



Jersey Finance

Delivering Insight • Driving Innovation

Jersey for Philanthropy

Helping to make a difference



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Jersey has extensive experience in providing the trusts, foundations, expertise and management vital for the structuring of philanthropic activity, with robust yet flexible structures that help to maximise the benefits

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The Changing Face of Philanthropy

Global philanthropy is on the rise, with individuals, families and businesses around the world increasingly wanting to make a difference to society at large.

As a leading international finance centre, Jersey has witnessed the changes taking place in the global philanthropy landscape, and, for decades, has helped individuals and businesses achieve their philanthropic goals.

The public face of philanthropy often focuses on entrepreneurs and businesspeople creating their own foundations and making considerable donations on a global scale. In recent years, Warren Buffett has given around US\$2 billion a year to the Bill & Melinda Gates Foundation¹; IT tycoon Azim Premji, named the 'most generous Indian' by the Hurun India Philanthropy List, donated INR 27,514cr in 2015, which equates to over US\$4 billion; while in 2015, Sheikh Mohammed Bin Rashid Al Maktoum launched his own global initiative, with an annual budget of DH1 billion (over US\$270 million). This followed a US\$10 billion endowment to the Mohammed Bin Rashid Al Maktoum foundation in 2007.²

Yet these days, philanthropy isn't solely for ultra-high-net-worth individuals. Structured

giving is becoming increasingly important for individuals and families of all levels. The 2015 Coutts Million Dollar Donors Report, which logs donations of US\$1 million or more, tracked 1,831 donations across eight regions in 2014, totalling an impressive US\$24.5 billion. According to the report, key philanthropic 'hubs' include London, Moscow, Shanghai and Johannesburg.

Motivations

The prime motivation for these donations is often a sense of duty, with the most popular causes related to health, environment and education. Modern day philanthropists often look for projects that are close to their hearts, and want to make a difference while they are able to see the results, rather than simply making bequests upon death.

For many, creating and maintaining these structures is a way to educate the next generation in the responsibilities of wealth management.



As such, structures need to endure for the future and potentially be self-financing, so philanthropists are increasingly adopting business techniques to ensure their success, through good governance and the management of charitable funds and distribution channels. This is becoming increasingly popular, especially among younger entrepreneurs, who wish to dedicate their skills, and the spoils of their success, to helping others.

Some philanthropic projects even explicitly seek a double bottom line – the pursuit of both profit

and social good. Known as 'impact investing', social and environmental returns are prioritised alongside financial returns.

The key to all philanthropic endeavours is making sure that the largest amount of money possible goes to the important cause. This means establishing the most effective structure – something that Jersey, as a highly-regarded jurisdiction has considerable expertise in, thanks, in no small part, to its flexible and innovative trusts and foundations laws.

1. 2015 Million Dollar Donors Report, Coutts 2. Gulf News (October 2015) and BBC News (May 2007)

1,831
donations
of US\$1 million+

in 2014 (Coutts Million Dollar Donors Report 2015)



US\$2 billion

donated by
Warren Buffett
each year

to the Bill & Melinda Gates Foundation (since 2006)



US\$4 billion

donated by Azim Premji in 2015

Named the 'most generous Indian' by the Hurun India Philanthropy List



US\$24.5 bn

total value of
US\$1 million+
donations

in 2014 in eight regions



Investing for Impact

Impact investing is an increasingly popular alternative to simply charity. It is defined by The Global Impact Investing Network as ‘investments that are made from companies, organisations and funds with the intention to generate measurable social and environmental impact alongside a financial return.’

Traditionally, environmental or social issues were addressed only through charitable philanthropic donations and actions. Impact investing provides an alternative perspective, as market investment does not need to focus solely on achieving financial returns. Investors have the opportunity to use investment vehicles which have a dual purpose; the production of financial returns as well as a positive impact on solutions to environmental and social issues.

Valued at US\$46 billion in 2014, the impact funds market is a small but growing sector. Recent annual growth of 20% led J.P. Morgan to conclude that the market is moving from a proof of concept phase to a growth phase (JP Morgan Spotlight on the Market, Impact Investor Survey May 2014). Jersey’s strong funds and philanthropy pedigree have seen the Island develop into a hub for this developing market, with a number of impact funds being established in recent years.

US\$46 billion

The impact investment market was valued at a relatively modest US\$46 billion in 2014 but it’s growing



The key characteristics of impact investing include:

Intentionality

Investors consciously participate in funds which generate both financial and social and/or environmental returns. Non-financial returns may include, for example, increasing the use of green energy, improving access to healthcare or the provision of social housing.

Financial return

Investors and funds remain within the ‘for-profit’ classification. The degree of financial return varies widely, with some funds seeking market rates of return and others accepting a lower return in exchange for the achievement of a social outcome. There is usually a minimum expectation of the return of capital.

Accountability

The desired social or environmental impact is quantifiable and measurement helps to ensure transparency. Whilst many impact funds continue to remunerate managers solely on financial performance, some are aligned to a combination of both financial and social impact measurements.

Urban regeneration

Mourant Ozannes advised a listed Hong Kong multinational on the investment arrangements for a Jersey Property Unit Trust, which was authorised as an Expert Fund and listed on the Channel Islands Stock Exchange. The fund provided investment capital for two separate and highly successful urban regeneration projects in London, resulting in the development of over 500 residential homes and social housing units.



Ethical and environmental investments

Quilter Cheviot is supporting a Swiss-based high-net-worth individual in establishing a portfolio of positive-impact ethical and environmental investments. At the same time, the firm is helping this client identify global environmental initiatives that they can support personally on a philanthropic basis.



Why Choose Jersey?

Jersey is an ideal jurisdiction for the formation and administration of philanthropic structures. It has the technical means and the experience, and has recently developed its laws to make giving even easier.

When making large donations, wealthy individuals and families need the reassurance that their money is working as well as it should be. Jersey already has extensive experience in providing the trusts, foundations, expertise and management vital for the structuring of philanthropic activity, with robust yet flexible structures that help to maximise the benefits.



Stability

Jersey is a self-governing British Crown Dependency with complete autonomy over its domestic affairs, including taxation, and has a stable political and economic climate. The Island is readily accessible from the UK, and is based in a central time zone that makes it easy to work with both west and east, meaning it can work with philanthropists from across the globe. Meanwhile its financial services industry has been a world leader for over 50 years.



Tax neutral environment

Jersey provides a tax neutral environment for the running of philanthropic structures, including exemptions from income tax and goods and services tax (GST). This enables the pooling of assets in the structure for future deployment, without the concern of tax burdens.



Robust and highly regarded regulatory regime

Jersey is able to apply a lighter touch to the regulation of charities, as its regulatory standards are already high, and its structures can only be managed by qualified and experienced professionals. Jersey's funds industry is robustly supervised and regulated by the Jersey Financial Services Commission (JFSC), which is well respected by organisations such as the OECD.



Flexible legislation

Jersey's Trusts Law and Foundations Law both emphasise flexibility, so structures can be tailored to the specific needs of the philanthropist and their family.



Experienced professional advisers

The appetite for professional advice on charitable giving is growing, according to a report published by Charities Aid Foundation in 2015. Wealthy benefactors are seeking advice in various areas including tax, structuring and financial management. Jersey has a world-class network of specialists in wealth management, private banking, law and accounting. These professionals are experts in setting up structures for philanthropy, managing tax requirements and in administering financial assets.



Expertise in key regions

Jersey has excellent relations with the GCC (Gulf Cooperation Council), China, India and Africa. Thanks to its first class professional infrastructure and skills, and its expert governance, Jersey is an ideal jurisdiction for the formation and administration of philanthropic structures for philanthropists in each region. In the GCC, Jersey's experience and expertise in Islamic finance ensures that these structures can be established in a Shariah-compliant manner.



Charities law

Phased in from November 2014, this law has seen the term 'charitable' defined and has paved the way for the establishment of a charities register and the appointment of a Charities Commissioner. So, whilst the treatment of charitable structures is more aligned to that of the UK, compliance is far less cumbersome, allowing vehicles to be established quickly and more cost effectively.



Effective Structuring

Jersey offers a compelling range of benefits to philanthropic individuals and families, including a choice of excellent structures.



Structures need to be robust yet flexible enough to survive changes to law and regulation, allowing philanthropists to develop tailor-made solutions that grow as their families do.

Jersey offers the following vehicles, which are all exceptionally well suited to supporting philanthropic ventures:

Trusts

A highly flexible, tailor-made structure that's often used in philanthropy. The Trusts (Jersey) Law 1984 allows for both charitable and non-charitable purpose trusts and for trusts that can be set up for purposes that are partly personal and partly philanthropic. The flexibility of trusts allows for a range of structures that can be adapted to suit different philanthropic objectives.

wide objectives and resemble either a company or a trust. The foundation offers a good balance of transparency and confidentiality, and its make-up can be amended easily, allowing it to evolve through family generations and with the changing world.

Funds

In 2015, a survey of impact investment by JP Morgan and The Global Impact Investing Network found that 75% of investors did so via intermediaries. Further analysis by Cambridge Associates found that almost 70% of social impact funds were private equity or venture capital vehicles. Jersey has a strong pedigree in funds, especially in alternative investments, and a number of impact funds have been established on the Island in recent years.

Foundations

The Jersey Foundation is by far the most flexible vehicle for structured giving. Philanthropists can be involved in the administration of the foundation, which can again be charitable or non-charitable and can be established with no beneficiaries, with very

Foundation migrated to Jersey

R&H Trust Co (Jersey) has a client from Japan, who recently chose to move an established charitable foundation from Liechtenstein to Jersey. Jersey appealed to the family due to the suitability of the modern Jersey Foundation and Charities Laws, the high level of professional expertise available in Jersey in running such structures, the ability to understand complex international tax matters and the scope it offers in terms of control and flexibility.



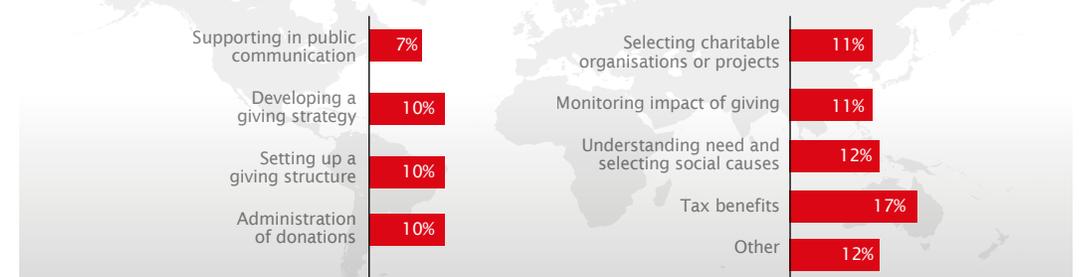
Entrepreneur chooses Jersey

Sanne has established a Jersey foundation for an entrepreneur, which, once its investment disposal programme is completed, is expected to have over US\$500 million available for charities supporting education and the environment. The founder was attracted by the stability of Jersey as a jurisdiction, the flexibility of Jersey's Foundations Law and the ability for the wider family to have a meaningful engagement in the process over the long term.



Professional Philanthropy Advice

According to a study by Charities Aid Foundation and Scorpio Partnership (2015), these are the key areas of advice sought by philanthropists:



Global Philanthropy Through Jersey

Professional firms in Jersey are assisting clients around the world to identify, establish and run philanthropic endeavours. Here we highlight just some examples of the work they are undertaking.

Foundation for young people in Asia

A client of RBC Wealth Management selected Jersey as the place of incorporation for a foundation providing scholarships and training for young people in Asia. They were attracted by Jersey's reputation as a well-regulated jurisdiction and the flexibility to create a bespoke structure offered by Jersey's Foundations Law. Although Jersey's lighter touch charities regulatory scheme meant that unnecessary bureaucracy was avoided they took comfort from the fact that the service providers who were administering the foundation were subject to Jersey's robust regulatory regime for trust company businesses.

Charitable trust for European client

BKS Family Office created a philanthropic charitable trust to manage the inheritance of a titled European client who wished to have the monies used for medical aid, education, water distribution and helping the elderly, predominantly in Latin America, Africa and India. The allocation of the donations is determined by a committee consisting of representatives of the client and the trustee.

Charitable and non-charitable objectives

Carey Olsen recently advised a wealthy philanthropist on the establishment of a significant new Jersey foundation with broad charitable and non-charitable objectives. The philanthropist wished to create a structure which could act as a business angel to start-up companies and thereby further development and research in the fields of environmental science and medicine.

Philanthropic structures for family client

Affinity Private Wealth has a long-standing family client who chose Jersey to help them plan, invest for and deliver funding over a series of years from philanthropic structures, aiming to bring about a cure for an illness that kills hundreds of thousands of people annually. With their help, scientists have been hired safe in the knowledge that significant funding has been secured over an extended period.

Foundation for Dubai private equity house

Whitmill Trust Company has established a Jersey charitable foundation for a private equity house based in Dubai, whose shareholders are drawn from across the GCC. The aim was to enable them to make a large endowment as part of their ongoing corporate social responsibility program, whilst still having a hand in the long-term management of the funds donated, in order to ensure that it had both the right philanthropic impact, as well as it underscoring their long-term commitment to the region.

Assistance for disadvantaged young people

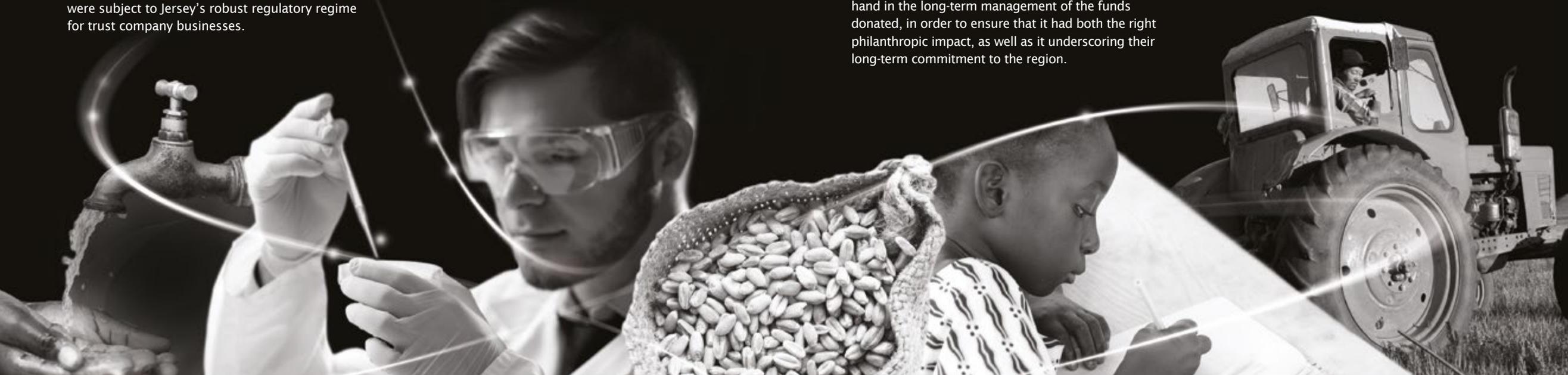
Walkers recently established a Jersey charitable trust on behalf of an ultra-high-net-worth family to provide philanthropic assistance for disadvantaged young people. A Jersey trust was chosen principally because of its flexibility, and the recent introduction of the new Jersey Charities Law.

Meghraj family foundation well established

Independent trust company Minerva works with the Meghraj Charitable Foundation, which targets its philanthropic activity on sustainable business or welfare-orientated projects making a social impact in East Africa and South Asia. Jersey has been home to the Foundation for over 30 years and the Meghraj family and their family office continue to be reassured by Jersey's flexibility, regulatory integrity, and the professionalism of its practitioners.

Entrepreneurs choose Jersey for philanthropy

Bedell Cristin is seeing increasing numbers of entrepreneurs choosing Jersey for philanthropy. Jersey foundations allow them to have an ongoing role, deploying their business skills to achieve success for their chosen projects. The firm is also working with families who are keen to introduce the next generation to family wealth and values.



Health and welfare projects in SE Asia

SG Hambros Bank (Channel Islands) has a client from the Middle East who recently chose Jersey to establish a Jersey charitable trust structure, which will initially provide assistance to health and welfare projects in South East Asia. A flexible solution was needed to give effect to his family's philanthropic aims, which the client hopes will evolve with the family over many years.

Foundation supports early child development

UBS recently provided advice for a new international client who has chosen Jersey as the place to house their foundation. This involved working with them to pioneer a new approach to Early Child Development in Jersey, which UBS believes will have global significance and set a new standard for collaboration between philanthropist's charities and the third sector.

A proactive approach to increasing interest

ZEDRA takes a proactive approach when discussing with clients their wishes on how best to share or pass on their wealth for philanthropic purposes. It is starting to see an increasing interest in those wanting to do more and create structures for this specific reason.

Structure to help fund medical aid in Africa

In conjunction with international charities and charitable foundations in the US and Australia, Standard Bank in Jersey is currently developing a structure for private philanthropists to help eradicate specific diseases and fund targeted medical aid in different parts of Africa. A wealthy African family has also established a foundation and a Jersey trust with Standard Bank, each of which helps to fund programs to monitor public sector expenditure and performance.

Trusts for philanthropic wealthy families

Fairway Trust has a number of clients who have set up trusts to preserve and enhance their family assets. These families, having created substantial wealth, feel that it is important to distribute a substantial proportion of that wealth to needy and deserving causes, particularly those which have limited or no access to essential funding from government or charitable sources. Fairway's client families often prefer to give on an anonymous basis and using their trustee as a donor ensures their anonymity.

Foundation assisting those affected by conflict

Mourant Ozannes has acted for a local trust company business in drafting a bespoke charter and regulations of a Jersey foundation to assist in the relief of poverty, the advancement of education and medical support for families affected by conflict. The specific purposes include support for those living with the consequences of personal loss, displacement, political repression and violence and, in particular, to assist children orphaned by the loss or incapacitation of one or more parents.

Assistance for client setting up charities

Capita Asset Services recently provided support to a long-standing client setting up UK registered charities which provide assistance to small communities in Africa, with the aim of making them self-sufficient over the longer term.

Returns for European family helping in Africa

Rathbone Investment Management International provides investment services to assist a European family with their philanthropic activities in Africa. A Jersey structure serves to help generate returns for onward investment in education, training and enterprise, enabling longer-term self-sufficiency and higher living standards.

Guidance at start of philanthropy journey

Equiom regularly assists clients with both agreeing formal philanthropic strategies and then implementing appropriate structures to allow them to fulfil their ambitions in terms of charitable giving. Many have no idea how to start on a formal philanthropic journey and require guidance and advice – this will depend upon the level of involvement they wish to have and whether they want to have a formal charitable trust or foundation established.

Bespoke regulations for HNW client

Ogier assisted a high net worth client who chose Jersey's Foundations Law because it enabled him and his family to draft some highly bespoke regulations by which different family committees and councils were created enabling them to have a role in the work of the foundation without actually being on the council.



About Jersey Finance

Jersey Finance's main aim on the world stage is to show why Jersey is a leading International Finance Centre (IFC). It also actively represents the finance industry's needs and concerns regarding legislation, regulation and product innovation.

It is Jersey's link to the international finance community with offices in Dubai, Mumbai, New Delhi, Hong Kong, representation in London and a CBBC Launchpad in Shanghai, offering networking events and other introductory services, making it easier for Jersey businesses to spread their expertise overseas.

Jersey has significant expertise in delivering private wealth management, trusts, foundations and estate and succession planning. It has a broad range of service providers from large banks and independently owned companies or smaller niche providers. More information can be found online at:

www.jerseyfinance.je/private-wealth

To learn more about Jersey as an IFC, please visit:



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