



Republic of the Philippines  
**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills  
Mandaluyong City

## **NOTICE**

Re: Proposed Amendments to the Implementing Rules and Regulations of Republic Act 9856, otherwise known as the "Real Estate Investment Trust (REIT) Act of 2009"

Upon instructions of Finance Secretary Cesar V. Purisima, the Bureau of Internal Revenue, through Commissioner Kim Jacinto-Henares, last week requested the Securities and Exchange Commission to amend Section 5.1 (a) and (b) of Rule 4 of the Implementing Rules and Regulations (IRR) of the REIT Act of 2009 (which proposed amendments are in bold letters) to read as follows:

1. Section 5.1 (a) Minimum Public Ownership. A REIT shall be a public company and to be considered as such, a REIT shall: (a) maintain its status as a listed company; and (b) upon and after listing, have at least one thousand (1,000) Public Shareholders each owning at least fifty (50) shares of any class of shares, and who, in the aggregate, own at least **fifty one percent (51%)** of the outstanding capital stock of the REIT **initially, and at least sixty seven percent (67%) on or before the end of the third year of its establishment.**

(Justification: To be consistent with the avowed policy of the law to make the REIT a public company.)

2. Section 5.1 (b) Capitalization. A REIT shall have a minimum paid-up capital of Three Hundred Million Pesos (Php300,000,000) at the time of incorporation which can be in cash and/or property. **Provided, the initial 50% of its capital shall be fully invested in the first year in new infrastructure projects and the remaining shall be fully invested in new infrastructure projects on or before the end of the third year of its establishment. Provided further, that none of its capital shall be used to pay off/down existing debts.**

(Justification: To ensure that the policy of RA 9856 to use the real estate investment trusts as means to develop infrastructure projects (not merely as means to convert ownership in existing infrastructure to liquid assets), and to prevent companies from deleveraging and by using established REIT merely to pay off existing debts.)

In addition, the BIR has proposed the deletion of Section 1 of Rule 4 of the IRR on the appointment of a Property Manager on the ground that –

“... the REIT itself should be construed as a property company that is expected to be an expert in dealing with property management. Moreover, this expertise of a REIT in dealing with property is the major consideration of the public in investing with it. Aside from expertise, a REIT has a name and reputation that has positive effect on public perception. Thus, contracting the service of a property manager would be illogical and unreasonable for a REIT. Clearly, the property manager has no place in the REIT structure.”

Pursuant to Section 8 of the REIT Act, the Commission invites the public, especially, the participants in the real estate industry, the stock market and other interested parties in the business sector, to give their comments on the above-mentioned proposed amendments on or before **October 29, 2010**.

The comments may be e-mailed or hand-delivered, respectively, to the following addresses:

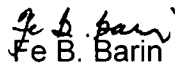
**REIT@sec.gov.ph**

or

**The Director  
Corporation Finance Department  
SEC Bldg., EDSA, Greenhills, Mandaluyong City**

**(Re: Comments on REIT amendments)**

For the Commission:

  
**Fe B. Barin**  
Chairperson