Jersey: The perfect choice for funds

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Brexit has generated a great deal of uncertainty for UK businesses, not least in the funds industry, and in particular for managers who are looking to launch funds but don't know which jurisdiction is best. Below we set out some of the key reasons why Jersey is the perfect place to domicile a fund, and why it offers peace of mind, even in the uncertain times of Brexit.

- Jersey private fund in 48 hours
- Brexit certainty
- Reputation
- Proportionate regulation
- Quality service providers
- UK time zone
- BEPS-ready substance
- Common law legal system
- Innovative new laws and products
- Simple tax regime

Jersey's close relationship with Europe

Unlike the UK, Jersey has never been a member state of the European Union, so whilst Brexit creates uncertainty surrounding the future relationship between the UK and the EU member states (and by extension the rules governing the relationship between UK based fund managers and EU domiciled AIFs), no such uncertainty exists in respect of Jersey.

Jersey has put in place all of the infrastructure needed to allow funds launched in Jersey to be marketed to both UK and EU investors, and has implemented a voluntary regime that mirrors the requirements of the Alternative Investment Fund Managers Directive (**AIFMD**). Whilst the full AIFMD passport has not yet been extended to non-EU "third countries", Jersey funds are able to market to EU investors through the National Private Placement Regimes (**NPPRs**) of EU Member States.

NPPR is a tried, tested and cost effective alternative to the EU passport. This route has proven to be extremely popular, with a 10% increase in the number of funds opting to market in this way over the past 12 months, meaning there are now over 300 Jersey funds marketing to investors in Europe using the NPPR route[1].

Jersey is not subject to AIFMD

Whilst Jersey maintains a close and productive relationship with the EU, as a non-member it retains the flexibility to implement only those areas of EU regulation that is chooses. As noted above, Jersey has implemented its own bespoke AIFMD regime designed to allow those funds that wish to market in the EU to demonstrate compliance with key provisions of AIFMD (which allows them to market to EU investors) but this is an "opt-in" regime. Funds marketing to investors that are exclusively based outside of Europe, are not required to comply with the requirements of AIFMD. This allows managers to avoid having to comply with the directive, and in turn means lower running costs for the fund, which is in contrast to funds and managers based in the EU, who must comply with the full scope of the AIFMD irrespective of where the fund is being marketed.

Jersey is a recognised global financial centre

Jersey has a long and successful track record as a leading funds jurisdiction, with some of the industry's most prominent managers choosing to launch their fund on the island. As at September 2018, Jersey's fund industry had an estimated net asset value of more than £300 billion with 1,014 regulated collective investment funds[2]. On top of this, Jersey Private Funds have been a resounding success with almost 200 launched since April 2017. Jersey employs roughly 13,000 people in its financial services industry, and is home to a number of market leading fund administrators. The Island also has a large pool of non-executive directors with funds expertise specialising in a diverse range of asset classes.

Jersey operates a common law legal system, offering managers and investors a degree of familiarity and flexibility that is often not present in the civil law based legal systems found in continental Europe.

Jersey also offers speed to market. Typically, a fund can be approved by the Jersey regulator within 48 hours if its structured as a Jersey Private Fund, or 3 days if it is an Expert Fund. Even a licenced fund manager will typically be approved within 6 weeks, which is significantly faster than many of the other jurisdictions that have a strong funds focus.

Jersey offers credibility

Whilst in recent years some jurisdictions have gained a reputation as being a "soft touch", Jersey has a well developed AML/CFT regime and, unlike some other jurisdictions, Jersey does not allow "letterbox" arrangements. Instead Jersey entities are required to show substance, which helps protect the Island's reputation as a leading financial centre and offers added credibility to its offering as an important funds jurisdiction. It also ensures that Jersey funds meet the substance requirements set out in AIFMD and BEPS.

Whilst Jersey's AML laws are robust, this is tempered somewhat by the presence of experienced corporate service providers who will work alongside fund managers and will often take the lead on the AML process for admitting investors.

The jurisdiction was recently awarded the highest possible rating of "fully compliant" by the OECDs Global Forum on Transparency and Exchange of Information on Tax Matters in all ten areas reviewed during the second round of peer reviews. This rating is higher than that achieved by several of the G20 economies.

Jersey's new data protection regime also recently came into force, bringing Jersey into line with the EU's General Data Protection Regulation, ensuring the island meets the "equivalence" standard, to allow free exchange of data with the EU.

Jersey is continuing to innovate

There have been a number of new developments recently that are likely to have a positive effect on Jersey's funds industry, including the new LLP and a new LLC law aimed at US fund managers. For more information, please contact the team.

[1] Jersey Finance – Jersey – First for Funds Throughout Brexit

[2] Jersey Finance – Funds https://www.jerseyfinance.je/funds