Jersey fund structures

Briefing Summary: A Jersey fund can be established as: a limited partnership, separate limited partnership, incorporated limited partnership or limited liability partnership; a company, protected cell company or incorporated cell company; or a unit trust.

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Limited partnerships

Limited partnerships ("LPs") are now the favoured vehicles for closed-ended private equity funds and can be established in three ways:

- "Traditional" Jersey LPs ("JLPs"), which are similar to English LPs, are established under the Limited Partnerships (Jersey) Law 1994.
- Separate LPs ("SLPs"), which have separate legal personality and are therefore similar to Scottish LPs, are established under the Separate Limited Partnerships (Jersey) Law 2011.
- Incorporated LPs ("ILPs"), which have separate legal personality and are bodies corporate, are established under the Incorporated Limited Partnerships (Jersey) Law 2011.

A JLP/SLP/ILP is usually created by a written partnership agreement which is signed after the LP has been issued with a certificate of registration. A JLP/SLP/ILP consists of one or more general partners who are jointly and severally liable for all the debts of the partnership and one or more limited partners, who are not liable for any debts of the partnership beyond the amounts they contribute or agree to contribute. Among the features which make these Jersey limited partnerships attractive to fund promoters as fund vehicles, GP vehicles and carried interest vehicles are the following:

- JLPs are treated as transparent for all UK tax purposes and counsel's advice is that SLPs and ILPs will receive the same treatment.

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- Jersey LPs are "stackable" – a JLP/SLP/ILP can act as a general partner or limited partner to another JLP/SLP/ILP (or any foreign LP) without prejudicing the limited liability of its limited partners. This makes them ideal for carried interest and other profit distribution structures.
- A JLP/SLP/ILP can distribute both capital and profits without formality provided that it is solvent before and after the distribution.
- The names of the limited partners do not appear on any register which is open to public inspection (public information is limited to the limited partnership's name and registered office the general partner's place of incorporation and registered/principal office and the term, if any, for which the LP is to exist).
- Subject to any requirements of the applicable regulatory category: no Jersey service providers are required; the general partner is not required to be a Jersey company, be resident in Jersey or have Jersey directors, there is no ongoing registration charge, no requirement to file any annual return or accounts and no audit requirement (where the LP is regulated its accounts must be audited but do not need to comply with any GAAP).
- A limited partner may have greater involvement in the partnership's internal management than in some other jurisdictions. There is no limit on the number of limited partners who may be members of a limited partnership. The general partner need not make any capital contribution to the limited partnership.
- There is great flexibility in defining the extent of the limited partners' rights (including rights of redemption), any rights of any partner(s) to receive carried interest, profit share and/or other payments and the scope of any restrictions on the general partner's discretion.
- For SLPs and ILPs, the laws under which they are established have been tailored to reinforce the existence of separate legal personality and body corporate status (e.g. ILPs have perpetual succession and detailed winding up provisions, similar to a Jersey company).

More information on Jersey limited partnerships is available on a separate publication.

Companies

Companies are incorporated under the provisions of the Companies (Jersey) Law 1991 (the "Companies Law"). A fund company which is established as open-ended so that investors have the right to realise their investment in the company will normally issue redeemable shares to facilitate this.

All companies formed under Jersey law have separate legal personality and are capable of suing and being sued in their own names. Management and control is vested in a board of directors although, particularly in the case of open-ended companies, it is often the case that investment management will be delegated to a management company.

Protected Cell Companies and Incorporated Cell Companies

Cell companies (which are popular for umbrella fund structures) are also established under the Companies Law. The cells all share the same registered office and company secretary, but can have different boards of directors, different capital structures and different articles of association. In Jersey, two kinds of cell company structure are available:

- The Protected Cell Company ("PCC"): a "second generation" protected cell company which represents the first significant advance from the PCC model used in other jurisdictions (for example, a cell in a Jersey PCC can invest in other cells within the same PCC). The PCC and its cells together form a single company, but Jersey's company law provides for the legal segregation of the assets of the PCC and of each of its cells.
- The Incorporated Cell Company (ICC): a true innovation which provides unmatched segregation of liabilities and flexibility. Each cell of an ICC is a separate company.

PCCs and ICCs can offer significant advantages and recently introduced changes which further increase their flexibility while maintaining the "bankruptcy remoteness" of each cell.

More information on Jersey cell companies is available on a separate publication.

Unit trusts

A unit trust is not a separate legal entity but is constituted by an agreement in writing, commonly known as a "trust instrument", between a manager and a trustee (or by a trustee which also acts as manager). The trust concept has been recognised in Jersey for over one hundred years and Jersey trusts have been put on a statutory footing under the Trusts (Jersey) Law, 1984.

The assets of a unit trust are held by its trustee and are managed by the manager, who may appoint one or more investment managers/advisers to assist it.

Contracts in relation to the management and administration of the trust fund will be entered into by the manager, whereas the trustee will enter into contracts in relation to the assets themselves, such as bank deposits, borrowings and security agreements. There is no limit to the number of investors.

Information on Jersey property unit trusts is available on a separate publication.

FAQs

What types of fund structures are available in Jersey?

Jersey offers a wide range of fund structures to suit different investment strategies. A fund can be established as a traditional limited partnership, a separate limited partnership, or an incorporated limited partnership. Alternatively, it can be set up as a company, a protected cell company, an incorporated cell company, or as a unit trust.

What are Jersey Limited Partnerships and their variations?

Limited partnerships are the preferred vehicles for closed-ended private equity funds in Jersey. They can be established in three forms: a traditional Jersey limited partnership, a separate limited partnership with separate legal personality, or an incorporated limited partnership, which is a body corporate. These partnerships are created by a written agreement after registration and consist of one or more general partners with unlimited liability and one or more limited partners whose liability is limited to their contributions.

What makes Jersey Limited Partnerships attractive?

Jersey limited partnerships are highly flexible and tax-efficient. They are treated as transparent for UK tax purposes, and they can be "stacked," meaning one partnership can act as a partner in another without affecting limited liability. They can distribute capital and profits without formalities as long as they remain solvent. There is no requirement for Jersey-based service providers, no ongoing registration fees, and no obligation to file annual returns or audited accounts unless regulated. Additionally, there is no limit on the number of limited partners, and the general partner does not need to contribute capital.

How do Jersey fund companies operate?

Companies are incorporated under the Companies (Jersey) Law 1991 and have separate legal personality. Open-ended fund companies typically issue redeemable shares to allow investors to exit. Management and control rest with a board of directors, although investment management is often delegated to a management company. In addition, Jersey offers cell company structures – protected cell companies and incorporated cell companies - which can be used within company-based funds. These allow umbrella arrangements where each cell's assets and liabilities are legally segregated, providing strong ring-fencing and flexibility for multi-strategy or multi-investor funds.

What are Protected Cell Companies (PCCs) and Incorporated Cell Companies (ICCs)?

Cell companies are popular for umbrella fund structures. A PCC consists of a single company with multiple legally segregated cells, while an ICC provides even greater segregation because each cell is a separate company with its own legal personality. Both structures offer flexibility and strong asset protection, making them attractive for multi-strategy or multi-investor funds. Jersey's cell company regime offers enhanced ring-fencing and flexibility compared to other jurisdictions.

What is a unit trust and how does it work in Jersey?

A unit trust is not a separate legal entity but is created by a trust instrument between a manager and a trustee. The trustee holds the assets, while the manager oversees operations and may appoint investment managers. There is no limit on the number of investors, and the trust structure is well-established under Jersey law. Jersey Property Unit Trusts (JPUTs) are widely used for UK real estate investments because they offer structural flexibility and can provide tax advantages under certain circumstances.