.00 P.M.), <https://rajdhnicollege.ac.in/admin/ckeditor/ckfinder/userfiles/files/Investor%20Protection.pdf>

⁵⁴ Indian Real Estate Industry Analysis, IBEF, (Dec. 12, 2024, 07.00 P.M.), <https://www.ibef.org/industry/indian-real-estate-industry-analysis-presentation>

⁵⁵ Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Chapter IV A



finding loopholes to defraud the investors by all means. Though the REIT regulations laid by SEBI try to avoid the unfair practices in REIT and provide protection to investors, it may not be sufficient for the developing era. The Hindenburg report on REIT has alleged a REIT scam that benefits the sponsors of the Blackstone, one of the largest REIT in India⁵⁶. Although SEBI instructed its investors stay calm, if this turns to be true then it unveils a biggest REIT Scam. This will lead to slowdown of economic development, loss of REIT investors and collapse of real estate sector.

Recent amendments to the REIT regulations established Small and Medium REITs and fractional ownership⁵⁷ and aims to allow more stakeholders in the securities market through REIT and create an inclusive economic development. The fraudulent activities in the securities market or in the REITs will pose as an obstacle to utilise the benefits arising from the REIT. Considering all these factors into account, there is increased responsibility vested on the SEBI to ensure the regulation laid down in the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014 are implemented properly and guarantee the protection to the investors.

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