

Jersey

A Gateway to Europe for Asia Fund Managers



Direct access to UK
and EU capital



Six weeks
to set-up



Limited remuneration
disclosure

A recognised path

Jersey-based fund managers are located in a 'third country' from a European Union (EU) perspective and therefore the full scope of The Alternative Investment Fund Managers Directive (AIFMD) need not apply. This means that they may not be required to comply with certain more onerous elements. Importantly, the benefits of a Jersey manager can apply wherever the funds themselves are domiciled, be it in Jersey or elsewhere.

Put simply, access to Europe through the National Private Placement Regimes (NPPR) using a Jersey manager is a well-established model offering clear advantages.

NPPR is a recognised path and a model that has worked, and continues to work extremely well. As at 30 June 2023, a total of 391 funds were being marketed into the EU by 213 alternative investment fund managers through Jersey.

Figures from Preqin show that 55% of European investors in alternative real estate and 62% in private equity are based in the UK, Switzerland or the Netherlands. Since January 2021, only one of these three countries is now in the EU, therefore the ongoing onerous regulation and expense in order to access only one or two EU Member States is disproportionate when a simpler alternative is available. The reality is that few managers need blanket access to all EU Member States. In cases where they do, then an onshore option works best, but with European Commission figures suggesting that 97% of managers actually market to three EU markets or less, then private placement offers a very credible, fast, cost-effective and sensible option.

A global hub

For decades, Jersey has set itself apart as a reputable, centrally located jurisdiction for investors from key global markets. Jersey provides excellent third country access to the EU market through the use of NPPR to non-EU countries.

- **Speed to market:** The process, including regulatory applications and approvals, takes weeks not months, with the regulator committing to approve this type of fund launch in six weeks.
- **Cost effectiveness offers better returns:** Jersey's streamlined regulatory regime can result in lower running costs and higher investor returns in a jurisdiction free from value added tax (VAT).
- **Regulatory certainty and innovation:** The JFSC is an approachable, globally respected and co-operative regulator, supervising pragmatic regulation that meets international standards (the International Monetary Fund, the International Organisation of Securities Commissions, the European Securities and Markets Authority and the Financial Action Task Force).
- **Tax simplicity:** Jersey offers a tax-neutral environment with no VAT or capital gains tax (CGT) and is not reliant upon a complex system of tax rulings, exemptions and deductions, hybrid financing or double tax treaty networks.
- **Political and economic stability:** Jersey is a politically and fiscally autonomous and stable British Crown Dependency with a secure, special relationship with the United Kingdom (UK), but outside of the UK and outside of the EU.
- **Remuneration:** To obtain a full AIFMD 'passport' in Europe, the manager is required to disclose remuneration details of key employees including partners. If a manager does not need to market on a pan-European basis, there is no great benefit to an AIFMD passport and a lighter approach is permissible under the NPPR.

Case study

Jersey feeder funds up to €100m open-ended (and also applies to closed-ended funds up to €500m if no leverage at fund level) Scenario

An Asia-based fund manager directly manages a successful open-ended fund domiciled in a Caribbean jurisdiction (“the Caribbean Fund”).

There has been input from the Investor Relations team that there is significant demand from European investors, particularly in the UK and the Netherlands, but i) certain European investors are unable to invest through Caribbean structures and ii) they are aware that the EU AIFMD restricts the marketing that can be done to those investors and potentially imposes ongoing compliance obligations on the fund manager (AIFM).

It was suggested that a feeder fund (the “Feeder Fund”) for investors in the European Economic Area (EEA) would be a possible solution. The Feeder Fund would be expected to raise up to €100m and fewer than fifty offers to investors (meaning the provision of a final private placement memorandum, PPM, plus subscription pack) were expected to be made. It was therefore vital that the Feeder Fund be set up as economically as possible and did not impose significant additional compliance or other requirements on the existing Asia manager.

The Jersey solution

Given Jersey’s unique location and regulatory regime, Jersey is a jurisdiction of choice for setting up feeder funds that are marketed into the EEA.

Setting up the Feeder Fund and manager structure in Jersey is very straightforward. A Jersey limited partnership or company can act as the Feeder Fund vehicle. This can be established on a same-day basis with a private limited company acting as the general partner/manager (the “Jersey Manager”) and AIFM. An administrator will provide all accounting, director and administration services to the Jersey entities.

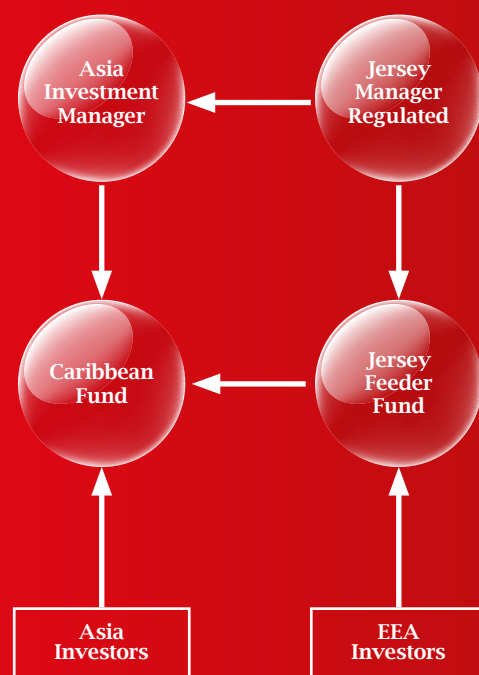
Once the limited partnership and the company are set up, the lawyer will apply to the JFSC for the licences/consents in order for the Feeder Fund to be regulated as a Jersey Private Fund that is eligible to be marketed into the EEA and for the Jersey Manager to be regulated to act as AIFM. The lawyer will also draft a brief wrapper for the PPM of the Caribbean Fund containing additional information on the Feeder Fund. The Feeder Fund can then be registered and marketed in each relevant EEA jurisdiction under their NPPRs.



Benefits of the Jersey solution

- Keeps the existing funds manager out of scope of AIFMD.
- Having the AIFM in Jersey ensures easy and inexpensive access to the EEA through NPPR.
- Jersey’s access to both EU and UK investors is not affected now that the UK has left the EU.
- The Jersey regulator is a respected regulator and meets international standards set by the IMF, ISOCO, ESMA and FATF – all positive from an investor relations perspective. There is also an element of future-proofing as ESMA have already approved Jersey’s regulatory regime for when a third country passport is introduced.
- A local administrator, as the provider of manager services, will carry out all compliance and reporting obligations for the Jersey Manager – this will greatly reduce the operating costs. Further, the Jersey Manager will be subject to light-touch regulation and will only have to comply with the most basic elements of AIFMD. However, this will not affect the portfolio management function, which will continue to be fulfilled by the Asia manager.
- The Jersey Manager will not be subject to the full remuneration reporting requirements of AIFMD.
- The Jersey Manager will be tax neutral regarding the services it performs and in respect of any fees it receives, with no VAT, goods and services tax, CGT or corporation tax chargeable. It will be subject to the 0% rate of Jersey income tax. The Feeder Fund will also be tax neutral.

Typical feeder fund and Jersey manager structure



US\$8.4bn
total assets under
management within
the qualifying segregated
managed accounts



JFSC, December 2023

US\$660 bn
net asset value of
regulated funds
under administration



JFSC, December 2023

About Jersey

Jersey is a leading, future-focussed international finance centre, located between the UK and France. Our Island's unique constitutional position as a British Crown Dependency means that we have domestic autonomy, which has been preserved for the last 800 years. Our strong and respected regulatory framework is internationally recognised and sets us apart.





Elliot Refson

Head of Funds

E: elliott.refson@jerseyfinance.je

Elliot is focussed on defining the strategy and execution of marketing Jersey as both a domicile and destination for hedge and private equity management companies and funds based in the UK, US, Switzerland and Europe.

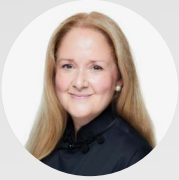


Yiow Chong Tan

Business Development Director - South East Asia

E: yiwchong.tan@jerseyfinance.je

Yiow Chong Tan represents Jersey Finance in Singapore, also covering the surrounding South East Asia region.



Maria McDermott

Business Development Consultant - Asia

E: maria.mcdermott@jerseyfinance.je

Maria, who has been based in Asia for more than ten years, promotes Jersey's international finance centre in Asia, predominately mainland China and Hong Kong SAR.

Disclaimer: This factsheet is only intended to provide a general overview of the subject matter. It does not constitute, and should not be treated as, legal advice.

For more information, please contact a member of the Jersey Finance team on: +44 (0) 1534 836000 | jersey@jerseyfinance.je



www.jerseyfinance.je



[linkedin.com/company/jersey-finance](https://www.linkedin.com/company/jersey-finance)



[@jerseyfinance](https://twitter.com/jerseyfinance)



[@jerseyfinance](https://www.instagram.com/jerseyfinance)