

## Jersey Investment Funds - An Overview

Jersey has a long established track record as a flexible and dependable international funds centre of choice. Jersey offers a comprehensive range of regulatory fund regimes including lighter touch options. The purpose of this briefing document is to provide a digestible summary of those options and key regimes.

**Jersey Private Funds provide a highly flexible solution where a cost effective and non-intrusive regulatory environment is sought. Funds of this type are subject to very little prescription and are accordingly highly versatile in the way in which they can be structured and operated.**

Jersey Private Funds can be established very rapidly, at reasonable cost and fall outside the scope of the Collective Investment Funds Law which means that they are subject to limited regulatory conditions or compliance obligations in Jersey. This type of fund is only suitable where the total number of invitations made to investors does not exceed 50 and is organised on a private placement or private subscription basis. This means that there can be no general marketing or public offering of the fund. The minimum subscription per investor is £250,000. Jersey Private Funds can be formed within a matter of a few working days subject to disclosure to the Jersey Financial Services Commission (the "JFSC") of certain basic details.

**Jersey Expert Funds are subject to a light touch form of regulatory supervision under the Collective Investment Funds Law. Although they are subject to more prescription and a higher level of regulation than Jersey Private Funds, Jersey Expert Funds can be offered on a much wider basis whilst still retaining a great deal of flexibility in the way in which they can be structured and operated.**

Expert Funds benefit from a fast track approval process in Jersey provided that certain criteria are satisfied. This type of fund can be offered to an unlimited number of investors who must qualify as expert investors and must expressly acknowledge a prescribed investment warning as part of the subscription process. There are a range of criteria that may enable an investor to qualify as "expert" however the definition will be met where the minimum subscription is at least US\$100,000 or currency equivalent. There are specific requirements in relation to the investment manager including their regulatory status, good standing, financial resources and relevant experience.

**Jersey Listed Funds are effectively Expert Funds which are quoted on a recognised stock exchange or market. They also benefit from a light touch form of regulatory supervision under the Collective Investment Funds Law and a fast track route to market. This type of fund provides a flexible solution where it is intended to obtain a listing on a recognised Stock Exchange where an active secondary market is required.**

Listed Funds must be established as closed ended Jersey Companies which means that they cannot permit redemptions at the option of the investors. Because it is intended that this type of fund will be quoted on a secondary market then the investor criteria that apply under the Expert Fund regime fall away and there is no minimum subscription criteria. Similar requirements to those applicable under the Expert Fund regime apply to the investment manager or adviser and there are additional independence requirements applicable to the chairman and the board.

**Jersey Unregulated Funds are, as their name suggests, exempt from regulation as collective investment funds. They can be established without regulatory approval and provide a very rapid route to market where regulatory oversight is not required, for example where the target investors are highly sophisticated and capable of doing their own due diligence on the underlying investments.**

Unregulated Funds can be marketed to an unlimited number of investors provided those investors qualify as "eligible" and expressly acknowledge a prescribed investment warning. An investor will qualify as "eligible" where the minimum subscription is at least US\$1,000,000 or currency equivalent. A simple filing of a notice with the JFSC listing certain basic features is required and the Fund can be launched immediately after the filing has been made.

### **Legal structures and taxation of Jersey Funds**

Jersey offers a variety of legal forms, each with its own individual characteristics, which provides enormous scope to structure a Jersey investment fund according to the particular objectives of its investors. These options include Companies, Protected and Incorporated Cell Companies, Limited Partnerships and Unit Trusts.

Jersey funds can be structured either as "open-ended" (units or shares can be issued and redeemed on regular dealing days at dealing prices based on net asset value) or "closed-ended" (units or shares are usually offered on one occasion with investors being "locked in" for the duration of the fund unless a market exists in the units or shares in question). A closed-ended fund may consider listing on a stock exchange in order to create an active secondary market. In general, open-ended funds tend to be more suitable for liquid investments e.g. traded securities, whilst closed-ended funds tend to be more appropriate for less liquid assets e.g. real estate, private equity or niche asset classes such as fine wine or works of art.

Jersey offers a tax neutral environment for investment funds. This means there is no stamp duty, direct or capital gains taxes applied in Jersey and there are no withholding taxes on distributions to non Jersey investors.

We strongly recommend that appropriate tax and legal advice is obtained when considering structuring a Jersey fund.

### **More information and contact details**

If you would like further information regarding any of the subject matter covered in this briefing, please contact Gavin Wilkins or Graeme Paton, or any of your usual Minerva contacts:

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*This note is intended to provide a brief rather than a comprehensive guide to the subject under consideration. It does not purport to give legal or financial advice that may be acted or relied upon. Specific professional advice should always be taken in respect of any individual matter.*