HMRC - STSM101090 - Open And Closed-Ended Investment Companies

Open-ended Collective Investment Scheme

Unit trusts and Open-Ended Investment Companies (OEICs) are two main types of an open-ended collective investment scheme. They are regarded as being open-ended in the sense that a unit trust or an OEIC can issue and redeem units/ OEIC shares at any time and there are no restrictions on the amount of units or OEIC shares the fund can issue.

The price at which units/OEIC shares in an open-ended fund are issued or are surrendered back to, or redeemed by, the fund will vary in proportion to the net asset value of the fund at the time of the issue/surrender, and therefore directly reflects the fund’s performance.

An investor will usually purchase units/OEIC shares in an open-ended collective investment scheme directly from the fund itself although there is no restriction placed upon on a third party purchasing units/OEIC shares from an existing unit/OEIC holder. See STSM106000 for guidance on third party transactions.

Closed-ended Investment Trust Company

A closed-ended fund is typically a publicly traded investment company that raises a fixed amount of capital through an initial public offering by issuing a limited number of shares. As the fund is structured as a body corporate, it is listed on stock exchange thus permitting its shares (unlike an open-ended fund) to be onward traded on exchange.

In this situation, shareholders wishing to redeem or surrender shares cannot sell the shares back to the Company but must arrange to sell the shares directly to a third party. Similarly, a potential investor can only purchase registered shares of a closed-ended fund from a willing selling shareholder.

See STSM101010 for the meaning of a Collective Investment Scheme.

See STSM101020 and STSM101030 for the meaning of a Unit Trust.

See STSM101050 for the meaning of an Open-Ended Investment Company.

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