

## Who can advise on REITs?

### REITs and the regulatory background

- Reits are publicly quoted companies that invest in property and enjoy certain tax benefits under certain conditions, such as listing on a “recognised” stock exchange
- Reits are included as “Investments” in the context of the activities listed in the FSA’s Perimeter Guidance Manual (PERG) 2 (annex 2, table 1)
- Reits are also “Shares” in the context of the investments listed in PERG 2 (annex 2, table 3)

### Investment routes and relevant permissions

- Financial Advisers who recommend REITs through collective investment schemes must have **FSA permission to advise on investments**
- Financial advisers who wish to advise clients to buy shares in individual REITs must have **permission to deal in shares**
- Although UK REITs are subject to the FSA’s Listing Rules for quoted companies, **they are not subject to direct FSA supervision** (unlike authorised unit trusts and authorised investment companies)
- Direct investors in REITs cannot complain to the Financial Ombudsman about the way individual REITs operate or claim against the compensation scheme if a REIT fails

### The competency requirements for advising on investments

As well as having FSA permission to advise on investments. The FSA requires that advisers:

- Understand the underlying asset class held in any pooled investment scheme that they advise upon
- Undertake appropriate training before offering advice on investments
- Understand the risks of investing in REITs and know how REITs compare with other property investment vehicles

AIFA also recommends that advisers should be competent and knowledgeable about the global and European property market in general and UK REITs in particular.

The FSA has stated that it will take robust action against advisers giving poor advice.

### Additional professional development

Although beneficial for advisers and their clients, there is no requirement for advisers to take a specific exam to prove their ability to advise on REITs and there are no property specific investment exams. However, advisers may like to consider taking the following advanced investment qualifications:

- **Investment principles, markets & environment** [unit J06 of Advanced Diploma in Financial Planning]
- **Pension funding options** [Unit J04 of Advanced Diploma in Financial Planning]
- REITA is working with other professional bodies to develop relevant training – please see our website [www.reita.org](http://www.reita.org) for more details and regular updates on available property education

## Further information

- The Investment Property Forum (IPF) "Understanding commercial property investment: A guide for financial advisers, 2007 edition" – available from either [www.reita.org](http://www.reita.org) or [www.ipf.org](http://www.ipf.org)
- AIFA Viewpoint – An introduction for IFAs to Real Estate Investment Trusts – REITS available from [www.reita.org](http://www.reita.org) or from AIFA ([info@aifa.net](mailto:info@aifa.net))
- The London Stock Exchange "A new route up the property ladder." Available from [www.londonstockexchange.com](http://www.londonstockexchange.com)
- REITA [www.reita.org](http://www.reita.org)

## Important information

The value of investments and the income derived from them can go down as well as up, and you may not necessarily get back the amount you invested. Past performance of an investment is not necessarily a guide to its future performance.

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