

# Macau Investment Funds Law Series: Fund Operations — Open-Ended, Closed-Ended, and Hybrid under Law No. 11/2025

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## Key Takeaways

- **Three statutory modes:** Funds may operate as open-ended, closed-ended, hybrid, or in another mode approved by the AMCM.
- **Open-ended funds:** Composed of a variable number of fund units that are redeemable by participants.
- **Closed-ended funds:** Composed of a fixed number of fund units that are in principle not redeemable, but may be traded on securities markets.
- **Hybrid funds:** Combine features of both open-ended and closed-ended funds, with units partially redeemable or partially fixed under conditions set out in the constitutive documents.
- **Redemption safeguards:** The Law provides a detailed liquidity management framework for open-ended funds, including a 10% daily redemption threshold, management entity powers to suspend issuance and redemption, and AMCM intervention authority.
- **Closed-ended fund issuance controls:** The number of issued units may not exceed the amount specified in the constitutive documents; any increase or decrease requires AMCM prior approval.
- **Conversion between modes:** Converting a fund's operating mode (e.g., open-ended to closed-ended, or public to private) requires AMCM prior approval.

## Introduction

Macau's new **Investment Funds Law (Law No. 11/2025)**, effective **1 January 2026**, codifies three distinct **operating modes** for investment funds — **open-ended**, **closed-ended**, and **hybrid** — while leaving room for other modes approved by the AMCM. Each mode carries different implications for fund unit issuance, redemption, liquidity management, and investor rights, and the choice of mode must be specified in the fund's constitutive documents and prospectus.

## Key Provisions and Analysis

### *1. The Three Operating Modes*

The Law defines three operating modes, while expressly permitting others approved by the AMCM:[1]

**Open-ended fund:** A fund composed of a **variable number** of fund units, which are **redeemable** by participants. The open-ended model provides investors with ongoing liquidity, as they may request redemption through the management entity or a sales entity,

and must receive the redemption proceeds within the period specified in the constitutive documents.[5]

**Closed-ended fund:** A fund composed of a **fixed number** of fund units, which are **in principle not redeemable**. Closed-ended fund units may, however, be **traded on securities markets**, providing an alternative exit route for investors.[1] Subscription is only possible on a new issuance (i.e., at the time of capital increase), and redemption is only available upon capital reduction or in other circumstances prescribed by law or AMCM rules.[6]

**Hybrid fund:** A fund that **combines features of both** open-ended and closed-ended models. Fund units may be **partially redeemable or partially fixed**, with the specific operating rules set out in the constitutive documents.[1] This mode provides maximum structuring flexibility, allowing sponsors to tailor liquidity terms to the fund's investment strategy.

## *2. Fund Unit Characteristics*

Fund units across all operating modes share the following characteristics:[7] they are **registered, no par value, and book-entry** securities; they may be **split** for subscription and redemption purposes; and the constitutive documents may provide for different classes of fund units differentiated by pricing currency, subscription conditions, management and custody fees, income distribution arrangements, priority of distributions, and foreign exchange hedging mechanisms.

For **open-ended funds**, the subscription amount must be paid **in full and in one instalment**. [8] For other fund types, payment may be made in one or more instalments as prescribed in the constitutive documents.

## *3. Issuance and Subscription*

Fund units must be issued in accordance with the conditions and procedures in the constitutive documents.[3] For **closed-ended funds**, the total number of issued units may **not exceed** the amount specified in the constitutive documents; any increase or decrease requires **AMCM prior approval**.

Subscription must be processed through the **management entity or its appointed sales entity**, both of which must provide the investor with the fund's prospectus, information summary, and a subscription confirmation.[9] Payment of the subscription amount constitutes the investor's acceptance of the constitutive documents and authorisation for the management entity and custodian to exercise their functions.

## *4. Redemption*

Participants in **open-ended public funds** may request redemption through the management entity or a sales entity, and must receive the redemption proceeds within the period specified in the constitutive documents.[5]

The constitutive documents of open-ended funds must specify:[10] (1) the standards used to determine subscription and redemption unit values; (2) the specific periods for subscription and redemption, including cut-off times for each sales channel; and (3) the settlement

conditions for redemption requests, including the maximum period for payment to participants.

For **closed-ended funds**, the constitutive documents must specify that:[6] (1) subscription is only available upon capital increase, using the valuation standards in the prospectus; and (2) redemption is only available upon capital reduction or in other circumstances prescribed by law or AMCM rules, using the valuation standards in the prospectus.

### ***5. Conversion Between Operating Modes***

Any change to a public fund's operating mode — including conversion from **open-ended to closed-ended**, **closed-ended to open-ended**, or **public to private** — requires **AMCM prior approval**.<sup>[4]</sup> The rules on merger and division apply, with necessary adaptations, to such organisational changes.

### ***6. Capital Structure for Collective Investment Companies***

The operating mode directly determines the capital structure of a **collective investment company**:<sup>[2]</sup> if the company's sole business is a closed-ended fund (or closed-ended sub-fund), it is a **fixed capital** company (SICAF/FCC); in all other cases, it is a **variable capital** company (SICAV/VCC) whose capital equals its NAV at any time and fluctuates with share subscriptions and redemptions.

## **Implications and Next Steps**

The choice of operating mode is a foundational structuring decision with significant implications for investor liquidity, regulatory obligations, and operational complexity.

**Open-ended fund sponsors** benefit from investor-friendly redemption mechanics that facilitate retail distribution, but must build robust liquidity management capabilities — including monitoring systems for the 10% daily threshold, pre-agreed protocols for suspension decisions, and communication procedures for participants and the AMCM.

**Closed-ended fund sponsors** gain the advantage of capital stability and the ability to invest in illiquid asset classes without redemption pressure, but must navigate the AMCM prior-approval process for any changes to the total number of issued units and should plan early for securities exchange listing where the constitutive documents require it.

**Hybrid fund sponsors** enjoy maximum flexibility in tailoring liquidity terms to the fund's investment strategy, but must ensure that the specific operating rules — including which units are redeemable, under what conditions, and on what timeline — are clearly and comprehensively documented in the constitutive documents.

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## **Footnotes and References**

- [1]: Article 6
- [2]: Article 37(3)–(4)
- [3]: Article 53
- [4]: Article 101
- [5]: Article 55
- [6]: Article 57(4)
- [7]: Article 11(1)–(2)
- [8]: Article 11(6)
- [9]: Article 54(1)
- [10]: Article 57(1)–(3)

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