



Suruhanjaya Sekuriti
Securities Commission

CHECKLIST OF QUESTIONS IN CONSULTATION PAPER ON PROPERTY TRUST FUNDS AND REAL ESTATE INVESTMENT TRUSTS

For ease of reference and compilation of comments/views submitted by recipients of the consultation paper, please ensure that comments/views submitted to SC are referring to the specific items of discussion and in the order and sequence as underlined below.

1.0 Corporate Restructuring

- (a) Should corporate restructuring exercises facilitated by REITs be restricted to companies categorised as distressed PLCs only?
- (b) Apart from the three options highlighted, are there other options for REITs to assist in facilitating corporate restructuring?

If the conversion process is undertaken -

- (c) Should the conversion exercise be confined to distressed PLCs involved in the property sector, construction sector or investment holding companies (with substantial ownership in properties)?
- (d) What should be the time frame allocated for the entity to divest its non-REITs related activities?
- (e) Would a distressed PLC be required to change its listing status upon conversion?

Acquisition of real property assets from distressed PLCs -

- (f) In the event low-quality assets are acquired from a distressed PLC, should there be a stipulated time frame for the assets to be “turned around”?

Acquisition of securitised instruments -

- (g) Should investment limits on this investment type be further liberalised?

Acquisition of equity of distressed PLCs -

- (h) Should the definition of "single purpose companies" be widened to include listed companies whose principal assets comprise real properties?

2.0 Taxation

- (a) Should tax relief granted be tied to a dividend payment requirement? If agreeable, what should be the level/amount of dividend required to be paid?
- (b) In view of the existence of the tax imputation system, is there still a need to accord a "tax transparent" status to PTFs/REITs?
- (c) Should different tax treatments (benefits and relief) be accorded amongst PTFs, REITs and CR-type REITs?
- (d) Based on present tax incentives accorded to PTFs, are there any other tax incentives useful to develop a tax-attractive framework for PTFs/REITs?
- (e) If exemption on tax charges is deemed necessary, should full or partial exemption be granted to PTFs, REITs and CR-type REITs?
- (f) Exemption from tax charges and creation of new tax incentives would result in loss of tax-revenues for the Government, will the benefits arising outweigh the cost?
- (g) Should investors be allowed to claim as a tax deduction, amounts invested on PTFs/REITs and CR-type REITs? If yes, should a maximum limit (i.e. RM5,000) be determined?
- (h) Apart from the "corporate restructuring" angle, should different tax treatments be accorded for other reasons/objectives?

3.0 Property Development

- (a) If distressed PLCs are permitted to convert into REITs, there is a possibility that some of them may originate from the property-development business or possess abandoned projects. Should they be allowed to continue their property development activities, vis-à-vis requiring the REIT to engage in property development activities?
- (b) As completing abandoned projects can be deemed as a corporate restructuring task, apart from directly engaging in property development activities, are there any other methods for PTFs/REITs to assist in this area?

4.0 Management and Structure

- (a) What is the view and implication of deeming distressed PLCs eligible as management companies of REITs?
- (b) Should the management companies (and its delegates) of REITs be required to possess certain qualifications (i.e. real estate management) relating to REITs?
- (c) Should the conversion into REITs be restricted to Distressed PLCs originating from certain business backgrounds (i.e. property development, construction, etc) ?
- (d) From a corporate restructuring standpoint, are there any other alternatives for Distressed PLCs to participate in REITs/PTFs?
- (e) In the case of a REIT managed by a distressed PLC, should a regular dividend repayment be made compulsory, in view of the vested interest at stake? Are there any other controls required to put in check these vested interests?
- (f) In view that distressed PLCs are not able to conform with the minimum shareholders funds' requirement, should they be granted a full exemption on this requirement or should other controls be effected?

5.0 Distribution Practices

- (a) Should PTFs/REITs be required to consistently declare distributions?
- (b) Should tax relief/incentives be restricted to PTFs/REITs that declare distributions?
- (c) In the case of a Distressed PLC converting into REITs, how would a requirement to consistently declare distributions be consistent with its need to conserve funds, particularly during the initial years ?