HMRC - STSM101050 - Introduction To Collective Investment Schemes: What Is An Open-Ended Investment Company?

An Open-Ended Investment Company (OEIC) is a collective investment scheme that is structured as a company with variable capital and satisfies the property and investment condition in section 236 Financial Services Management Act 2000. Once authorised by the Financial Conduct Authority, it is incorporated as a company under The Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).

For stamp duty and SDRT charging purposes, Paragraph 2 of the Stamp Duty and Stamp Duty Reserve Tax Regulations (Open-Ended Investment Companies) 1997 defines an OEIC as having the meaning given within section 468 of the Income and Corporation Taxes Act 1988. Section 468 was subsequently amended by SI 1997/1154 to include Paragraph 10(4), which defines an OEIC as being a UK incorporated company. In turn, the provisions of the Authorised Investment Fund (Tax) Regulations 2006 (SI 2006/964) revoked SI 1997/1154 and define an OEIC as being a company incorporated in the UK.

An OEIC contains a pool of investments (‘the scheme property’) derived from the contributions of investors. The pool of investments is divided into equal portions called shares, and investors hold a number of shares depending on how much they have contributed. The investors in the OEIC are beneficially entitled to an undivided share of the investments subject to the OEIC and are referred to as share holders. The price of shares is determined by the Authorised Corporate Director of the OEIC (usually on a daily basis) at the current market value of the investments held in the fund.

There are three parties to an OEIC: the Authorised Corporate Director (ACD) - who operates the company scheme and is responsible for investing cash contributions received from investors; the trustee who must not be connected with the ACD and who is entrusted with the custody of the investments held within the OEIC; and the share holders who are the OEIC beneficiaries.

OEICs with trustees resident in the UK are usually called Authorised Investment Funds. All companies authorised as an OEIC in the UK have the letters ICVC (Investment Company with Variable Capital) at the end of the company name.

OEICs with trustees resident in the UK are a type of Authorised Investment Fund.

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

See STSM101020 and STSM101030 for the meaning of an authorised investment fund.

See STSM101010 for the meaning of a Collective Investment Scheme.