



**Jersey Finance**

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# Venturing Forward: Jersey for Technology and Life Sciences



# Chief Executive's Statement

by Joe Moynihan

We live in a digital world where the pace of investment in technology companies continues to build. We're also seeing significant growth in the life sciences sector, with venture capital and private equity firms drawn to the opportunities it has to offer.



You only have to glance at the latest research data to see that technology and life sciences are hot for investment and commanding high valuations. In this report, we look at how Jersey has already become the jurisdiction of choice for numerous global funds investing in a diverse range of companies, from established brands to startups destined for international acclaim.

Take the Softbank Vision Fund for example. With US\$93bn of committed capital, the world's largest technology fund is administered in Jersey, using the Island's highly skilled workforce to facilitate investments in the likes of Uber, NVIDIA and Guardant Health.

Softbank Vision isn't the only Jersey-based fund investing in technology and life sciences. The Island is also home to a number of venture capital and private equity funds that are fuelling the growth of companies such as Deliveroo, GenSight Biologics, Skype, Slack and Spotify. As a result, Jersey's administered funds have increased in value by more than 60% within the past 10 years, and almost £320bn of net assets are under administration today.

Why are so many leading funds certain that Jersey is the right domicile? Access via NPPR is tried and tested for fund managers and investors who are making venture capital and private equity investments in European companies. And a central time zone means that the jurisdiction is also well placed to support US and Asian investments where overlapping business hours are vital for multinational teams to work together effectively.

With its global connections, long-term stability and forward-thinking approach, it's clear that Jersey is ready to support venture capital and private equity funds focussed on technology and life sciences. Looking ahead, the way is paved for ambitious fund managers who want to forge positive relationships with like-minded professionals – and to be part of Jersey's enduring success story.

**Joe Moynihan**  
Chief Executive, Jersey Finance

## A Growing Market

Technology and the life sciences sectors are continuing to lead business growth, with more than half of the US top 10 most valuable companies being technology based.

Digital industries are now far outstripping their physical counterparts, seeing an increase in productivity of 2.7% annually over the past 15 years – four times that of physical industries. Over the last two years, in the UK alone, technology companies have grown at more than double the rate of the economy and, as such, present an attractive investment opportunity.

Buy/build/invest strategies are fuelling this growth with mergers and acquisitions providing a fast track to scale while active venture capital investment in start-ups is enabling companies to harness innovation and anticipate unexpected stalling points. Consequently, it is no surprise that leading funds continue to focus on the sector with two out of the top five global buyout funds specialising in technology, while private equity firms are investing more capital into this area than any other. Heavyweights, including Silver Lake, Apex, KKR and Vista Equity, have raised or are raising significant technology funding resulting in an increase in the value of smaller funds with comparable technology investments further down the rung. When it comes to life sciences, ageing populations in the developed world and increased demand in emerging markets have fuelled expenditure in bio-tech and medicine from life sciences firms leading to a new wave of investor interest and opportunity.

The latest Invest Europe data showed 64% of all European venture capital investments in 2017 were in ICT and biotech/healthcare. Furthermore, the investment amounts had risen a sizeable amount from €3.38bn in 2007 to €4.42bn in 2017. Meanwhile, the percentage of venture capital exits across all sectors through sales to private equity firms has almost doubled over that same 10-year period further compounding the increasing attractiveness of technology and life sciences businesses to private equity firms.

By its very nature, venture is smaller in terms of investment amounts compared with private equity deals but record levels of venture investments in technology firms are being made. The Innovate Finance 2018 Fintech VC Landscape report confirms global venture capital invested in fintech has increased by 329% over five years. China, the United States, and the UK lead the way for venture investments with the UK recording US\$1.7bn investment across 261 deals in 2018. Half of UK deals were led by overseas investors from the United States, Europe and Asia confirming fintech investment is a globally attractive high-growth area which, through its wide private placement regime and established expertise, Jersey is ready to serve.

50%+  
of the top 10 US  
companies are  
in technology



Digital industries productivity

increased by  
**2.7%**  
in 15 years



**4x**  
more productive  
than physical  
industries

# Tech and Life Science Funds in Jersey

Jersey is a key jurisdiction for the domiciliation, management and administration of venture capital and private equity funds. It offers investment structures with flexibility, expertise and ease of doing business – a combination that has attracted numerous global leading funds to the Island.

Furthermore, these attributes coupled with Jersey’s innovative approach, have allowed the Island to become the clear choice for the structuring and administration of technology and life sciences funds, with a vast array of well-known and emerging global companies receiving investment through Jersey.

Recent data from the Monterey Insight report 2018, highlighted at least 27% of venture capital and private equity funds under administration in Jersey directly related to investments in the technology and life sciences sectors. With a reported value of £28bn, Jersey’s technology and life sciences sectors alone, represent almost 10% of Jersey’s £320bn of funds under administration. And, with Preqin investor analysis confirming venture capital and private equity investments are set to grow over the longer term, the growth opportunities for respected international finance centres, like Jersey, are significant.

## Growth supported through Jersey

The following game-changing companies have attracted high-quality global investment through Jersey-based venture capital and private equity funds to support their growth strategies.

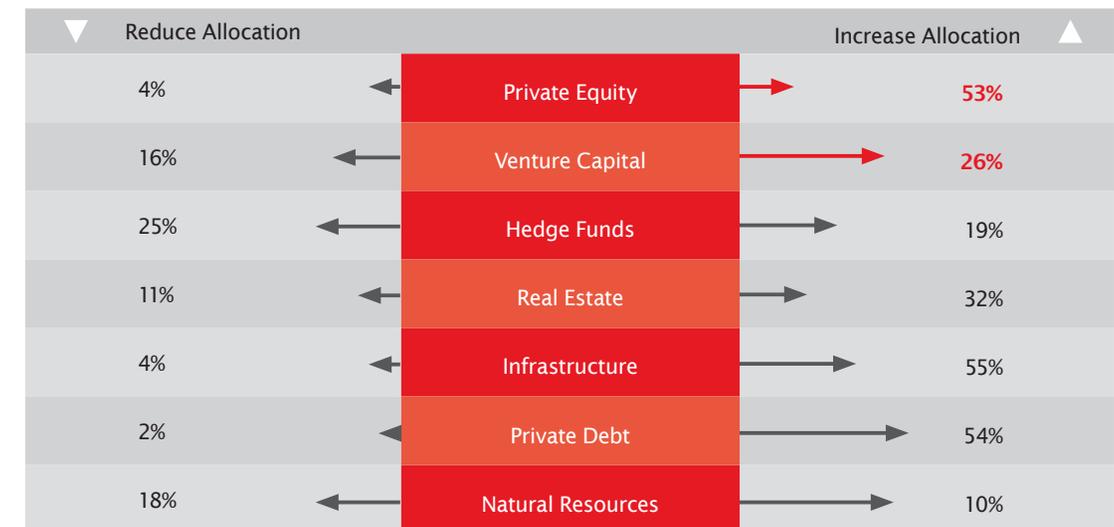
- Arm Holdings
- Deliveroo
- Facebook
- Flipkart Limited
- GenSight Biologics
- Guardant Health
- Impact Biomedicines
- Improbable Worlds
- Klarna
- NVIDIA Corporation
- Revolut
- Skrill
- Skype
- Slack
- Spotify
- Wealthfront
- Onfido
- Zopa

One high-profile example of how Jersey is already facilitating substantial investment in the sector is the Softbank Vision Fund. With US\$93bn of committed capital, the fund is the world’s largest of its kind and has made significant investment in global technology and life sciences/healthcare names such as Uber, ARM Holdings, NVIDIA, Ping An Healthcare Technology, Roivant, and Guardant Health. In addition, the strength and size of the Island’s funds sector has resulted in several instances where Jersey-based venture capital investments have resulted in exits with a sale to private equity funds also in the jurisdiction. This activity creates an end-to-end on Island investment pathway, retaining Jersey’s technology and life sciences knowledge and expertise, while also providing continued stability for investors.

### Case study

The collaboration tool Slack, a cloud-based workspace, was started in August 2013 and had 8,000 customers signed up for the service within 24 hours of its launch. By 2015, around 10,000 new daily active users were signing up each week, prompting comment that Slack was the first business technology to have crossed from business into personal use since Microsoft Office and the BlackBerry. Recognising its trajectory as one of the fastest growing business apps, in March 2015 Index Ventures invested as part of a US\$160 million round. Slack continued to grow and at the end of 2017 Softbank Vision Fund led a US\$250M investment round. As at March 2019, Slack was worth more than US\$7 billion.

## Institutional investors’ plans for the longer term



Source: Preqin Investor Interviews, December 2017

**2 out of the top 5**  
global buyout funds  
are in technology

**Private Equity**  
investment is highest in  
the technology sector

## Venture Capital and Private Equity Funds



directly relate to investments  
in technology + life sciences

**£28bn**

almost 10% of Jersey’s funds  
under administration

Source: Monetary Insight report. 2018

# Why Jersey?

Jersey offers the experience and substance needed to be a prime location for technology and life sciences funds.

With more than 13,700 skilled finance workers, from fund administrators to depositaries, lawyers and non-executive directors, Jersey can provide significant depth of experience locally. What is more, the Island's collaborative approach between government, regulator and industry has fostered the innovative environment needed to create new structures that can be game-changers for industry.

## A full spectrum of funds



# Certainty and Innovation

Technology and life sciences funds are by definition searching for companies that will succeed through innovation, novel ideas, and new approaches. There is no one-size-fits-all, so access to a wide range of fund structuring options offer investment managers and advisers the opportunity to choose fund regimes that perfectly fit the nature and requirements of their fund.

Jersey's range of privately offered Jersey Private Funds and widely offered expert, listed and unregulated eligible investor funds, give investors choice and flexibility.

These options enable smaller placement funds, typically starting from US\$50m, up to the largest venture and private equity funds closer to \$100bn, and all values in between to find the optimum structure. Further, as funds progress through multiple offerings, the spectrum of options provides appropriate vehicles for each stage of the fund life-cycle.

## The Jersey Private Fund

The Jersey Private Fund regime is an example of how the Island's forward-thinking approach to regulation enables valuable innovation and reduces costs.

In 2017 Jersey introduced a welcomed simplification of its legal regime relating to funds by providing for a single private fund product, called the Jersey Private Fund (JPF).

The JPF replaced the three previously existing fund products which defined private funds in Jersey, namely COBO only funds, private placement funds and very private funds. A JPF is granted using a quick and simple consent process under the Control of Borrowing (Jersey) Order (COBO), which enables it to make up to 50 offers to investors who qualify as professional investors. The COBO consent is issued to qualifying funds within 48 working hours of the application being received.

The structure has proved incredibly popular, with more than 200 established since it was launched.

## LLC – an innovative product with global appeal

Hand in hand with Jersey's future-focussed approach, last September the Government of Jersey approved the introduction of Jersey limited liability companies (LLCs), paving the way for the vehicle to be established on the Island.

An LLC is a business structure that's very popular globally, especially in the US, where it currently accounts for more than two-thirds of all new transparent business structures formed in the country each year. It combines the flexibility and privacy of a partnership with the protective limited liability of a company and, as a result, has a wide variety of uses worldwide – from SMEs and holding companies to fund structuring.

Historically, entities introduced into Jersey law tended to mirror equivalent UK structures, essentially to meet the needs of the UK or European market. However, in the US, LLCs are often the structure of choice for alternative investment funds and can provide benefits from a tax transparency perspective for US tax purposes. Once operational LLC should give US advisers, investors, businesses and fund managers a familiar option for cross-border structuring, therefore widening the appeal of Jersey.

# Forward-thinking Approach

As we move towards a new decade, Jersey will continue with its forward-thinking approach. Next on the horizon is the proposed Jersey Registered Alternative Investment Fund product, which will enable widely-offered manager-led funds to be established with appropriate fast-track authorisation.

This new class of fund, which has an emphasis on the regulation of the fund manager not the fund itself should prove a popular vehicle for the latest generation of venture capital funds who value speed and performance.

Jersey also offers an unrivalled range of partnerships, including limited partnerships, separate limited partnerships, incorporated limited partnerships, limited liability partnerships and general partnerships as well as unit trusts, trusts and foundations.

As well as fund structures, Jersey is also host to a variety of non-fund arrangements for investment in technology or life sciences, whether single investor structures, single investment structures, joint ventures, or co-investment structures.

And, whether used to construct fund vehicles or for non-fund arrangements, this structuring flexibility appeals to a global market making Jersey a particularly compelling proposition. example, the proposed Jersey Registered Alternative Investment Fund product will enable widely-offered manager-led funds to be established with appropriate fast track authorisation.



# Future-proofing Fundraising Opportunities

2017 and 2018 saw the rise of Initial Coin Offerings (ICOs) and Security Token Offerings (STOs) as alternative ways of securing investment. CoinDesk statistics show the cumulative value of ICO funding at the end of 2018 to be almost US\$22.5bn.

While funding raised is a fraction of global venture capital and private equity markets, an evolving hybrid token model as an early stage alternative to traditional fundraising is emerging.

While the ICO market has seen a decline in 2019, in tandem with the fall in the price of Ethereum, STOs are a developing opportunity as issuers look to more cost-efficient ways of raising capital using tokenised securities. However, there is inconsistent regulatory treatment by global regulators.

For more than 50 years, Jersey has been at the forefront of international finance and both the Jersey Financial Services Commission (JFSC) and the Government of Jersey recognise the innovative potential of distributed ledger technology and fintech generally, while being aware of the riskier nature of this new asset class.

Unlike other jurisdictions, which have chosen to rush out various blockchain or crypto related laws and regulations, the JFSC has combined the Island's existing statutory framework governing the raising of capital, the Control of Borrowing (Jersey) Order 1958 ('COBO'), with formal ICO Guidance Notes

(published last year), to impose certain conditions on a Jersey ICO/STO issuer. These conditions are designed to ensure that the issuer meets specific standards in terms of governance, investor disclosure and AML/CFT compliance.

As the world of tokenised offerings and alternative fundraising grow, Jersey will continue to adapt to new developments in this area and is well positioned both to manage the risks and add to its range of fundraising products and services.

**Technology companies**  
in the UK have grown at more than double the rate of the economy in 2 years

**European Venture Capital Investments**

64% were in ICT and biotech/healthcare in 2017

> €4.42bn investment amounts rise from €3.38bn in 10 years

Source: Monetary Insight Report. 2018

**Investments set to grow over the longer term**

Venture Capital up 26%

Private Equity up 53%

**£320bn**  
net assets under Jersey's administration

up 60%+ in 10 years

# A Global Distribution Hub

**Few jurisdictions can match Jersey's standing as an international finance centre, combining long-term proven stability with cutting edge innovation. The Island is endorsed by the international fund community, with more than £320bn net assets under administration.**

In less than a decade, the Island's administered funds have grown more than 60% – a clear demonstration of the strong appeal of the jurisdiction's global connections, central time-zone and stable, English speaking regime.

Jersey can act as a vital centre to raise capital from across the global, both privately and via listings with the jurisdiction's success born out in research by KPMG. The 'Analysis of the Jersey Alternative Funds Sector Investor Base' (Q4, 2017) found that the five biggest sources of capital committed into Jersey alternative funds were the UK, US, Ireland, Luxembourg and Canada. Furthermore, Jersey's close links to the City of London and, in turn, to wider US, European, Gulf and Asia Pacific centres make it particularly important for venture funds, from the initial raise point to potential major market listing.

Asia Pacific and Europe combined have now overtaken the US when it comes to technology

funding. With regards to life sciences, North America and Europe remain the leading regions for early stage development, but Asia Pacific represents the largest market. As a result, venture capital funds require access to all of these regions with Jersey's 'gateway' position, covering the closing of business in India and Greater China and the opening of business in the US, providing a compelling attraction.

When it comes to Europe, Jersey's position is equally strong. Jersey is a third country, with established agreements in place with EU Member States, and can access EU investors through national private placement regimes while targeting those outside of the EU without being subject to the additional regulatory or cost implications of compliance with the Alternative Fund Managers Directive. This tried and tested route is proving extremely popular with, at the last count, 306 alternative investment funds marketed into Europe using private placement – up more than 10% in a year.

**The five biggest sources of capital committed into Jersey alternative funds:**



## Case study

Impact Biomedicines was founded in 2015 with the purpose of developing a drug called Fedratinib, which was a promising treatment for myelofibrosis, a type of blood cancer. The drug had run into problems during its trials, but Impact Biomedicines saw its potential.

In 2017 Medicxi Ventures led a US\$22million funding round which enabled the company to overcome the drug's side effect problems and progress its clinical trials. Impact Biomedicines was acquired in 2018 by US pharma Celgene for around US\$7bn.

As a result, firms such as Index Ventures have chosen Jersey as a permanent office location for their early and growth funds, alongside CVC Capital Partners for larger private equity investment, and Medicxi in the life sciences sector.

## Speed to market

While Jersey works closely with the UK, in a relationship going back centuries, it operates independently with its own judicial system based on common law. It has its own regulatory regime, overseen by the Jersey Financial Services Commission, which offers proportionate regulation that has been positively endorsed by major bodies such as the OECD, IMF and ESMA. Furthermore, this independence means the Island can be swift to adapt and innovate in response to the evolving needs of the finance sector, with this responsiveness further enhanced by the close working relationship between government, regulator and industry.

As a result, speed to market is something Jersey can readily provide; private funds can be established in 48 hours while non-fund vehicles can be established in as little as a day – vital to time sensitive venture and capital investment structuring. And, because dialogue is direct between leading finance personnel and the regulator, agile solutions can swiftly be developed – particularly important throughout the lifecycle of venture capital funds and investments where structures, such as sidecar or coat-tail special purpose vehicles, may be required.

## Better service quality

The Island boasts one of the largest communities of experts and skilled resources of any international finance centre; there are more than 5,400 highly-skilled staff employed by trust and corporate service providers and 1,860 employees in the legal sector, all part of a near 13,800 strong finance service professional community.

Many of the Island's legal services firms have specific expertise in key venture capital investment areas, such as medtech, fintech, crypto assets, and bio-pharma and feature in the top legal citations and directories. These firms have established relationships across the globe, with connections to all of the global top 30 law practices.

And the Island is also itself a hub for technology and life sciences innovation and entrepreneurs. A specialist body, Digital Jersey, is the independent organisation representing and promoting the digital sector in the jurisdiction.

Working with partner organisations such as Jersey Finance, Digital Jersey supports technology focussed inward investment and relocation, bringing innovation and skills into Jersey, as well as nurturing and developing local talent and businesses, thereby enabling opportunities for future on Island venture capital investment.

Digital Jersey, harnesses the Island's expertise in fintech and the internet of things, and there is a primary focus on eHealth across private and public-sector bodies. Consequently, Jersey is home to a key community of tech and life sciences experts who provide domain-specific substance to venture fund management, whether through non-executive director placements or adviser status. This is becoming increasingly important as the world moves towards merging administration and meeting substance requirements, for example through supporting the OECD, BEPS and EU Code of Conduct Group initiatives.

## Jersey has unrivalled depth and range of skills

A deep pool of skilled professionals with more than  
**13,700**  
finance professionals



**56%+**  
(7,490 employees)  
in trust and company  
administration, fund  
management and  
legal services

## A clear leader in transparency

Jersey's 50-year track record as a financial services centre of excellence places it in the top tier of stable and dependable jurisdictions. While venture capital funds are investing in novel and innovative companies from across the globe, their centre of management and administration can benefit from the security of operating in a single, tried and tested environment.

The Island is regularly assessed by international bodies and continues to be endorsed as a trusted and stable centre. It is judged as a leading jurisdiction in the fight against financial crime and assists global law enforcement agencies through its central ownership and company registry systems.

The legal framework underpinning the Island's success has proven appropriate and robust throughout five decades, leading to multiple awards as an international finance centre, while its government is politically and financially stable, recognising the need to balance progress, innovation, and security as a jurisdiction.

## A mature and expert alternatives industry

The Island's community of legal firms and advisers have both local and global perspectives, with many of the local firms operating offices across multiple jurisdictions. In particular, there are strong connections with other leading financial centres, especially London, but also Europe, Asia/Pacific, and the Gulf region. The US is also a growing market for Jersey, which can provide a vital hub for accessing UK and European capital. And, because local firms have long-established relationships with investment managers and advisers across the globe, they understand the dynamics of their businesses well, allowing for smoother, cost-effective transactions.

## Tax simplicity and certainty

The Island's tax-neutral environment for funds means there is no reliance on a complex system of tax rulings and exemptions. This contrasts greatly with onshore jurisdictions where funds operate in a taxable environment adding complexity and risk to achieve a tax neutral outcome for investors. To be clear, both Jersey and some onshore funds jurisdictions can offer options to avoid investors being taxed twice, but ultimately the onshore model carries higher advisory costs and less operational flexibility to do so.

## Why choose Jersey?



### Reputation

The successful combination of stability and reliability has kept Jersey at the forefront of global finance for over half a century.



### Economic stability

Our Island's economic stability and reliability sets us apart as an IFC and offers the perfect environment for future growth.



### Work-life balance

With beautiful countryside and beaches, Jersey provides a supportive and enviable work-life balance.



### Location and links

Located 85 miles from England, and 14 miles from France, our frequent flights to London airports only take an hour.



### Digital infrastructure

We enjoy access to three 4G networks and 100% fibre broadband coverage, meaning islanders can focus on business and leisure without interruption.



### Business-ready attitude

Our future-focussed, business-ready attitude makes Jersey the perfect place to invest with confidence.

# Ready to Drive Innovation Forward

**Already home to world-leading technology and life sciences funds, Jersey has a lot to offer venture capital and private equity firms looking for expert structuring and administration support.**

From its substantial workforce of experienced finance professionals to the innovative Jersey Private Fund and LLCs, the advantages of choosing Jersey are clear. A tax-neutral environment provides welcome simplicity. And independence from the UK and EU means greater certainty, with long-established arrangements guaranteed to continue.

Flexibility is also bringing business to Jersey. A tried and tested offering allows continued access to the EU market through private placement regimes while also enabling entirely AIFMD-free marketing to

non-EU investors. The Island can also offer full AIFMD compliance if needed – and it's ready for when the AIFMD passport is extended to third countries by the European Commission.

Most important of all, Jersey's forward-thinking approach matches the mindset of fund managers investing in technology and life sciences. Working together to capitalise on this growing market will create new opportunities for the emergence of game-changing structures that have a global impact and drive innovation forward.





# Jersey Finance

Delivering Insight • Driving Innovation

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