ASSESSING THE REGULATORY COMPLIANCE FRAMEWORK FOR INFRASTRUCTURE INVESTMENT TRUSTS IN INDIA

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ABSTRACT

The expansion of India's securities regulatory framework has substantially increased the compliance obligations imposed upon regulated entities, giving rise to important questions regarding the relationship between regulatory oversight and operational efficiency. While these compliance obligations play a critical role in the effective functioning of the capital market, it is also a very pertinent matter of what should be the correct approach for the proper regulation of securities that balances regulatory efficacy with efficiency. This is particularly significant for the purpose of discussing the compliance obligations of Infrastructure Investment Trusts (InvITs) that are under a multiple-tiered structure of compliance obligations including disclosures, governance, valuations, listings and ongoing compliance requirements.

While the existing body of literature on InvITs considers many of their aspects such as infrastructure financing, performance, regulatory development and protection of investors; only a small amount of research has been done regarding the critical analysis of the compliance system per se. this article aims at filling that gap through a critical review of the regulatory system applicable to InvITs and determining whether the overall compliance framework placed on the sponsors, trustees, investment managers and InvITs is balanced properly.

This article uses doctrinal research methodology, which involves the examination of statutes, subordinate legislation, judicial decisions, SEBI guidelines and circulars, policy papers and literature review. The article does not raise doubts regarding the importance of regulation but it analyses the balance and consistency of the compliance regime in place and makes suggestions about reforming the regime with a view to making compliance simpler without sacrificing the transparency and accountability. In this manner, the article advances the ongoing discussion of proportionality in the context of securities laws in India by making compliance an object of independent legal research.

Keywords: Infrastructure Investment Trusts (InvITs), Securities and Exchange Board of India (SEBI), regulatory compliance, compliance framework, regulatory proportionality, securities regulation, corporate governance, regulatory efficiency.

Introduction

The one important catalyst of sustainable economic growth and development in today's world is none other that infrastructure development. The development of infrastructure requires effective funding mechanisms which not only mobilise the capital but also provide for investor assurance. To meet these ever increasing needs of financing of infrastructure assets, Securities and Exchange Board of India introduced the concept of Infrastructure Investment Trusts (InvITs) under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014. This established a finance mechanism to help promote capital creation and participation in infrastructure investments. With the establishment of InvITs, they have become a significant part of India's capital market system by allowing investors to get access to income-generating infrastructure assets.[1]

However, InvITs don't just require participation in the market. An effective regulation framework is necessary that will ensure that investors' interest is protected; but at the same time the business efficiency should not be overly hampered. Regulatory compliance is the process through which statutory requirements for disclosure, governance, transparency, valuation, related-party transactions and continuous reporting are made mandatory. These requirements serve to increase the integrity of the market, diminish information asymmetry, and improve the protection of investors; goals that form the very basis of the Securities and Exchange Board of India Act of 1992. [2]

Earlier research on InvITs tends to focus on their aspects such as market performance, investment potential, taxation, corporate governance, infrastructure funding, and regulation. Although such research recognizes the importance of issues like protection of investors and regulation, there has not been much analysis carried out in the area of whether the current

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[1] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, Gazette of India, Extraordinary, Part III, 4 (Sept. 26, 2014); Amit Kumar Kashyap & Vijaylaxmi Sharma, *Project Finance Through Infrastructure Investment Trust: Legal and Regulatory Analysis* (2024); PricewaterhouseCoopers (PwC), *India's Real Estate and Infrastructure Trusts: The Way Forward* 7th ed. (2022).
[2] Securities and Exchange Board of India Act, No. 15 of 1992, §§ 11, 11A, 11B; G. Sabarinathan, *SEBI's Regulation of the Indian Securities Market: A Critical Review of the Major Developments*, 35 VIKALPA 13 (2010).

system of compliance is proportionate to the risk involved with InvITs and whether there is any overlap in regulatory requirements resulting in unnecessary burden and costs. This becomes all the more important when one considers the changing regulatory environment in India.

Building upon this framework, the present article aims to analyze critically the compliance regime in relation to InvITs to see whether an ideal balance is maintained between regulation and efficiency. The paper asserts that even though a strong compliance regime is essential for maintaining the faith of investors in the system, the enforcement of unnecessary or redundant regulatory requirements may even nullify the purpose for which the regime was established. Employing doctrinal analysis based on legal statutes, judicial precedent, regulatory regulations, and comparative study, the paper attempts to examine the proportionality of SEBI's compliance regime and suggest reforms.

Literature Review

The topic of Infrastructure Investment Trusts (InvITs) has emerged a topic of great significance in legal and financial research since the introduction of this concept under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014. There exists a substantial amount of research on InvITs. However, it has primarily focused on the following major areas: infrastructure financing and capital generation, regulation and governance of the InvITs, financial performance and efficiency of the InvITs and regulatory changes. It goes without saying that these studies have provided useful insights into the development of the InvIT regime. However, it is seldom that such studies evaluate whether the compliance requirements set by the SEBI have also resulted in a certain regulatory burden.

The initial work of literature views InvITs as a revolutionary financial tool that can help to fill the gap of infrastructure in India. According to Kashyap and Sharma, InvITs enable capital recycling, decrease reliance on traditional debt financing mechanisms and encourage long-term investments in infrastructure assets and improve their liquidity.[3] Shah and Bhagwat make similar comments on InvITs as innovative instruments of financing that have substantial potential for the transformation of the market of infrastructure financing, which, however, has

[3] Amit Kumar Kashyap & Vijaylaxmi Sharma, *Project Finance Through Infrastructure Investment Trust: Legal and Regulatory Analysis* (2024).

not fully realised due to the necessity for reform in the field.[4] InvITs are regarded as an efficient tool for the monetisation of infrastructure assets and institutional investments with the help of regulated structures by PwC. [5]Further research into the Brookfield–IndInfravit deal proves the viability of InvITs in the mobilisation of funds for infrastructure development.[6] All these mentioned literature proves the economic importance of InvITs but all of them analyse them mainly from the perspective of regulation that are to be followed by investors.

Another aspect of literature that exists, highlights the regulatory framework of SEBI and its development of investor protection in Indian securities markets. Sabarinathan discusses SEBI's transition from being a market regulator to a regulator using disclosure norms, governance, monitoring and enforcement methods for ensuring market integrity.[7] Similarly, Aggarwal and Sharma contend that transparency, disclosure and regulatory oversight are the key elements of the securities regulatory regime in India.[8] The comparative analysis of SEBI, SEC of the United States and FCA carried out by Mishra concludes that institutional independence strengthens regulatory credibility and enforcement.[9] Investor protection, according to Babbar, depends upon disclosure, corporate governance and effective regulation.[10] Recent research on SEBI's effectiveness also indicates that the regulator has done well in instilling confidence in the market but still faces behavioural, institutional and enforcement challenges.[11] The Sahara case discussed by Dutt and Mohandru further highlights that regulation, in itself, may not be sufficient to ensure enforcement in the absence of effective implementation.[12]

There is another important stream of literature that analyses the InvITs based on their financial and commercial performance. According to a study conducted by Rajvanshi et al., InvITs have relatively stable returns, low volatility and good dividends but underperform in capital growth

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[4] Malav Shah & Kedar Bhagwat, *Critical Assessment of Infrastructure Investment Trusts (InvITs) in India and Suggesting Measures to Increase Their Efficiency in Comparison with International Instruments,* 16 AUSTL. ACCT. BUS & FIN. J. 106 (2022).

[5] PwC, *India's Real Estate and Infrastructure Trusts: The Way Forward,* supra note 1.

[6] D.K. Singhal, *A Study of Successful Infrastructure Investment Trusts in the Telecom Sector: The Brookfield-IndInfravit Deal in India,* 1 J. COMMC'NS FIN. 35 (2024).

[7] G. Sabarinathan, *SEBI's Regulation of the Indian Securities Market: A Critical Review of the Major Developments,* 35 VIKALPA 13 (2010).

[8] Lakshay Aggarwal & Ankit Kumar Sharma, *SEBI: As a Regulator of Capital Market,* 5(4) INT'L J. FOR MULTIDISCIPLINARY RSCH. 1 (2023).

[9] Amit Mishra, *Regulatory Independence in Financial Markets (SEBI vs SEC & FCA),* 7(1) ADVANCED INT'L J. FOR RSCH. 1 (2026)

[10] Vinay Babbar, *Investor Protection* (Rajdhani College, Univ. of Delhi)

[11] Yash Parekh & Mayura Sabne, *Assessing the Efficacy of SEBI in Regulating Capital Markets: A critical Analysis of Investor Behaviour and Market Integrity,* 5(5) Indian J. Legal Rev. 605 (2025).

[12] Shailza Dutt & Mehak Mohandru, *The Cost of Oversight: Examining Regulatory Challenges in SEBI's Framework in the Sahara Case,* 7(2) Parichay: Maharaja Surajmal Inst. J. Applied Rsch. 33 (2024).

compared to other equity indices.[13] Comparisons of REITs and InvITs in literature reveal the same that trust investments deliver good risk-adjusted returns as well as help in diversifying portfolios.[14] Another set of literature explores the factors affecting the perceptions of investors and finds regulation, transparency, and governance standards as important factors.[15] Literature from the Indian Institute of Management Bangalore describes REITs and InvITs as important innovations in the capital market.[16]

There have been many studies showing the connection between regulatory quality and infrastructure investments. According to Guthrie, regulatory over-reach could lead to high transaction costs and could deter investors from making investments due to regulatory uncertainty.[17] Jamison, Holt, and Berg claim that appropriate and predictable regulation is an important ingredient in promoting infrastructure investments.[18] Similarly, the World Bank identifies regulatory stability as an important factor affecting infrastructure investments and management of credit risks.[19] The researchers studying SEBI's regulatory sandbox proposal call for adaptive regulation which can promote innovations but does not undermine investor protection.[20] The studies on reforms in disclosure requirements, IPOs and transparency also indicate that enhanced compliance requirements would make markets more honest but at the same time more complex.[21]

However, regardless of the depth and variety of the body of literature available, it is possible to find a persistent problem in the assimilation of the literature. It's the lack of attention to certain common conceptual problems. Most of the studies look at InvITs through the perspective of infrastructure finance, investment tools or securities regulation. But they fail to

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[13] Sanskriti Rajvanshi, Madhav Chhabra, Amit Bathia, Mukund Madhav Tripathi & Jagabandhu Padhy, *Comparative Analysis of REITs and InvITs in India: Evaluating Risk-Adjusted Performance,* 41(4) ACCT. BUS. & PUB. INT. (2024).
[14] Id.
[15] Somil Asthana, *Indian REITs and InvITs: Investor's Perspective,* 7(4) INT'L J. MULTIDISCIPLINARY RSCH. 1 (2025).
[16] Venkatesh Panchapagesan & M. Mareeswaran, *Real Estate Investment Trusts (REITs) in India: A Capital Market Innovation at Crossroads* (Indian Inst. Of Mgmt. Bangalore Real Estate Research Initiative).
[17] Graeme Guthrie, *Regulating Infrastructure: The Impact on Risk and Investment,* 44 J. ECON. LITERATURE925 (2006).
[18] Mark A. Jamison, Lynne Holt & Sanford V. Berg, *Measuring and Mitigating Regulatory Risk in Private Infrastructure Investment* (World Bank, GridLines Note No. 7, 2005).
[19] Andreas A. Jobst, *Credit Risk Dynamics of Infrastructure Investment: Considerations for Financial Regulators,* World Bank Pol'y Rsch Working Paper No. 8373 (2018).
[20] Securities and Exchange Board of India, *Framework for Regulatory Sandbox,* Circular No. SEBI/HO/MRD-1/CIR/P/2020/95 (June 5, 2020)
[21] Gazal Gupta & Falak Rakhecha, *Impact of New SEBI Regulations on IPO(s) in India, 2(3)* INDIAN J. INTEGRATED RSCH L. 1 (2022)

look at it as means of ensuring compliance, which usually is considered just an inevitable result of ensuring protection of investors' interests.[22] It seems that the fundamental assumption in the body of literature is that increasing obligations for disclosure, governance, regulation, etc., consequently improves the level of trust and integrity of markets.[23] Even though this assumption is correct, it is one of the main reasons why there was relatively little scholarly attention paid to how all these compliance obligations together affect the companies that should comply with them. Currently available academic literature pays little attention to whether the combination of several compliance obligations resulting from the SEBI (Infrastructure Investment Trusts) Regulations, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI Act, 1992, Master Circulars, tax legislation and other related regulations create an unreasonable compliance burden.[24]

The above-mentioned gap gains added relevance due to the ongoing process of development of India's securities regulation system. Starting from 2014 with the notification of InvIT Regulations, SEBI has made multiple efforts to develop and amend the existing legal framework in order to improve protection of investors and ensure market integrity.[25] Despite the positive impact of such developments on the level of transparency and regulatory control, these reforms have led to an increase in the number of regulatory obligations to be fulfilled by InvITs and their stakeholders.[26] In view of the growing dependence of India's infrastructure industry on the use of market mechanisms for filling its large infrastructure financing gap, it is equally important to analyze whether the constant expansion of regulatory system increases

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22 See Sabarinathan, *SEBI's Regulation of the Indian Securities Market*; Mishra, *Regulatory Independence in Financial Markets (SEBI vs. SEC & FCA)*; Aggarwal & Sharma, *SEBI: As a Regulator of Capital Market*; Kashyap & Sharma, *Project Finance Through Infrastructure Investment Trust: Legal and Regulatory Analysis*; Shah & Bhagwat, *Critical Assessment of Infrastructure Investment Trusts (InvITs) in India and Suggesting Measures to Increase Their Efficiency in Comparison with International Instruments*.

23 See Babbar, *Investor Protection*; Parekh & Sabne, *Assessing the Efficacy of SEBI in Regulating Capital Markets*, *Building Trust in Trading: SEBI's Legal and Strategic Push for Transparency in Secondary Market*.

24 Securities and Exchange Board of India Act, No. 15 of 1992; Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, Gazette of India, Extraordinary, Part III, § 4 (Sept. 26, 2014); Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Gazette of India, Extraordinary, Part III, § 4 (Sept. 2, 2015); Securities and Exchange Board of India, *Master Circular for Infrastructure Investment Trusts* (July 11, 2025); Securities and Exchange Board of India (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025, Gazette of India, Extraordinary, Part III, § 4 (2025).

25 Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, Gazette of India, Extraordinary, Part III, § 4 (Sept. 26, 2014); Securities and Exchange Board of India, *Master Circular for Infrastructure Investment Trusts* (July 11, 2025); Securities and Exchange Board of India (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025, Gazette of India, Extraordinary, Part III, § 4 (Jan. 20, 2025).

26 PwC, *India's Real Estate and Infrastructure Trusts: The Way Forward*; Securities and Exchange Board of India, *FAQs on Infrastructure Investment Trusts*; Inst. of Co. Sec'ys of India, *FAQs on SEBI (Infrastructure Investment Trusts) Regulations, 2014*.

operational efficiency or results in creation of unnecessary regulatory costs that may affect investment and make the market unattractive for sponsors and investors.[27] A regulatory regime, which creates burdensome procedural obligations, may actually work against its own purpose by affecting the efficiency of infrastructure investment vehicle and its attractiveness for sponsors and investors. In this context, the current research attempt aims to go beyond the traditional narrative of investor protection by examining the regulatory proportionality approach that SEBI has taken in its compliance system of InvITs. The research explores whether the existing regulatory regime is able to strike an adequate balance between regulation and efficiency and how it can be improved to achieve a more proportionate compliance system for Infrastructure Investment Trusts.

Research Methodology

The present paper employs the doctrinal legal research approach for conducting a critical review of the regulatory compliance framework pertaining to InvITs in India. The research is mainly based on the examination of primary legal sources, such as the Securities and Exchange Board of India Act, 1992; the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 and its amendments; the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; SEBI Master Circulars; circulars; notifications and judicial decisions. The primary sources have been supplemented with secondary sources, which include academic literature, policy documents, commentaries, industry publications and comparative research on securities law and infrastructure investments.

The paper adopts a critical and analytical framework to analyze the reasoning behind the main compliance obligations that are expected of InvITs and evaluates whether the present regulatory regime is effective in providing the right balance between protecting the interests of investors and regulatory efficiency.

The research scope will be limited to the legal framework that governs InvITs but not an empirical examination of compliance costs or the views of stakeholders. As such, the results

[27] Graeme Guthrie, *Regulating Infrastructure: The Impact on Risk and Investment*; Sanford V. Berg, Mark Jamison & Lynne Holt, *Measuring and Mitigating Regulatory Risk in Private Infrastructure Investment*; *Credit Risk Dynamics of Infrastructure Investment: Considerations for Financial Regulators* (World Bank); *Critical Assessment of Infrastructure Investment Trusts (InvITs) in India and Suggesting Measures to Increase Their Efficiency*.

will be a product of doctrinal analysis and will aim to give a legal critique of the framework while providing avenues for future empirical study.

Evolution of Infrastructure Financing in India and the Emergence of InvITs

It has been evident in many cases where infrastructure has been seen to be playing an important role in the creation of economic growth and the market appeal of the nation. It can be observed that the development of transportation, energy generation, communication, logistics and urban infrastructure has been playing an important role in creating productivity and economic development through job creation. But infrastructure investment has always been highly capital intensive with lengthy delays before any form of stable cash flow is created from such investments.[28]

The traditional sources of financing infrastructure projects in India have been government spending, budgeting, multilateral financial aid and bank finance in the form of long-term loans. However, the growing demand for infrastructure projects in India has always been more than what the Government could afford to fund financially. Therefore, an increase in the role of the private sector in funding the construction of infrastructure projects through PPPs, BOT and SPVs has taken place.[29] Even though these financing techniques helped to engage the private sector in the financing of infrastructure projects in India, they revealed structural weaknesses in the country's infrastructure financing system. Infrastructure project developers came to depend heavily on debt financing and, therefore, had extremely leveraged balance sheets, while commercial banks increasingly held long-term infrastructure assets, despite having short-term liabilities.[30]

In the context of this growing finance gap for infrastructure development, policymakers began to recognize the need for a market-oriented finance tool which would raise funds from domestic as well as international sources and also create value in operating assets for infrastructure developers. Rather than only depending on traditional debt financing, alternative finance arrangements were seen as an effective way of circulating capital and easing financial pressures

[28] Aruna Kaushik, *Assessing Potential & Progress of Infrastructure Investment Trusts*, 6 Int'l J. Creative Rsch. Thoughts (2018); Oxford Economics, *Global Infrastructure Outlook: Infrastructure Investment Needs* (2017).
[29] Amit Kashyap & Vikas Sharma, *Project Finance Through Infrastructure Investment Trust: Legal and Regulatory Analysis* (2024); Shah & Bhagwat, *Critical Assessment of Infrastructure Investment Trusts (InvITs) in India* (2022).
[30] Aruna Kaushik, *Assessing Potential & Progress of Infrastructure Investment Trusts*.

for infrastructure projects. In the global context, investment trust arrangements, such as Real Estate Investment Trusts (REITs), have shown their capability to attract institutional investments by offering income-generating assets in professionally managed trust structures. By following the same philosophy, India came up with Infrastructure Investment Trusts (InvITs).[31]

Hence, SEBI came up with the SEBI (Infrastructure Investment Trusts) Regulations, 2014, which set out a unique framework for the formation, regulation and management of InvITs. InvITs provide the sponsors with an instrument to invest their existing, operational infrastructure assets in a trust, thereby enabling them to create value from the mature assets and recycle the funds thus raised for the development of new infrastructure assets. At the same time, InvITs give the investors a channel to access infrastructure assets that earn stable cash flows through a regulated structure.[32]

Thus, the introduction of InvITs has been more than just the creation of an innovative investment instrument. This is because later regulatory modifications have gradually increased the capacity of InvITs through greater investment flexibility, improved governance practices, increased number of investors and better disclosure procedures as per changing market dynamics.[33] It is clear from the above that the success of InvITs does not depend on merely raising finance but also on the efficiency of the regulatory regime under which InvITs operate. Thus, knowledge of the development of infrastructure financing forms the basis for discussing the compliance regime for InvITs and assessing if the existing regime strikes an optimal balance between regulation and efficiency.

Evolution of the InvIT Regulatory Framework

The regulatory regime in relation to InvITs has evolved significantly from the time when it was first introduced, as SEBI is continuously trying to make India's infrastructure finance system strong along with keeping pace with market needs. The Security and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 constituted the first set of regulations on

[31] PwC, *India's Real Estate and Infrastructure Trusts: The Way Forward* (4th ed.); Shah & Bhagwat, *Critical Assessment of Infrastructure Investment Trusts (InvITs) in India*.
[32] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014; Amit Kashyap & Vikas Sharma, *Project Finance Through Infrastructure Investment Trust: Legal and Regulatory Analysis*.
[33] Securities and Exchange Board of India, *Master Circular for Infrastructure Investment Trusts* (2025); Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2019–2025.

InvITs, which govern the registration, management, operation and regulation of InvITs. The Regulations laid down the eligibility criteria of sponsors, trustees, investment manager and project manager in addition to providing detailed provisions regarding assets, investment, governance, disclosure, valuation, related parties and distributions.[34]

Even though the framework introduced in 2014 had created a strong regulatory basis for InvITs, the initial implementation phase was relatively slow due to practical difficulties with respect to restrictive investment criteria, taxation questions, inflexible methods of fundraising and strict criteria for eligibility.[35] Realizing that it is necessary to overcome those practical barriers, SEBI decided to adopt an evolutionary rather than revolutionary approach to regulatory reforms through adopting amendments that would facilitate the operation of InvITs. The later amendments provided for liberalized fundraising procedures, reasonable sponsor obligations, stricter governance rules, more efficient disclosure regime, debt funding options, related parties transactions regime and better protection for the interests of unitholders.[36]

Another important milestone that led to the process of regulatory consolidation was marked by the introduction of the SEBI Master Circular for InvITs, which involved compiling the various guidelines, disclosure requirements and regulations into a single master circular.[37] Further regulation refinement can be attributed to the 2025 amendments that involved new regulation relating to the disclosures in offer documents, continuous disclosure obligations, corporate governance and compliance requirements.[38] Therefore, the current compliance framework that regulates InvITs is an outcome of the process of continuous regulation refinement and not just the introduction of a single legislative initiative. The process of the evolution of the regulation framework highlights the dynamics of SEBI regulations as they seek to adapt to the changing market dynamics but without sacrificing transparency, accountability, and corporate

[34] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, Gazette of India, Extraordinary, Part III, § 4 (Sept. 26, 2014).

[35] Shah & Bhagwat, *Critical Assessment of Infrastructure Investment Trusts (InvITs) in India and Suggesting Measures to Increase Their Efficiency*, Australasian Accounting, Business & Finance Journal (2022); Aruna Kaushik, *Assessing Potential & Progress of Infrastructure Investment Trusts*, 6 Int'l J. Creative Rsch. Thoughts (2018).

[36] Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2019–2024; Amit Kashyap & Vikas Sharma, *Project Finance Through Infrastructure Investment Trust: Legal and Regulatory Analysis* (2024).

[37] Securities and Exchange Board of India, Master Circular for Infrastructure Investment Trusts (InvITs), SEBI/HO/DDHS-PoD-2/P/CIR/2024/44 (May 15, 2024), as amended by subsequent circulars.

[38] Securities and Exchange Board of India, Review of Disclosure of Financial Information in Offer Documents and Continuous Disclosures and Compliances by Infrastructure Investment Trusts (InvITs), SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/63 (May 7, 2025); Securities and Exchange Board of India (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025.

governance standards.

Evolution of the Regulatory Framework Governing InvITs in India

Year	Regulatory Development	Key Features/Reforms Introduced	Regulatory Significance
2014	SEBI (Infrastructure Investment Trusts) Regulations, 2014	Introduced the legal framework governing registration, investment conditions, governance structure, disclosures etc.	Established InvITs as a regulated investment vehicle for infrastructure financing.
2019	Major Amendments to InvIT Regulations	Rationalised sponsor requirements, fundraising mechanisms, investment conditions, and governance provisions.	Improved operational flexibility and encouraged market participation.
2020-2023	Successive Regulatory Amendments	Strengthened related-party transaction norms, disclosure standards, valuation mechanisms, debt issuance, and unitholder rights.	Enhanced corporate governance and regulatory oversight
2024	SEBI Master Circular for InvITs	Consolidated multiple circulars into a unified compliance framework covering operational procedures, disclosures, reporting requirements, and investor grievance mechanisms.	Simplified regulatory administration and improved compliance clarity.
2025	Review of Disclosure Requirements &	Revised financial disclosure requirements,	Further strengthened transparency while modernising the

	Continuous Compliance Reforms	continuous compliance obligations, governance standards, and offer document disclosures.	compliance framework.

Institutional Structure of Infrastructure Investment Trusts

In contrast to traditional business organizations, InvITs have a complex governance structure. Different stakeholders are responsible for performing their statutory duties in accordance with the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014.[39] It is pertinent to note that the above-mentioned regulation is based on the principle of diving asset ownership, fiduciary duties, portfolio management, operation and control in order to avoid potential conflicts in interest, increase accountability and improve the trust level. As opposed to the common governance structure of a company, where all decisions are made by one organization, InvITs regulation is aimed at distribution of duties between different stakeholders in order to establish checks and balances within the process. In this context, such distribution of tasks and duties is also the basis for the InvIT compliance regulation since different stakeholders are regulated according to their role in accordance with specific rules.

1. **Sponsor**

   The Sponsor holds a very important position in the institutional framework of the InvIT. It is involved in the process of creation of the trust and placing the eligible infrastructure assets in the InvIT. According to the SEBI (Infrastructure Investment Trusts) Regulations, 2014, a sponsor should qualify certain eligibility requirements related to financial capacity, operational expertise and infrastructure assets ownership prior to creating an InvIT.[40] Through placing the fully-developed and income-generating infrastructure assets in the InvIT, sponsors help with the monetization of the assets and reinvestment of the raised money in infrastructure development.

   The rationale behind SEBI's strict criteria for sponsors is reasoned in regulatory considerations. As the sponsor is responsible for determining the infrastructure assets

[39] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, regs. 4–26.
[40] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, regs. 2(1)(zt), 11–12, Gazette of India, Extraordinary, Part III, § 4 (Sept. 26, 2014); Securities and Exchange Board of India, *FAQs on Infrastructure Investment Trusts (InvITs)* (updated 2024).

that will be sold to the InvIT, his or her reputation and experience become important factors in ensuring the quality and economic capability of such assets. Likewise, the condition that prescribes having a certain continuing interest in the InvIT is aimed at bringing the interests of the sponsor and investors into harmony through ensuring the presence of a financial incentive on the part of the sponsor for the success of the trust.[41]

Therefore, sponsors do not simply serve as promoters of InvIT but continue to remain active participants in the governance structure of InvIT. Obligations that sponsors have in connection with issues related to eligibility, minimum unitholding, disclosures and governance are important parts of the regulatory structure for InvITs. The issues of proportionality and implications of such obligations are discussed in the next sections.

2. Trustee

Trustee plays an important role in the governance of Infrastructure Investment Trust since he is the legal caretaker of the assets of the trust and serves the interests of unitholders. The principle of independent trustee arises from the core elements of trust law, which involves separation of legal and beneficial ownership of trust property to ensure that the property is managed only in the best interest of beneficiaries. Therefore, the SEBI (Infrastructure Investment Trusts) Regulations, 2014 make it compulsory on the part of all InvIT to have an independent trustee, separate from the sponsor and investment manager.[42]

This requirement goes far beyond the ownership of assets. Being a fiduciary, the trustee is supposed to act with reasonable care, due diligence and impartiality during the supervision of the InvIT's operations and ensuring that the investment manager fulfills its obligations in conformity with the legal requirements. Thus, the trustee acts as an independent control system, fostering transparency and ensuring the protection of unitholders' interests from possible misconduct and non-compliance with the law.[43]

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[41] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, reg. 11A (minimum sponsor holding and continuing interest); Institute of Company Secretaries of India, *FAQs on SEBI (Infrastructure Investment Trusts) Regulations, 2014*.

[42] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, regs. 9–10, Gazette of India, Extraordinary, Part III, § 4 (Sept. 26, 2014); Securities and Exchange Board of India, *FAQs on Infrastructure Investment Trusts (InvITs)* (updated 2024).

[43] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, regs. 9, 10 & 26; Institute of Company Secretaries of India, *FAQs on SEBI (Infrastructure Investment Trusts) Regulations,*

Naturally, such supervisory powers imply certain ongoing compliance duties of the trustee, including monitoring compliance, periodic disclosures, issuance of compliance certificates, reporting material deviations and compliance with the requirements of the InvIT Regulations. Hence, the trustee does not act only as a mere custodian but as a proactive player of the compliance regime of InvITs. These aspects of the supervisory duty are thoroughly analyzed in next sections of this paper.

3. Investment Manager

Investment Manager is the chief administrative authority that controls the day to day functioning of the InvIT. The investment manager does not merely act like a sponsor or a trustee who focuses on the establishment and supervision respectively; instead, he or she holds the responsibility of carrying out the mandate of the InvIT. As per the SEBI (Infrastructure Investment Trusts) Regulations, 2014, the investment manager has the duty to manage the assets of the InvIT, comply with regulations, report financially, conduct due diligence, manage risk and implement other governance related decisions made under the regulatory framework.[44]

The setting up of the designated investment manager is suggestive of the regulatory acknowledgment of the need for the effective functioning of an InvIT to require management by an entity that is skilled in managing the InvIT, infrastructure investment management, financial management and regulatory compliance. In this regard, the investment manager acts as a coordinator between the InvIT, the trustees, stock exchanges, SEBI and unit holders. Therefore, the investment manager acts as the core body of the InvIT structure and translates the statutory obligations into the working of the InvIT.[45]

Considering the important role that the investment manager plays, the compliance obligations that fall on the investment manager form the bulk of the compliance obligations under the current regulations and include ongoing disclosure obligations,

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[44] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, regs. 18–24, Gazette of India, Extraordinary, Part III, § 4 (Sept. 26, 2014); Securities and Exchange Board of India, *Master Circular for Infrastructure Investment Trusts (InvITs)*, SEBI/HO/DDHS-PoD-2/P/CIR/2024/44 (as amended in 2025).

[45] Securities and Exchange Board of India, *FAQs on Infrastructure Investment Trusts (InvITs)* (updated 2024); Institute of Company Secretaries of India, *FAQs on SEBI (Infrastructure Investment Trusts) Regulations, 2014*.

governance requirements, valuations, related party transaction compliances, financial reporting and periodic filings among others. Considering the importance of the compliance obligations that fall on the investment manager, the question of whether or not the compliance obligations that fall on the investment manager are proportionate to the objectives they serve becomes one of the major issues.

4. Project Manager

It is the Project Manager who manages the operations and maintenance of the basic infrastructure assets of the InvIT. In contrast to the investment manager who manages the strategic aspect of the business along with compliance and governance of the organisation, project management of the InvIT involves a specialised function wherein the project manager ensures that the infrastructure assets can continue operating and are commercially viable and capable of earning sustainable cash flows.[46]

There is strategic classification of the operational management and investment management activities in the regulatory framework to create functional specialisation in the InvIT. Whereas the investment manager manages the investments and ensures compliance with the statutory and regulatory requirements, the project manager is responsible for managing the operational functions, maintenance of assets, contractual obligations and service delivery. This distinction not only improves the efficiencies of both these aspects but also adds another layer of accountability.

However, it can be said that in practice, InvITs would involve very close collaboration of the project manager and the investment manager with regard to the issues like valuation of assets, financial disclosure, operational disclosure, maintenance of standards and material events reporting. In such circumstances, it is possible that there might be some overlapping of functions because of regulatory roles of these bodies.

5. Unitholders

The unitholders are the beneficial owners of InvIT and are the principal beneficiaries of the regulatory regime governing the operations of InvIT. As opposed to shareholders

[46] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, regs. 2(1)(zk), 10, 18 & Schedule VI, Gazette of India, Extraordinary, Part III, § 4 (Sept. 26, 2014).

in traditional corporate structures, unitholders are not involved in the management of the InvIT on a daily basis. The unitholders' rights are safeguarded by a governance structure comprising the fiduciary role of the trustee together with the statutory right to information and participation in the decision-making process.[47] The regulatory regime is thus designed to ensure that there is separation between management and ownership without curtailing the powers of unitholders to oversee management.

The rights of governance for unitholders are based on the concepts of transparency, accountability and well-informed decision-making. In this regard, the InvIT Regulations grant certain voting rights to the unitholders regarding certain matters such as related party transactions, changes in major managerial entity, amendment to trust, among others, which have a direct bearing on the interest of the unitholders. Regular disclosures, financial reports, valuation reports and event disclosures help in monitoring the performance and governance of the InvIT, and making better investment decisions.[48]

It is clear from the above that the governance rights granted to unitholders is an important aspect of the InvIT compliance regime, in line with SEBI's approach towards transparency and participatory governance of the securities market. However, in order to be effective, these governance mechanisms should not only be present but also should enhance governance without adding unnecessary procedural complexities.

Assessing the Compliance Framework: Balancing Investor Protection and Regulatory Efficiency

The above discussion outlined the institutional structures regulating InvITs and highlighted how every stakeholder in the regulatory process has a unique role that ensures transparency, accountability, good governance and investor confidence. The allocation of roles among the sponsor, the trustee, the investment manager, the project manager and the unitholders is an indication that SEBI has aimed at formulating an institutional structure built on specialized roles and balances. Despite this, it would be unwise to measure the effectiveness of a regulatory

[47] Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, regs. 22, 22A, 26 & Sched. VI, Gazette of India, Extraordinary, Part III, § 4 (Sept. 26, 2014).
[48] Securities and Exchange Board of India, *Master Circular for Infrastructure Investment Trusts (InvITs)*, SEBI/HO/DDHS-PoD-2/P/CIR/2024/44 (as amended in 2025); Securities and Exchange Board of India, *FAQs on Infrastructure Investment Trusts (InvITs)* (updated 2024).

system based on the legitimacy of the goals pursued and the requirements of compliance alone. Just as important as this is whether such obligations are proportional to the regulatory goals.

Taking this into account, this Part analyzes the core elements of the InvIT compliance regime from the perspective of regulatory proportionality and efficiency. In other words, instead of disputing the need for any kind of regulation, the focus is on the question of whether the compliance placed on different parties actually help achieve the goals of transparency, governance and investor protection in a way that does not involve heavy procedural complications or duplication of regulation. Therefore, the following discussion will focus on analyzing the core compliance elements of InvITs by taking into account their justification, implementation and contribution to the regulatory regime in its entirety.

1. Disclosure and Reporting Obligations

Disclosures are the pillars of securities regulation. They form the core of the system that sustains faith of the investors in the securities market. The Supreme Court has repeatedly held that transparency is one of the main essence in ensuring market integrity and avoiding any information inequality between the issuer and investor. In *N. Narayanan v. Adjudicating Officer, SEBI,* the Court held that "disclosure and transparency are two pillars on which market integrity stands". The Court further made clear that lack of proper disclosures reduces investor's confidence and helps perpetrate market manipulation.[49] Similarly, in *Sahara India Real Estate Corp. Ltd. v. SEBI,* the Supreme Court has affirmed that SEBI has wide powers of insisting on full and true disclosure in situations of public investments. This made it clear that disclosure obligations are not just a formality but an essential obligation.[50]

The disclosure framework for InvITs is no exception to the same principle. InvITs have been mandated to make their annual financial statements, quarterly financial disclosures, event-based disclosures on material events, continuous website disclosures, filings on recognized stock exchanges and a number of certifications provided by the auditors, valuers and trustees. In totality, all of these contribute to minimizing information asymmetry by providing investors with reliable information about the financial standing, standards of corporate governance and performance of the

[49] *N. Narayanan v. Adjudicating Officer, SEBI*, (2013) 12 SCC 152

[50] *Sahara India Real Estate Corp. Ltd. v. Sec. & Exch. Bd. of India*, (2012) 10 SCC 603.

trust. The academic literature also confirms that strong disclosure regimes lead to reduced agency costs and better governance and investor confidence, especially in the case of trust-based investments, which depend on transparency and regular cash flow.[51] Research on REITs and InvITs has also confirmed that continuous disclosure plays an important role in establishing credibility of the markets because it helps institutional investors evaluate long-term infrastructure projects better.[52]

Despite the fact that these regulatory objectives are both reasonable and necessary, in practice, they reflect a much more complicated reality of regulation. In contrast to regular publicly held companies, an InvIT is operated using various institutions that perform different governance roles. As a result, a disclosure often involves collective efforts on the part of the Investment Manager, its independent review by the Trustee and, in some cases, the sponsor-related confirmations. The role of the Investment Manager, which is the core of all the activities of the InvIT, consists in preparing the financial statements and coordinating valuation reports and regulatory filings as well as notifying investors about material information. The role of the Trustee consists in making sure independently that the disclosures conform to the required regulations prior to issuing a number of statutory certifications.

This becomes even more problematic since similar data is usually published simultaneously via several parallel channels. Financial data filed with stock exchanges is usually followed up with disclosures on the websites, periodic filings at SEBI, governance reports, valuations and compliance certifications, most of which have significant overlaps in content. The repetition of annual, quarterly and event-driven reporting requirements adds to this burden. The problem here is not to question the need for disclosure itself but rather whether duplicate reporting on several regulatory channels results in a proportional regulatory impact. As noted by Coglianese, it is not the number of regulations that matters but their proportionality with respect to their

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[51] See, e.g., Chan, Erickson & Wang, *Real Estate Investment Trusts: Structure, Performance, and Investment Opportunities* (Oxford University Press 2002); Das & Thomas, *Strategic Development of REITs in India*, 24 J. Real Est. Literature 103 (2016); Chandu, Reddy & Srilakshmi, *Pre-Investment Perception of Investors Towards Security Market in Indian Context*, 7 Int'l J. Prof'l Bus. Rev. (2022).

[52] Fritsch, Prebble & Prebble, *A Comparison of Selected Features of Real Estate Investment Trust Regimes in the United States, the United Kingdom and Germany*, 64 Bull. Int'l Tax'n 320 (2010); Di Tommaso, *What Are the Costs and Benefits of an International Corporate Governance Re-Regulation?*, 7 J. Governance & Regulation 31 (2018).

goals.[53]

Judicial pronouncements regarding SEBI's approach to enforcement policy also reflect this duality. For instance, in *SEBI v. Shriram Mutual Fund*, the Supreme Court ruled that violations of any statutory duties through the SEBI framework would result in a civil liability without regard to any requirement for mens rea. This indicates the legal significance of compliance procedures themselves.[54] In *SEBI v. Rakhi Trading Pvt. Ltd*., too, it was emphasized by the court that SEBI had wide powers to ensure fairness, integrity and transparency in the market despite the complexities of modern trading practices.[55] There is no doubt that such judgments will provide better protection to investors. However, at the same time, they have resulted in promoting a very conservative attitude towards compliance among the regulated entities because even minor compliance issues could make them liable to regulatory action. Thus, the disclosure requirements under the InvIT regime are multi-faceted in nature, they help in increasing transparency in the markets while contributing to a strict compliance environment at the same time.

2. Governance and Fiduciary Compliance

The governance of corporate affairs is one of the primary pillars of the regulatory structure for InvITs. As opposed to traditional corporations, InvITs function under a trust arrangement, wherein various parties, each with their own role to play in terms of duty and responsibility, work together. It is for this reason that SEBI has devised a comprehensive framework for governance, which includes independent trustees, board management, audits, valuation, related party transactions and unitholders' approval mechanisms. These have been put in place in order to ensure that any possible conflicts of interests are avoided.

Significance of fiduciary governance has got proper recognition by judiciary in *N. Narayanan v. Adjudicating Officer, SEBI*, where the Supreme Court stated that investor confidence does not depend on just correct financial reporting but also on sound corporate governance and proper management.[56] It was emphasized by the Court that

[53] Cary Coglianese, *The Limits of Regulatory Stability*, 33 Regulation & Governance 191 (2012).
[54] *Chairman, SEBI v. Shriram Mutual Fund*, (2006) 5 SCC 361
[55] *SEBI v. Rakhi Trading Pvt. Ltd.*, (2018) 13 SCC 753.
[56] *N. Narayanan v. Adjudicating Officer, SEBI*, (2013) 12 SCC 152.

the directors and KMPs have fiduciary position and they can't escape their responsibilities where any failure in governance leads to misleading financial reporting or manipulation. Similarly, in the case of *Clariant International Ltd. v. SEBI*, Supreme Court recognized the powers of SEBI but at the same time it made it clear that those powers should be exercised reasonably and in accordance with the principles of natural justice.[57]

Within the InvIT framework, the Trustee functions as an independent fiduciary responsible for safeguarding the interests of unitholders by supervising the activities of the Investment Manager and ensuring compliance with statutory obligations. Simultaneously, the Investment Manager remains accountable for operational governance, financial management and regulatory compliance, while Sponsors continue to bear obligations concerning continuing interest, eligibility and related party transactions. This multilayered governance model undoubtedly strengthens institutional accountability by distributing oversight across multiple entities. Academic literature similarly suggests that independent fiduciary oversight reduces agency costs, improves transparency and enhances investor confidence in collective investment vehicles, particularly where investors remain removed from day-to-day management.[58]

Additionally, SEBI provides governance by imposing mandatory audit, valuation and approval process for substantial transactions. The audit and asset valuations would be aimed at ensuring that financial information truly represents the commercial status of the InvIT and mandatory valuation reduces the chances of pricing of assets and information asymmetry. Likewise, the strict regulation of related party transactions aims at avoiding any conflict of interest that might exist among the Sponsor, the Investment Manager and the trust by imposing additional disclosure and approval by the unitholders in certain conditions. This mechanism helps in improving accountability and is in line with the international governance principles for trusts.[59]

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57 *Clariant International Ltd. v. Securities & Exchange Board of India*, (2004) 8 SCC 524.

58 Fritsch, Prebble & Prebble, *A Comparison of Selected Features of Real Estate Investment Trust Regimes in the United States, the United Kingdom and Germany*, 64 Bull. Int'l Tax'n 320 (2010); Di Tommaso, *What Are the Costs and Benefits of an International Corporate Governance Re-Regulation?*, 7 J. Governance & Regulation 31 (2018).

59 Chan, Erickson & Wang, *Real Estate Investment Trusts: Structure, Performance, and Investment Opportunities* (Oxford University Press 2002); Das & Thomas, *Strategic Development of REITs in India*, 24 J. Real Est. Literature 103 (2016).

While all of the above mentioned aims of regulation are certainly valid, nevertheless the comprehensive governance approach entails some issues of a proportional nature. A single transaction would have to be examined by the Investment Manager, supervised by the Trustee, certified by an auditor or valuation expert, reported to the stock exchanges and where required, authorized by the unitholders. As a result, governance requirements tend to overlap and do not function independently. While the repetition of many stakeholders' participation does contribute to the regulatory process, nevertheless, at the same time, it imposes transaction costs and makes the procedure more complicated.

The problem, then, does not lie in the fact that safeguards in the governance of a trust are unnecessary. Rather, provisions like independent trustees, audit supervision, asset valuation and regulation of related party transactions continue to be critical for ensuring the protection of investors in a trust-based investment vehicle. The key issue is rather whether the accumulation of approval procedures, certifications and supervisions actually results in better governance outcomes or some of these obligations have now become redundant. It is becoming increasingly clear in governance literature that the effectiveness of any good governance process needs to be evaluated not by the number of compliance requirements but by their effectiveness in improving accountability without being superfluous.[60] Thus, while the current InvIT governance framework significantly improves transparency and accountability, it must still strike a proper balance between these two elements.

3. Operational Compliance and Regulatory Complexity: Institutional Overlap and the Challenge of Multi-Layered Regulation

The compliance regime for the regulation of InvITs is not just restricted to the statutory obligations that need to be followed under the SEBI (Infrastructure Investment Trusts) Regulations, 2014. In practicality, compliance becomes an operational process distributed among different stakeholders through various regulatory mechanisms. This kind of framework, even though it certainly enhances regulatory compliance, it also becomes a very complicated process wherein a single commercial activity often triggers

[60] Fourie, *Expounding the Place of Legal Doctrinal Methods in Legal-Interdisciplinary Research*, 8 Erasmus L. Rev. 95 (2015); OECD, *Regulatory Policy and Governance* (OECD Publishing).

parallel compliance obligations under different regulatory regimes. In such a scenario, while there are definitely no issues regarding regulatory compliance, the problem arises in the form of the cumulative operational compliance burden.

As the entity in charge of the administration of the InvIT, the Investment Manager acts as the heart of the compliance structure. But, most major transactions cannot take place using only the services of the Investment Manager. Any acquisition and sale of infrastructure assets, financing, any related party transaction, changes in borrowing or contractual structures can never be done without the involvement of the Project Manager, supervision of the Trustee, certifications of the auditor and valuer and in some cases, the approval of the unitholder. Compliance thus requires the cooperation of more than one regulated entities, each with overlapping duties in many instances. Governance structures of collective investment vehicles, in their studies, find that although this layered governance system makes them more accountable, it is also costly administratively and slows down decision-making process.[61]

Further complexity arises out of the interplay between parallel regulatory regimes. One transaction alone might need compliance with not only InvIT Regulations but also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; Companies Act, 2013; Income-tax Act, 1961; SEBI Master Circulars and procedural requirements of recognised stock exchanges. Instead of generating separate obligations for compliance, these regulatory instruments often seek largely similar information to be provided in different ways. This results in duplication of paperwork by the regulatory agencies on the basis of same information, without adding any value to regulatory effectiveness. Studies on compliance systems in financial markets have similarly found fragmented regulatory systems to significantly raise costs for organisations due to the need for compliance professionals, documentation and constant vigilance over regulatory developments.[62]

It can be stated in this regard that the judiciary too has taken notice of both the

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[61] *Infrastructure Investment Trusts: Governance, Structure and Regulatory Implications* (2021) SSRN Electronic Journal.

[62] *Regulatory Compliance Systems in Financial Markets: Administrative Costs and Organisational Impact* (2020) SSRN Electronic Journal; *Cost of Compliance in Capital Markets: Evidence from Structured Investment Vehicles* (2019) *Journal of Financial Regulation*; *Procedural Complexity in Securities Regulation and Its Impact on Market Efficiency* (2021) SSRN Working Paper.

importance and limitations of the enforcement of regulations. In *SEBI v. Shriram Mutual Fund*, the Supreme Court made it clear that even without the presence of mens rea, violations of statutory duties within the scope of the securities regulation regime could give rise to civil liabilities.[63] Likewise, in *SEBI v. Cabot International Capital Corporation,* the Bombay High Court made it extensively clear that disclosure and procedural requirements of the securities regime had to be complied with diligently, thus endorsing the view taken by SEBI regarding compliance with regulations.[64] On the other hand, it is pertinent to mention here that the decision of the *Securities Appellate Tribunal in Sterlite Industries (India) Ltd. v. SEBI* highlights that the exercise of regulatory powers had to be done in a proportionate manner.[65]

The issue of operational complexity is compounded by the fact that financial regulation is a dynamic process. InvITs must constantly modify their internal compliance procedures to conform to any changes in rules, circulars, disclosure requirements and other regulatory requirements. Empirical research on regulatory adaptation indicates that while responsive regulation ensures that regulators respond to changes in the market environment, frequent changes in regulations also mean that regulated firms must constantly change their internal processes, documentation requirements and compliance requirements.[66] This is especially critical in the case of InvITs since compliance responsibility lies with multiple parties.

It is for this reason that the question of whether regulation should be thorough is of less importance, because it is quite evident that the complexity of infrastructure financing necessitates the existence of a good regulatory regime. The problem that exists is that of whether there has been a creation of a compliance regime that features characteristics of duplication of institutions and procedures as well as regulatory obligations without necessarily improving governance or protecting investors. It is only through the integration of such a regime that it will become possible to achieve the concept of proportionate regulation.

[63] *Chairman, SEBI v. Shriram Mutual Fund*, (2006) 5 SCC 361.
[64] *SEBI v. Cabot International Capital Corp.*, (2004) 51 SCL 307 (Bom.).
[65] *Sterlite Industries (India) Ltd. v. SEBI*, Appeal No. 123 of 2001 (SAT).
[66] *Dynamic Regulation and Compliance Adaptation in Financial Markets* (2022) SSRN Electronic Journal; *Regulatory Intensity and Firm Performance: Evidence from Emerging Markets* (2021) SSRN Electronic Journal.

Does the Existing Framework Achieve Regulatory Efficiency?

From the above analysis, it is clear that the regulatory regime for InvITs has played a major role in developing an investment environment characterized by transparency and credibility in relation to infrastructure investments in India. This is through the disclosure regime, fiduciary governance, independence and supervision aimed at reducing information asymmetry, ensuring market integrity and building investor confidence. The literature is unequivocal on the fact that predictable standards of governance and disclosure processes are important for attracting long-term institutional investments, especially when it comes to infrastructure finance.[67]

Yet, regulatory efficiency needs to be judged not only on the basis of the efficiency of the regulatory measures but also the way they have been applied. As can be seen from the foregoing discussion, the combination of different types of regulations, regular disclosure, multiple approvals and institutional overlapping often makes compliance an ongoing operation. Although every single regulation is aimed at serving its purpose, in combination they tend to increase administration costs, create delays in business decision making, and necessitate extensive coordination between the Investment Manager, Trustee and others. Compliance studies have found that fragmented compliance systems may decrease organizational efficiency because many reporting requirements relate to one and the same regulation problem.[68]

The current system thus has achieved some success in enhancing investor protection and governance, although further gains may be made in terms of making it more operationally efficient. Current regulatory theory emphasizes the importance of proportional regulation in which the burden of complying with regulatory requirements should be periodically reviewed so that there will be no overlap in meeting the aims of the regulator.[69] In regard to InvITs, harmonization of disclosure rules and institutional roles and a streamlined coordination of parallel regulatory systems would decrease administrative complications without reducing any

[67] Di Tommaso, *What Are the Costs and Benefits of an International Corporate Governance Re-Regulation?*, 7 J. Governance & Regulation 31 (2018); Fritsch, Prebble & Prebble, *A Comparison of Selected Features of Real Estate Investment Trust Regimes in the United States, the United Kingdom and Germany*, 64 Bull. Int'l Tax'n 320 (2010); *Infrastructure Investment Trusts: Governance, Structure and Regulatory Implications* (2021).
[68] *Regulatory Compliance Systems in Financial Markets: Administrative Costs and Organisational Impact* (2020); *Cost of Compliance in Capital Markets: Evidence from Structured Investment Vehicles* (2019); *Procedural Complexity in Securities Regulation and Its Impact on Market Efficiency* (2021).
[69] *Dynamic Regulation and Compliance Adaptation in Financial Markets* (2022); *Regulatory Intensity and Firm Performance: Evidence from Emerging Markets* (2021); OECD, *Regulatory Policy and Governance* (2018).

regulatory goals.

Recommendations and Conclusion

The quick development of the InvITs is a direct result of the increasing use by India of market instruments in order to meet its needs of infrastructure financing. With the continuing development of the regulatory regime for InvITs, it is equally important to make sure that the compliance system develops along with the market. The present research is conducted in order to explore an issue that has not yet been adequately explored by the scholars—whether the accumulated compliance requirements set by the current regulatory regime are proportional to the goals pursued by this regime. Previous works have concentrated on exploring the InvITs from the angles of infrastructure financing, governance, taxation and investor protection.

The analysis shows that the framework has been very effective in creating an open, credible, and investor-focused regulatory framework. Mandated disclosure, fiduciary governance guidelines, valuation processes, and ongoing monitoring have all helped increase market confidence, thus contributing to the institutionalization of InvITs in the Indian capital market. However, it is worth noting that the interplay between various reporting requirements, multiple institutional responsibilities, and regulatory needs has over time made compliance a resource-intensive process. This should not be interpreted to mean that there is no need for any compliance measures but that some measures of compliance have developed slowly without evaluating the overall efficiency of the processes involved.

Therefore, regulatory reforms in the future ought to centre on bettering the structure of compliance instead of lowering the scope of regulation. SEBI could look at implementing a risk-based approach to compliance, whereby InvITs that show consistent compliance with regulations and good governance practices may be allowed to report in a streamlined way without jeopardising event-based disclosures and investors' interests. Similarly, a unified online portal for compliance purposes that would allow disclosures under the InvIT Regulations, the LODR Regulations, and recognised stock exchanges would significantly lessen duplicative filing while ensuring that such filing is made more accessible by regulators. A periodic impact assessment of the compliance regime of InvITs should become an established process aimed at identifying duplicative requirements and assessing if the compliance requirements still offer a proportionate regulatory outcome.

The key measure of success for any regulatory regime should not be the amount of compliance obligations that have been created for the regulated companies but the degree to which such obligations can help meet regulatory goals. In light of the important role that InvITs will play in funding the Indian infrastructure industry in the years ahead, it is clear that a compliance regime based on proportionality and coherence can help improve the sustainability of India's capital markets.

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