HMRC - STSM101010 - Collective Investment Scheme?

A Collective Investment Scheme (CIS) is an arrangement that enables investors to contribute to, and effectively ‘pool’ their respective assets within, a fund scheme and have these professionally managed by an independent manager. Investors taking part in such arrangements are able to participate in or receive profits or income from investments held by the fund scheme.

A fund’s investments may typically include quoted or listed stocks and shares, gilts, bonds, etc but, depending on the type of scheme, may go wider. For example, investments may be in the form of unquoted stocks and shares, property in the form of land and buildings, or derivatives of underlying stocks and shares etc. Investors in such schemes are able to reduce risk by spreading their investments more widely than may have been possible if they were investing in the assets directly. The reduction in risk is achieved because the wide range of investments in a CIS reduces the effect that any one investment can have on the overall performance of the portfolio.

The definition of a CIS can be found in section 235 of the Financial Services and Markets Act 2000 (FSMA).

United Kingdom CISs come in a number of forms. The two main ones are Authorised Investment Funds (AIFs) - the collective term for Authorised Unit Trusts (AUTs) and Open-Ended Investment Companies (OEICs), and Unauthorised Unit Trusts (UUTs). The main distinction for unit trusts is whether or not it is authorised by the Financial Conduct Authority (FCA). OEICs can be set up in the UK only as FCA-authorised collective investment schemes, and there is no UK-resident unauthorised equivalent. Authorisation, in turn, determines to whom schemes can be sold and in what assets they can invest.

Authorised investment funds are not treated differently from Unauthorised Unit Trusts for stamp tax purposes.

A body corporate, other than an OEIC, is not a collective investment scheme for the purposes of section 235 FSMA. This means for example that investment trust companies, venture capital trust companies, industrial provident societies, friendly societies and building societies are not collective investment schemes for the purposes of section 235 FSMA.

See STSM101020 and STSM101030 for the meaning of an authorised unit trust.

See STSM101050 for the meaning of an OEIC.