

Circular No.: CMD 01/2009

9 January 2009

[To all REIT Managers & Trustees approved under Section 289 of the Securities & Futures Act]

Dear Sir/Madam

### **TREATMENT OF REFINANCING UNDER THE AGGREGATE LEVERAGE LIMIT**

The Monetary Authority of Singapore (the "Authority") has received requests to facilitate the refinancing of maturing debt of Real Estate Investment Trusts ("REITs") in light of current conditions of reduced credit availability. The Authority would like to clarify how refinancing would be treated under the borrowing limits in the Property Fund Guidelines (the "Guidelines") in Appendix 2 of the Code on Collective Investment Schemes.

#### **Aggregate Leverage Limit**

2 Paragraph 9.2 of the Guidelines stipulates that the total borrowings and deferred payments (together the "aggregate leverage") of a REIT should not exceed 35% of the fund's deposited property. The aggregate leverage of a REIT may be raised to a maximum of 60%, if a credit rating of the REIT is obtained and disclosed to the public. Paragraph 9.4 of the Guidelines provides that an increase in the aggregate leverage, due to a depreciation of the value of the real estate assets arising from circumstances beyond the control of the manager, would not be considered a breach of paragraph 9.2. However, the manager should not incur additional borrowings.

3 The Authority confirms that an increase in the aggregate leverage arising from a decline in property values due to any revaluation exercise, including the annual revaluation required under paragraph 8.1 of the Guidelines, does not constitute a breach of paragraph 9.2 of the Guidelines. Refinancing of existing debt is also not construed as incurring additional borrowings.

4 In order for the Authority to monitor the leverage position of REITs more effectively, REIT managers are to provide the Authority the following information as at 31 December 2008 and until further notice, whenever a revaluation exercise is conducted:

- a) value of property portfolio (S\$m) and valuation date;
- b) amount of borrowings (S\$m); and
- c) aggregate leverage (%).

For the avoidance of doubt, a manager managing a REIT with different properties being valued at different times will provide the above information on every occasion when revaluation is conducted. The reports should be sent to:

*Director  
CIS Section, Corporate Finance Division  
Capital Markets Department  
Monetary Authority of Singapore*

The report for 31 December 2008 should reach us by 30 January 2009.

**Refinancing raised ahead of maturity of existing debt**

5 The Authority recognises that it is difficult to time the completion of a loan or bond issuance to occur exactly at the same time that an existing debt matures. The Authority will allow REITs to raise debt for refinancing purposes earlier than the actual maturity date of the debt to be refinanced without having to count such funds raised for the purposes of the aggregate leverage limit, provided that the funds are set aside solely for the purpose of repaying the maturing debt. The trustee must place these funds in a separate trust account which shall be drawn on only to repay the maturing debt.

Yours faithfully

ANDREW KHOO  
EXECUTIVE DIRECTOR  
CAPITAL MARKETS DEPARTMENT