

# Jersey: A Clear Solution for Digital Assets



**Jersey Finance**

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## A forward-thinking approach to alternative assets

Jersey has been host to an array of vibrant and respected digital assets businesses for a number of years. The Island's world class digital infrastructure, pragmatic approach to regulation and broad range of corporate vehicles means Jersey has naturally developed a pool of resident expertise in digital asset innovation.



## Why Jersey?



### Digital expertise

Jersey has an established digital ecosystem with world-class expertise



### Forward-thinking approach

The Island has a forward-thinking regulatory approach to the approval of digital asset funds, virtual currency exchanges and token generating events



### Well-regulated and politically stable

Jersey's robust regulatory framework and political and economic stability have helped keep it at the forefront of global finance for almost 60 years



### Wide range of structures

Jersey has a broad range of investment structures catering for different digital asset and fintech businesses



### Flexible funds regime

Jersey's funds regime allows managers to target their funds to the correct investor base



### World-class network infrastructure

Jersey has the second fastest broadband speed in the world (2020 Worldwide Broadband Speed League)



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## Digital asset funds – flexible regimes

In 2014, Jersey set itself apart from competitor jurisdictions when the JFSC approved the launch of the world's first regulated Bitcoin investment fund. Since then, Jersey has seen the successful launch of several digital asset funds, including CoinShares, a venture capital fund denominated in Ether investing in token launches.

With a sliding scale of regulation and cost, Jersey's flexible funds regime caters for all investor requirements.

The Jersey Private Fund (JPF) offers up to 50 professional investors a speedy establishment (48 hours) and an appropriate regulatory approach, with regulation concentrated around the Jersey-based designated service provider as opposed to the JPF itself.

For more widely marketed alternative investment funds, within Jersey's regulatory regimes the Jersey expert fund offers the optimal solution. This type of fund can be marketed to an unlimited number of expert investors, the most common category of which is any person investing a minimum of US\$100,000.



## A clear marketing roadmap for funds

Jersey offers easy and cost-effective marketing into the EU through National Private Placement Regimes (NPPRs), providing fund managers with an attractive alternative to the Alternative Investment Fund Managers Directive (AIFMD) passport.

The AIFMD passport allows EU investment funds to be distributed across the EU. However, the EU investment fund market is still predominantly a national market. In fact, only 3% of EU alternative investment funds (AIFs) are registered for sale in more than three EU Member States. NPPRs clearly work for fund managers thanks to bilateral agreements between Jersey's financial regulator and those in each EU Member State, and Brexit will not affect them.

Crucially, marketing through NPPRs has a lighter regulatory burden, often resulting in a lower cost to managers than the AIFMD passport.



## Virtual currency exchanges

Jersey recognised that there was a regulatory gap in the huge and increasing requirement for trading crypto currencies at a very early stage. In 2016, enterprises providing crypto-to-fiat exchange were brought into the legislative and regulatory regime for anti-money laundering and countering the financing of terrorism.



## Crypto custody and security token exchanges

Jersey has seen several entities looking to offer custody solutions for digital assets. Cold, hot or warm storage of crypto assets can all be provided from Jersey.

In 2020, CoinShares, Nomura and Ledger launched Komainu, a joint venture digital asset custody solution for institutions which is regulated by the Jersey Financial Services Commission. Any firms looking to provide custody solutions would need to be appropriately regulated in Jersey.

Jersey has also recently seen an influx of potential security token exchange platforms. The Island is particularly attractive for the launch of such exchanges as there is no requirement to have electronic clearing and settlement, or for clearing of security tokens to be carried out by a clearing house or central depository.



## Token generating events

Jurisdictions have varying degrees of risk appetite in their approach to token launches. While some regulators have prohibited them entirely, as others have given carte blanche to almost any token promoter. The Jersey Financial Services Commission (JFSC) has recognised there is a middle ground; token generating events with proper substance, which are backed by a credible promoter, should be nurtured as an alternative means of fundraising.

The JFSC has adopted a pragmatic approach to such launches, focussing on investor protection and anti-money laundering/KYC. In 2018, the regulator formalised its approach to token launches in its ICO Guidance Note<sup>1</sup>.



## Bringing certainty to tax

The Island offers 0% corporate tax for fund managers, as well as low personal income tax rates and no capital or inheritance taxes.

Jersey offers tax neutrality to funds – so all types of investment fund established on the Island can benefit from the absence of Jersey income tax on non-Jersey source investment income and profits.

Funds established as companies will pay no Jersey income tax and there is no requirement to withhold tax on interest or dividends payable by corporate funds. As limited partnerships are tax transparent vehicles, they are not subject to income tax in their own name.

<sup>1</sup>JFSC Guidance Note: *The Application Process for Issuers of Initial Coin Offerings (ICOs)*  
[jerseyfsc.org/media/3265/gn-jfsc-ico-guidance-note.pdf](https://www.jerseyfsc.org/media/3265/gn-jfsc-ico-guidance-note.pdf)

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