

2009 No. 553

FINANCIAL SERVICES AND MARKETS

**The Open-Ended Investment Companies (Amendment)
Regulations 2009**

Made - - - - *5th March 2009*

Coming into force - - *6th March 2009*

A draft of these Regulations has been approved by a resolution of each House of Parliament pursuant to section 429(2) of the Financial Services and Markets Act 2000(a);

The Treasury make the following Regulations in exercise of the powers conferred on them by section 262(1)(a), (2)(e) and (3)(f) and section 428(3) of that Act:

Citation and commencement

1. These Regulations may be cited as the Open-Ended Investment Companies (Amendment) Regulations 2009 and come into force on the day after the day on which they are made.

Amendment of the Open-Ended Investment Companies Regulations 2001

2.—(1) The Open-Ended Investment Companies Regulations 2001(b) are amended as follows.

(2) In regulation 1(3) (extent), after “Subject to Regulation 20(2)(b)” insert “and paragraphs 4A and 4B of Schedule 4”.

(3) In regulation 2(1) (interpretation)—

(a) after the definition of “the designated person”, insert—

““electronic communication” has the meaning given in section 15(1) of the Electronic Communications Act 2000(c);”;

(b) in the definition of “transfer documents”, after “paragraph 5(3)” insert “and (3A)”.

(4) In Schedule 4 (share transfers)—

(a) after paragraph 4 insert—

“4A.—(1) Subject to sub-paragraph (2), section 136 of the Law of Property Act 1925(d) (which provides for certain assignments in writing to be effectual in law) applies to an absolute assignment (not purporting to be by way of charge only) of shares by means of electronic communication with the following modifications—

(a) 2000 c. 8.

(b) S.I. 2001/1228, to which there are amendments not relevant to these Regulations.

(c) 2000 c. 7. The definition of “electronic communication” in section 15(1) was amended by the Communications Act 2003 (c. 21), section 406(1) and Schedule 17, paragraph 158.

(d) 1925 c. 20.

- (a) the reference in subsection (1) to writing under the hand of the assignor refers to an electronic communication made by the assignor or by his agent authorised in writing, and
- (b) the reference in that subsection to express notice in writing refers to express notice by electronic communication to the company.

(2) Sub-paragraph (1) is of no effect in a particular case if the company refuses to register the transfer of shares which would, apart from this sub-paragraph, be made by the assignment in that case.

(3) Sub-paragraph (1) shall not affect any transfer or assignment which, apart from that sub-paragraph, would be effectual in law.

(4) This paragraph extends to England and Wales only.

4B.—(1) Subject to sub-paragraph (3), section 1(2)(a)(ii) of the Requirements of Writing (Scotland) Act 1995^(a) (which requires certain gratuitous unilateral obligations to be in writing) shall not apply (if it would otherwise do so) to any gratuitous unilateral obligation relating to shares where—

- (a) the obligation is created by means of electronic communication;
- (b) the electronic communication is made by the debtor in the obligation;
- (c) such evidence (if any) as the company may require to prove the right of the person referred to in paragraph (b) to create the obligation is provided to it.

(2) Where section 1(2)(a)(ii) of that Act does not apply by virtue of sub-paragraph (1), the obligation shall not be considered an obligation mentioned in subsection (2)(a) of that section for the purposes of subsection (3).

(3) Sub-paragraph (1) is of no effect in a particular case if the company refuses to register the transfer of shares which would, apart from this sub-paragraph, be made by the obligation in that case.

(4) This paragraph extends to Scotland only.

4C.—(1) Where a transfer of shares is made by means of electronic communication, the company must take reasonable steps to ensure that any electronic communication purporting to be made by the transferor is in fact made by the transferor.

(2) Failure to take reasonable steps shall not make the transfer void or otherwise affect its validity.”;

(b) in paragraph 5(3), after “transfer of registered shares” insert “except a transfer made by means of electronic communication”;

(c) after paragraph 5(3), insert—

“(3A) In these Regulations “transfer documents”, in relation to any transfer of registered shares made by means of electronic communication, means—

- (a) such information in such form and transmitted by such method of electronic communication as is in accordance with any requirements imposed by the company for transfers by electronic communication, or if no such requirements are imposed, evidence of the electronic communication by which the transfer is made; and
- (b) such evidence (if any) as the company may require to prove the right of the transferor to transfer the shares in question.”;

(d) in paragraph 6—

- (i) the existing provision becomes sub-paragraph (1);
- (ii) in sub-paragraph (1), at the beginning insert “Subject to sub-paragraph (2),”;
- (iii) after sub-paragraph (1) insert—

(a) 1995 c. 7.

“(2) The company may refuse to register any transfer of shares made by means of electronic communication.”.

Bob Blizzard
Frank Roy

5th March 2009

Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Open-Ended Investment Companies Regulations 2001 (S.I. 2001/1228) (“the principal Regulations”) to make transfers of shares in open-ended investment companies (“OEICs”) possible by electronic communication.

Regulation 2(4) inserts paragraphs 4A to 4C into, and makes other consequential amendments to, Schedule 4 to the principal Regulations. New paragraph 4A(1) applies section 136 of the Law of Property Act 1925 (c.20) to an assignment of shares by electronic communication, with modifications. That section provides that an absolute assignment by writing signed by the assignor of a debt or other legal thing in action is effectual in law to transfer the legal right to that debt or thing in action, provided the debtor, trustee or other person from whom the assignor would have been entitled to claim the debt or thing in action is given express notice in writing. A share in an open-ended investment company is a legal thing in action.

The modifications made by new paragraph 4A(1) are that the assignment must be by electronic communication made by the assignor or by his agent authorised in writing, and the express notice must be given to the company by electronic communication. “Electronic communication” has the same meaning as in the Electronic Communications Act 2000 (c.8).

New paragraph 4A(2) provides that the application of section 136 by new paragraph 4A(1) is of no effect in a particular case if the company refuses to register the transfer of shares in that case.

New paragraph 4A(1) does not affect any transfer or assignment which would otherwise be effectual in law (see new paragraph 4A(3)).

New paragraph 4B disapplies section 1(2)(a)(ii) of the Requirements of Writing (Scotland) Act 1995 (c.7) (which requires gratuitous unilateral obligations (gifts) to be in writing) to gifts of OEIC shares by electronic communication. The company may require evidence of the right of the transferor to make the gift. However, the disapplication is of no effect if the company refuses to register the transfer (new paragraph 4B(3)).

New paragraph 4C requires the company to take reasonable steps to ensure that an electronic communication purporting to be made by a transferor is in fact made by that transferor; but failure to take such steps does not make the transfer void or otherwise affect its validity.

New paragraph 5(3A) specifies the meaning of the phrase “transfer documents” which are required in relation to a transfer made by electronic communication. A company may not register a transfer unless the transfer documents have been delivered to it (paragraph 5(3) of the principal Regulations).

New paragraph 6(2) gives open-ended investment companies a right to refuse to register any transfer of shares made by electronic communication.

A full regulatory impact assessment of the effect that this instrument will have on the costs of business is available on HM Treasury's website (www.hm-treasury.gov.uk) or from Savings and Investment Team, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ and is annexed to the Explanatory Memorandum which is available alongside the instrument on the OPSI website (www.opsi.gov.uk).

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