

---

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations are made under section 262 of the Financial Services and Markets Act 2000. They make provision for facilitating the carrying on of collective investment by means of open-ended investment companies and regulate such companies.

Part I of the Regulations deals with matters of citation, commencement, extent and interpretation of terms used in the Regulations.

Part II deals with the formation, supervision and control of an open-ended investment company and the registration of certain details with the Financial Services Authority (“the FSA”). Regulation 5 and Schedule 1 are concerned with the custody of the company’s property and with the company’s depository, who is the person to whom the company’s property is entrusted. Regulation 6 allows the FSA to make rules in relation to open-ended investment companies.

Regulations 12 to 17 relate to the authorisation by the FSA of an open-ended investment company. The FSA must be satisfied that the company will, if formed and authorised, meet the requirements in regulation 15. There is provision for representations to be made against any refusal to authorise a company.

Regulations 18 to 20 concern the name used by an open-ended investment company. Regulations 21 and 22 contain provisions requiring a company to seek prior approval from the FSA for certain changes, including changes to its instrument of incorporation.

Regulations 23 to 29 confer powers on the FSA to intervene in the affairs of a company once it has been authorised. The FSA may revoke an authorisation, give directions and make applications to the court. Regulation 30 confers power on the Secretary of State and the FSA to appoint inspectors to investigate the affairs of an open-ended investment company and regulations 31 to 33 contain provisions as to winding up and dissolution of such companies.

Part III sets out the corporate framework within which an open-ended investment company will operate, as supplemented by rules made by the FSA under regulation 6. Regulations 34 to 36 concern directors and the inspection of their service contracts. Regulation 37 makes provision for general meetings and regulations 38 to 44 concern the capacity of a company and the validity of certain transactions involving its directors. Regulations 45 to 52 contain provisions about the nature of the shares which a company may issue, share certificates, share transfers and the maintenance, closure and rectification of a register of shareholders which must be kept in accordance with Schedule 3. Regulations 53 to 65 concern the operation of an open-ended investment company, including details which must be included in correspondence (regulations 54 and 55), the execution and authentication of documents (regulations 57 to 60), liability and exemptions from liability (regulations 61 to 62), fraudulent trading (regulation 64) and the powers which a company has to make provision for its employees on the cessation or transfer of business (regulation 65). Regulations 66 to 69 and Schedule 5 deal with accounts and auditors. Regulation 70 and Schedule 6 concern the merger and division of open-ended investment companies.

Part IV deals with the FSA’s registration functions in relation to open-ended investment companies. The FSA must keep a register of such companies and must allocate registered numbers to them (regulations 71 and 72). The FSA’s records are open to inspection (regulation 75) and it must publish, in the relevant Gazette, notice of the issue or receipt by it of certain documents (regulation 78).

Part V contains miscellaneous provisions, including provisions about offences and minor and consequential amendments to primary and secondary legislation. Regulation 85 revokes the Open-

**Status:** *This is the original version (as it was originally made).*

Ended Investment Companies (Investment Companies with Variable Capital) Regulations 1996 and makes various consequential provisions.