

## **SEBI proposes higher MF investment limits in REITs and InvITs**

The Securities and Exchange Board of India (SEBI) has released a **Consultation Paper dated April 17, 2025**, seeking public comments on proposed changes to mutual fund (MF) investments in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).

The proposal aims to broaden investment avenues for mutual funds and enhance liquidity in these instruments by increasing existing investment limits. Currently, MF schemes are restricted to investing a maximum of 10% of their net asset value (NAV) in REITs and InvITs, with a 5% cap per issuer.

The SEBI proposes raising these limits to 10% per issuer and up to 20% overall for equity and hybrid schemes. Debt schemes, however, would maintain the 10% overall cap due to the higher risk profile of REITs and InvITs.

The SEBI has also received suggestions to classify REITs and InvITs as equity instruments and include them in equity indices. While stakeholders highlighted features aligning with equity, such as ownership rights and performance-linked distributions, the Mutual Fund Advisory Committee (MFAC) and the Association of Mutual Funds in India (AMFI) advised maintaining their classification as hybrid instruments.

Given their unique structure, the proposal for a dedicated MF scheme was not recommended at this stage, citing limited market size and liquidity. The consultation invites public feedback on classifying these instruments, the revised investment caps, and any additional suggestions.

Comments can be submitted via SEBI's website until May 11, 2025. This initiative forms part of SEBI's broader effort to refine mutual fund regulations and align them with evolving market dynamics.

**Link - [https://www.sebi.gov.in/reports-and-statistics/reports/apr-2025/consultation-paper-on-investment-by-mutual-funds-in-reits-and-invits\\_93488.html](https://www.sebi.gov.in/reports-and-statistics/reports/apr-2025/consultation-paper-on-investment-by-mutual-funds-in-reits-and-invits_93488.html)**