HMRC - STSM101040 - Unauthorised Unit Trust

An Unauthorised Unit Trust (UUT) is any United Kingdom resident unit trust that has not been authorised by the Financial Conduct Authority (FCA). Whilst the Operator/Manager of both authorised and unauthorised funds is regulated by FCA, an UUT fund itself is not subject to any FCA regulation. Instead an UUT fund is governed by the requirements of the instrument constituting the scheme. Consequently, these vehicles can access a wider range of investments than authorised unit trusts, geared and tailored to specific investors, but cannot be marketed to the general public.

Similar to an authorised unit trust, an UUT scheme is legally a trust, having a trustee and beneficiaries. The unit trust contains a pool of investments (‘the scheme property’) derived from the contributions of investors. The pool of investments is divided into equal portions called units, and investors hold a number of units depending on how much they have contributed. The investors in the unit trust are beneficially entitled to an undivided share of the investments subject to the trust and are referred to as unit holders. The price of units is determined by the managers of the trust (usually on a daily basis) at the current market value of the investments held in the fund.

There are three parties to a UUT:

the manager (who operates the Trust fund and is responsible for investing cash contributions received from investors);

the trustee (who must be unconnected with the manager) who is entrusted with the custody of the investments held within the trust on behalf of the unit holders, and

the unit holders who are the trust beneficiaries.

Investors in a UUT (or any collective investment scheme) are not allowed to have day to day control over the management of the trust fund property.

See STSM101010 for the meaning of a Collective Investment Scheme.