

## An update: Jersey Companies Law Amendments provide increased flexibility

### Introduction

Certain provisions of the Companies (Amendment No. 9) (Jersey) Law 2008 (**Amendment No. 9**) come into force on **Friday 27th June 2008**.

Amendment No. 9 is principally aimed at relaxing the capital maintenance regime for Jersey companies. The welcome changes will allow the following:

- Jersey companies will be permitted to make **distributions to shareholders without reference to distributable reserves**. Instead, distributions will be made out of a company's assets provided the directors approving the distribution give the appropriate solvency statement. This will greatly simplify considerations regarding the maintenance of capital regime
- In line with the lifting of the requirement to make distributions out of distributable reserves, a Jersey company's **redeemable shares may be redeemed out of any capital source** which, in particular (in the case of par value companies), will allow shares to be redeemed in whole or in part out of share capital accounts. These changes will also apply to share buybacks. The amendment also provides for the removal of capital redemption reserves in respect of par value share redemptions
- Jersey public companies will be able to use the "PLC" suffix which will clarify some current presentational issues, particularly with regard to listed Jersey companies

### Distributions

Currently, Jersey companies may only make distributions out of accumulated profits. Amendment No. 9 provides that distributions may be made out of the company's assets provided the directors who authorise the distribution give a solvency statement to the effect that the company will be able to continue its business and meet its liabilities as they fall due for the next 12 months. Distributions may in future be made by reducing any capital account of a company, except the capital redemption reserve (if any) or the nominal share capital account in the case of par value companies.

### Share buyback and redemptions

Amendment No. 9 permits limited shares of both par value and no par value companies to be redeemed or bought back from any capital source, provided they are fully paid up. Further, a redemption or buyback of shares out of the distributable reserve account will no longer require an equivalent transfer to a capital redemption reserve in respect of par value companies. This change will allow more flexibility within the capital maintenance regime in that the nominal value of shares redeemed or bought back will no longer need to be paid for out of distributable reserves or the proceeds of a fresh issue. Moreover, Amendment No. 9 has extended the sources of capital from which redemptions or buybacks may be made. This will provide additional flexibility for capital reductions outside of a formal court sanctioned process.



Forward

Contact Us

[www.careyolsen.com](http://www.careyolsen.com)

## An update: Jersey Companies Law Amendments provide increased flexibility

### PLC abbreviation

Existing public limited companies will be able to include in their name the term “public limited company” or, alternatively, the “PLC” or “plc” abbreviation. A company which is registered with a name ending with the words “public limited company” or the abbreviation “PLC” or “plc” may set out its name in the full or abbreviated form and use any combination of capital or lower case characters.

### Earlier amendments

Earlier this year, the Companies (Amendment No. 2) (Jersey) Regulations 2008 were adopted. These changes - which came into force on 22nd January 2008 - heralded the introduction of treasury shares, the abolition of the financial assistance prohibition and allowed Jersey companies to appoint corporate directors.

Please note that this briefing is only intended to provide a very general overview of the matters to which it relates. It is not intended as legal advice and should not be relied on as such.

© Carey Olsen 2008

### Contact us

For further information or professional advice please contact our lawyers opposite.

47 Esplanade St Helier Jersey JE1 0BD  
Tel: +44 (0)1534 888900

	<b>Alex Ohlsson, Partner</b> <a href="mailto:alex.ohlsson@careyolsen.com">alex.ohlsson@careyolsen.com</a> Telephone: +44 (0)1534 822251
	<b>Nicholas Crocker, Partner</b> <a href="mailto:nicholas.crocker@careyolsen.com">nicholas.crocker@careyolsen.com</a> Telephone: +44 (0)1534 822409
	<b>Mike Jeffrey, Partner</b> <a href="mailto:mike.jeffrey@careyolsen.com">mike.jeffrey@careyolsen.com</a> Telephone: +44 (0)1534 822370
	<b>Alan Stevens, Group Partner</b> <a href="mailto:alan.stevens@careyolsen.com">alan.stevens@careyolsen.com</a> Telephone: +44 (0)1534 822422
	<b>Guy Coltman, Senior Associate</b> <a href="mailto:guy.coltman@careyolsen.com">guy.coltman@careyolsen.com</a> Telephone: +44 (0)1534 822289
	<b>Robin Smith, Senior Associate</b> <a href="mailto:robin.smith@careyolsen.com">robin.smith@careyolsen.com</a> Telephone: +44 (0)1534 822264



Back



Home

[www.careyolsen.com](http://www.careyolsen.com)