Jersey Investment Funds Guide 2024 (Chambers)

Briefing Summary: Carey Olsen has contributed to the Chambers Global Practice Guide on Investment Funds for Jersey, which provides the latest information on alternative investment funds and retail funds, including fund formation, restrictions on investors, the regulatory environment, operational requirements and the tax regime.

Service Area: Investment Funds

Sector: Investment and Wealth Management, Private Equity

Location: Jersey

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1. Market Overview

1.1 State of the Market

Jersey is one of the world's major international finance centres, and offers expertise extending across all asset classes, with recent growth being particularly focused on alternative asset classes. Jersey is widely considered to be a key player in the world of domiciling, administering and managing various types of investment funds. This growth is underpinned by Jersey's tax neutrality and a legal framework that provides certainty both to investors and managers. The Jersey government's determination to encourage high-quality business, coupled with Jersey's comprehensive and forward-thinking legal infrastructure, has been pivotal in driving investor confidence and capital inflows into the island. Over the past year, the market has shown remarkable resilience and adaptability, cementing Jersey's status as a premier choice for fund domiciliation and management.

Regulatory versatility is a cornerstone of Jersey's appeal. From highly regulated retail funds (which may be offered to the general public) to those with minimal supervision for sophisticated investors, Jersey caters to a wide spectrum of investor preferences. The Jersey Financial Services Commission (JFSC) plays a vital role, authorising and overseeing investment funds with an ethos of protecting investors while promoting competition and innovation.

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The Jersey private fund (JPF), with a 48-hour regulatory consent turnaround, continues to attract significant interest, offering a streamlined and cost-effective solution for managers targeting "professional investors" or investors who invest at least GBP250,000 (or currency equivalent). Since their inception in 2017, JPFs have gained popularity for their quick set-up process and operational flexibility meeting the needs of emerging managers and established institutions. As an additional benefit the JPF regime provides an exemption to the Financial Services (Jersey) Law 1998 (FSJL), which permits SPV managers, general partners and other service providers to act for JPFs without being regulated in Jersey.

Other popular fund types in Jersey include the notification-only Jersey unregulated eligible investor funds ("notification-only funds") and Jersey expert funds, which may be offered to an unlimited number of qualifying investors who invest a
minimum of USD1 million (in the case of notification-only funds) or USD100,000 (in the case of expert funds), or who meet certain other criteria.

Jersey has a particular relationship with both the UK and the EU. It has been treated by the EU as a "third country" for financial service purposes for many years, and since the introduction of the Alternative Investment Funds Managers Directive (AIFMD) has proven a popular location for managers and funds wishing to access EU/EEA markets using national private placement routes.

Jersey's strategy in relation to the AIFMD and, more recently, the UK AIFM Regulations is to have the correct frameworks in place to continue to provide fund establishment, management and administration services on a "business as usual" basis. Jersey has achieved this by placing an AIFMD/UK AIFM Regulations "overlay" on existing regulatory frameworks such that a Jersey fund need only comply with the AIFMD/ UK AIFM Regulations to the extent that it is necessary, and without imposing any additional Jersey-specific reporting or other requirements.

2. Alternative Investment Funds

2.1 Fund Formation

2.1.1 Fund Structures

Alternative investment funds in Jersey are typically structured as companies (including protected cell and incorporated cell companies), limited partnerships or unit trusts, each offering distinct advantages tailored to specific investment strategies and investor requirements.

Company

Overview

A Jersey company has its own separate legal personality and may sue, and be sued, in its own name.

Advantages

The Companies (Jersey) Law 1991 is based on the familiar UK company law but with certain enhancements that allow for a more flexible and practical regime. There are a number of advantages to Jersey companies, including as follows.

- The law provides for a flexible capital maintenance regime and, subject to the board giving a 12-month forward-looking cash-flow-based solvency test, a Jersey company may fund a distribution from any source other than its nominal capital account (in the case of a company whose shares have a nominal value) or any capital redemption reserve. This means a Jersey company may still be able to make distributions when it has accumulated losses (including where it has a negative profit and loss account).
- There is no requirement for distributable profits in order to fund a repurchase or redemption of shares out of a non-capital account, and there is no requirement for available profits in order to fund a repurchase or redemption out of capital. Subject to a solvency statement requirement, shares can be repurchased out of any company account (including capital accounts).
- A private company is not required to appoint an auditor or file its accounts.
- Jersey does not levy stamp duty or any equivalent transfer tax on transfers of shares (subject to limited exceptions in respect of local property).

Interests

A Jersey company issues shares, which can consist of different classes of shares with different rights attached to each class. Investors usually hold redeemable participating shares, whereas the manager holds non-redeemable shares.

Types

In addition to private and public, par value and no par value limited companies, Jersey also offers two types of cell companies, namely:

- protected cell companies – the protected cell company and its protected cells together form a single company, but the assets of each are legally segregated; and
- incorporated cell companies – each cell is a separate company in its own right.

Open-ended funds, including hedge funds, are often established as limited companies, and it is a requirement that listed funds be structured as companies.

Cell company structures are popular for umbrella funds, as they enable multiple cells to be created with administrative ease and minimal cost, while enabling each cell to be ring-fenced for liability purposes. The cells may have different capital structures, boards of directors and articles of association, but must have the same registered office and company secretary.

Limited Partnership

Overview

The Jersey limited partnership is familiar to investors worldwide, and usually comprises:

- one or more general partners, which are jointly and severally liable for the partnership's debts; and
- one or more limited partners, which are only liable to the partnership to the extent of their agreed contribution.

Advantages

The main advantages of a Jersey limited partnership are as follows:

- treated as transparent for UK tax purposes;
- publicly available information does not include the identity of the limited partners or the limited partnership agreement (LPA), and therefore confidentiality is preserved;
- extremely flexible in respect of the commercial terms that can be provided for;
- no limit on the number of limited partners which can be admitted, subject to regulatory restrictions;
- Jersey law contains a helpful list of "safe harbours" which allows the limited partner a greater degree of involvement in the management of the limited partnership compared to some other jurisdictions, without them losing their limited liability; and
- the legislation, regulation and policy governing this area are subject to regular review and updated to maintain Jersey's international reputation and competitive advantage

Interests

Investors hold limited partnership interests, and different classes or series of limited partnership interests are possible.

Types

A limited partnership can be established as any of the following:

- limited partnership (in the traditional sense, similar to an English limited partnership) established under the Limited Partnerships (Jersey) Law 1994;
- separate limited partnership under the Separate Limited Partnerships (Jersey) Law 2011, which has separate legal personality and is therefore similar to Scottish limited partnerships;
- incorporated limited partnership under the Incorporated Limited Partnerships (Jersey) Law 2011, which has separate legal personality and is a body corporate; and
- limited liability partnership (LLP) under the Limited Liability Partnerships (Jersey) Law 2017, whereby a partner of the LLP is generally not liable for the LLP's debts or losses (including those caused by another partner).

Jersey limited partnerships are commonly utilised by fund managers for closed-ended funds – particularly private equity, venture capital, private credit and real estate funds. Separate limited partnerships are also used for closed-ended funds (particularly "fund of fund" vehicles) and carried interest vehicles.

Unit Trusts

Overview

A unit trust has no separate legal personality and is constituted by a trust instrument entered into by the trustee(s) and the manager, if one has been appointed.

Advantages

Jersey unit trusts are popular for the following reasons:

- easy and quick to establish;
- extremely flexible in respect of the commercial terms that can be provided for;
- can be structured to be treated as transparent for UK tax purposes;
- publicly available information does not include the identity of the unit-holders or the trust instrument, and therefore confidentiality is preserved; and
- no limit on the number of unit-holders which can be admitted, subject to regulatory restrictions.

Interests

Investors are issued units, and different classes or series of units are possible.

Jersey property unit trusts (JPUTs) remain a popular structure for real estate funds. Unit trusts can be used for any regulatory category and, in the context of retail funds, can be structured as open-ended unclassified collective investment funds (OCIFs).

Limited Liability Companies (LLCs)

Overview

The Jersey limited liability company has recently been introduced and combines the limited liability protection of a company with the constitutional flexibility and privacy of a partnership, while enabling a choice between the management structure and tax treatment of both. An LLC consists of one or more members who are bound, together with a manager (if any), by an LLC agreement.

Interests

Investors hold an “LLC interest”.

Advantages

The LLC will be familiar to US investors, and has the following additional advantages:

- the LLC agreement is not publicly fileable;
- the LLC agreement can supersede statutory default positions – for example, all debts of the LLC will lie solely with the LLC, unless the members agree otherwise;

- no limit on the number of members which can be admitted, subject to regulatory restrictions; and
- treated as tax-transparent, but can elect to be a body corporate.

An LLC can be established as a JPF, but is more likely to be used as the general partner, fund manager, carried interest recipient or holding vehicle.

2.1.2 Common Process for Setting Up Investment Funds

Regulatory Categories

The key features of each main regulatory category of Jersey funds are set out below, including, where relevant, indicative application timescales. The fund type most suitable for a promoter will depend largely upon commercial factors, such as the types of investors sought and the level of flexibility required.

All Jersey funds (other than notification-only funds) are eligible to be marketed into the European Union and European Economic Area (EU/EEA), in accordance with the AIFMD through individual EU member states' national private placement regimes (NPPRs) and (once available) through the passporting regime. Jersey funds with a Jersey manager that are not actively marketed into the EU/EEA fall outside the scope of the AIFMD.

Jersey Private Funds

A JPF is quick to establish, flexible and cost-efficient and has minimal regulatory requirements for funds with 50 investors or less. The key features of a JPF are as follows.

- Maximum of 50 investors at any time and a maximum of 50 initial offers. The JPF may not be listed on a stock exchange.
- Investors must qualify as "professional" investors and/or make an initial investment of at least GBP250,000 (or currency equivalent), and must sign a simple investment warning (usually included in the subscription document).
- No limit on fund size.
- No investment or borrowing restrictions.
- May be open or closed for redemptions by investors.
- No need for Jersey directors or Jersey service providers, other than a Jersey-regulated "designated service provider" (DSP) who must be appointed to ensure compliance with the necessary criteria and applicable anti-money laundering legislation, to carry out due diligence on the promoter and to file an annual compliance statement.
- Jersey "special purpose" vehicles can be established to act as service providers (such as a general partner, trustee or investment manager/adviser) and are generally not required to be regulated.
- "Fast track" approval, as indicated below (self-certification by the fund administrator).

The following are key features for establishing a JPF without active EU/EEA marketing:

- 48-hour regulatory approval following an online application by the DSP;
- no requirement to prepare an offering memorandum; no need for Jersey resident directors or service providers, and no audit requirement; and
- the fund is not regulated by the JFSC on an ongoing basis.

The following are key features for establishing a JPF with EU/EEA marketing (where there is a sub-threshold Jersey AIFM):

- ten-day regulatory approval for an AIF certificate
- no requirement for Jersey directors or service providers, and no audit requirement;
- for a Jersey AIFM, simple JFSC consent is required (there is no ongoing regulation); and minimal requirements will apply under the Code of Practice for Alternative Investment Funds and AIF Services Business published by the JFSC (the "AIF Code").

The following are key features for establishing a JPF with EU/EEA marketing (where the Jersey AIFM is not sub-threshold).

- Ten-day regulatory approval for an AIF certificate plus a JFSC personal questionnaire review process (four to six weeks) for directors and 10% beneficial owners of the Jersey AIFM (if applicable).
- Two resident Jersey directors required.
- Where the AIFM is a Jersey entity (such as a general partner or trustee, or an external manager), it must obtain a licence under the JFSC's AIFMD regime.
- An AIF certificate is needed to permit EU/EEA marketing. Ongoing JFSC regulation is limited to compliance with the limited applicable AIFMD provisions.
- The JFSC assesses the suitability of the fund's promoter, having regard to its track record and relevant experience, reputation, financial resources and spread of ultimate ownership, in light of the level of sophistication of the target investor group.
- Audit and certain regulatory and investor disclosure requirements will also apply.

Regulated Public Funds

Public funds are governed by Jersey's collective investment funds law and are suitable for funds with more than 50 investors or where a regulated product is needed. They include expert funds, listed funds and eligible investor funds (each, a "Regulated Fund"). The JFSC has published a Code of Practice which includes guides (together, the "JFSC Guides") in relation to Jersey Regulated Funds, setting out the structural and ongoing requirements applicable to the relevant fund type.

The key features of a Regulated Fund are as follows:

- published three-day approval timeframe following completed application (ten days for a new "special purpose" service provider company);
- no investment or borrowing restrictions;
- suitable for EU/EEA marketing;
- unlimited number of investors;

- relatively light-touch regulatory approach;
- audit requirement;
- the offer document must comply with certain content requirements (please see 2.1.4 Disclosure Requirements) and investors must sign a prescribed investment warning; and
- derogations from the relevant JFSC Guide may be sought on a "case-by-case" basis.

Jersey service providers to a Regulated Fund will need to hold a licence to conduct the relevant class(es) of fund service business (an "FSB Licence"). Accordingly, if any SPV service providers, such as a general partner or manager, will be established to act for the fund, an FSB Licence will need to be sought for each such entity. Such service providers are also required to comply with the Code of Practice issued by the JFSC, which covers fund service businesses and AIFs (including their AIFMs and depositaries, where these are Jersey entities).

Expert Funds

The expert fund is attractive for non-retail schemes, whether hedge funds, private equity funds or other schemes aimed at "expert investors". An expert fund can be established quickly and cost-effectively and must comply with the Jersey Expert Fund Guide (the "EF Guide"). The JFSC does not need to review the fund structure, documentation or the promoter. Instead, the fund administrator certifies to the JFSC that the fund complies with the EF Guide, and once the certification and the fund's offer document are filed the JFSC aims for a three-day turnaround on the application for approval. The EF Guide provides fund promoters with certainty, efficiency and cost-effectiveness in the establishment of a new fund. The key features of an expert fund are as follows.

- Open only to those investing at least USD100,000 or who otherwise qualify as expert investors (that is, investors with a net worth of more than USD1 million, excluding their principal place of residence, or who are in the business of buying or selling investments). Investors must sign a prescribed form of investment warning (usually contained in the subscription document).
- Discretionary investment managers may invest on behalf of non-expert investors, provided they are satisfied that the investment is suitable for them and they are able to bear the economic consequences of the investment.
- May be open-ended (open for redemption at the option of investors) or closed-ended (no absolute investor right to redeem).
- At least two Jersey resident directors with appropriate experience must be appointed to the fund board (or, if applicable, the board of the general partner or trustee).
- A licensed Jersey manager or administrator which has two Jersey resident directors with appropriate experience and staff and a physical presence in Jersey is required (unless the fund is a unit trust with a Jersey trustee).
- A Jersey custodian is needed if the fund is open-ended (or an international prime broker, in the case of a hedge fund).
- The offer document must set out all material information in respect of the fund.

- The fund must be audited.
- The investment manager/adviser must be:

- (a) established in an Organisation for the Economic Co-operation and Development (OECD) member or any other state or jurisdiction with which the JFSC has entered into a memorandum of understanding;
- (b) regulated in its home jurisdiction (or, if not required to be so regulated, approved by the JFSC);
- (c) without convictions or disciplinary sanctions;
- (d) solvent; and
- (e) experienced in using similar investment strategies to those adopted by the fund.
- If the investment manager/adviser does not meet the above requirements, it may approach the JFSC on a case-by-case basis. Of course, if permission is then granted, in the absence of any material change, the investment manager/adviser will not need specific approval to establish further Expert Funds.
- An investment manager/adviser is not required for certain self-managed funds, such as direct real estate or feeder funds.
- There are no investment or borrowing restrictions imposed on the fund, nor is there any limitation on the number of investors the fund may have.
- The EF Guide aims to make a "safe harbour" available to most non-retail funds. On occasion, where derogations from the EF Guide are required, these are considered on an expedited basis.
- Ongoing requirements are limited. Future changes to the fund generally do not require regulatory approval unless they are contrary to the EF Guide or there is a change to the fund's directors or service providers.
- The fund may be marketed into the EU/EEA in accordance with the AIFMD through individual EU member states' NPPR (and, when available, third-country passporting).

Listed Funds

A listed fund must comply with the Jersey Listed Fund Guide (the "LF Guide"). The LF Guide does not place any restrictions or qualification criteria on who can invest in a listed fund, and provides certainty to those wishing to establish a listed fund in a quick and cost-effective manner. A listed fund is established on certification by the fund administrator that the fund complies with the criteria set out in the LF Guide. The JFSC issues the relevant certificate on receipt of the certification and the fund's offer document. As a result, a listed fund can be established in Jersey within three days. There is no minimum investment requirement. The key features of a listed fund are as follows.

- The fund must be a closed-ended Jersey company (no absolute investor right to redeem). The fund's offering document must carry a clear investment warning and contain all information necessary for potential investors to make an informed decision.

- At least two Jersey resident directors with appropriate experience must be appointed to the fund's board, including the chair. A majority of the board must be independent (in particular, independent directors should not be an employee or recent employee of the manager, investment manager or any of their associates).
- The fund must be listed on an exchange or market recognised by the JFSC. The list of pre-approved exchanges is numerous and global in scope, and includes all exchanges upon which listings are ordinarily sought, including the London Stock Exchange (the Main Market, AIM and the SFM), NYSE, NASDAQ, HKEx, Euronext, Johannesburg Stock Exchange and The International Stock Exchange (TISE).
- The fund's investment manager/adviser must be of good standing, established and regulated (if appropriate) in an OECD member state or a jurisdiction with which the JFSC has a memorandum of understanding.
- A licensed Jersey manager or administrator which has two Jersey-resident directors with appropriate experience and staff and has a physical presence in Jersey, is required.
- Adequate arrangements must be made for the safe custody of the fund's property, though there is no requirement to appoint a custodian.
- The fund must be audited.
- The fund may be marketed into the EU/EEA in accordance with the AIFMD through the NPPR (and, when available, through third-country passporting).

The JFSC understands that some investment managers/advisers may not be regulated because the type of activity they undertake is not regulated in their home jurisdiction – real property investment management being one example. In such cases, the investment manager will remain eligible for the fast-track authorisation process provided it is:

- the subsidiary of an entity that is regulated in relation to managing or advising on investment funds in its home jurisdiction;
- an entity or the subsidiary of an entity with a market capitalisation of above USD500 million; or
- a manager with a trading record of at least five years or whose principal persons can demonstrate relevant experience or qualifications

If an investment manager/adviser does not meet these requirements, it may approach the JFSC on a case-by-case basis. If permission is then granted, in the absence of any material change, the investment manager/adviser will not need specific approval to establish further listed funds. An investment manager/adviser is not required for certain self-managed funds, such as direct real estate or feeder funds.

Eligible Investor Funds

The structural, authorisation and ongoing regulatory requirements of the Jersey eligible investor fund is similar to those for the expert fund, save that there is a higher threshold for qualifying as an "eligible investor" compared to as an "expert investor". Like the expert fund, the eligible investor fund is used for non-retail schemes (including hedge funds, private equity funds and other schemes aimed at "eligible investors") and can be established quickly and cost-effectively. It has the following key features.

- Must be an AIF and marketed into at least one EU/EEA country for the purposes of the AIFMD.
- For "eligible investors" only – any one of 11 categories, including:
  - (a) an investor of USD1 million or more;
  - (b) investors with a net worth of more than USD10 million (excluding their principal place of residence); and
  - (c) those whose ordinary business or professional activity includes dealing in, managing, underwriting or giving advice on investments (same as for notification only funds, see below).
- Reduced requirements apply to the fund's offering document, given the sophisticated nature of investors in such funds.
- Open or closed for redemptions by investors.
- The regime expressly recognises that a discretionary investment manager may make investments on behalf of investors who do not qualify as "eligible investors", provided it is satisfied that the investment is suitable for the underlying investors and they are able to bear the economic consequences of the investment.
- The fund may be marketed into the EU/EEA in accordance with the AIFMD through the NPPR (and, when available, through third-country passporting).

Notification-Only Funds

This fund is highly flexible and provides a low-cost structure ideal for sophisticated investors where the fund will not be marketed into the EU/EEA. A notification only fund may be open/closed-ended, and is restricted to sophisticated investors. The JFSC Guides do not apply to notification only funds. The key benefits of this regime for fund promoters are that it provides unparalleled flexibility coupled with the certainty of being able to establish the fund at any time simply by filing the required notice, and without the need to obtain JFSC approval.

The key features are as follows.

- No need for JFSC approval and no ongoing regulation, established on a "notification only" basis.

- For "eligible investors" only – any one of 11 categories, including:

- (a) an investor of USD1 million or more;
- (b) investors with a net worth of more than USD10 million (excluding their principal place of residence); and
- (c) those whose ordinary business or professional activity includes dealing in, managing, underwriting or giving advice on investments.
- A discretionary investment manager may make investments on behalf of investors who do not qualify as "eligible investors", provided it is satisfied that the investment is suitable for such investors and they are able to bear the economic consequences of the investment.
- No need for Jersey directors or service providers, but a local administrator must be appointed to provide the registered office for any fund company.
- May be listed, provided that the stock exchange allows restrictions on transfers (such that only "eligible investors" may invest).
- There is no audit requirement (unless the fund is a company) and no investment or borrowing restrictions.
- No limitation on the number of investors.

Please refer to 3. Retail Funds for details of Jersey regulatory classifications suitable for retail funds.

Investment Vehicles That Are Not Funds

An investment vehicle will not be regulated as a fund in Jersey unless it is a scheme or arrangement for the investment of capital which has as its object or as one of its objects the collective investment of capital, and:

- operates on the principle of risk-spreading; or
- where units are to be bought back or redeemed continuously or in blocks at short intervals upon the request of the holder and out of the assets of the fund; or
- where units will be issued continuously or in blocks at short intervals.

Joint ventures, single-asset vehicles, single-investor vehicles or vehicles which carry on a business (such as property development) also generally fall outside Jersey's funds regulatory regime.

The Application Process

As a first step, personal questionnaires should be submitted to the JFSC in respect of:

- each director of a corporate Regulated Fund or corporate JPF which is not a sub-threshold AIFM; and
- the directors and 10%-plus beneficial owners of any Jersey service provider to a Regulated Fund which is seeking an FSB licence.

These should be submitted in advance of the fund application, as the JFSC's regulatory checks typically take four to six weeks where the proposed director is not already known to it. The requirement for personal questionnaires does not apply to JPFs, unless marketed into the EU/EEA and not sub-threshold. A JPF is subject to a fast-track process whereby the JPF's proposed "designated service provider" makes an application via the JFSC's online portal.

In respect of a Regulated Fund, a formal application to the JFSC enclosing (among other things) the fund's offering document and the relevant JFSC application forms would follow. The cost of the application will vary according to the number of pools of assets (if the fund is an umbrella fund) and the fund's intended Jersey service providers.

Core Documents

The core documents for a Jersey fund are as follows:

- offering document (not required for a JPF or a notification-only fund);
- constitutional documents (eg, memorandum and articles of association, limited partnership agreement or trust instrument);
- subscription documentation for investors and any side letters;
- fund rules, in the case of umbrella funds; and
- material contracts appointing the fund service providers (eg, management agreement, administration agreement, custody agreement and investment management/advisory agreement).

2.1.3 Limited Liability

Jersey fund structures are designed to limit investor liability to their capital contribution.

For a limited partnership, this is contingent upon the limited partners not engaging in the active management of the fund. Jersey's limited partnership law expressly provides for "safe harbours" for a number of specific activities which may otherwise constitute management by a limited partner, including the following (among others):

- Consulting with and advising a general partner with respect to the activities of the limited partnership;
- Voting on, or otherwise signifying approval or disapproval of, matters such as:
    - (a) the dissolution and winding-up of the limited partnership;
    - (b) the purchase, sale or other dealing in any asset by or of the limited partnership;
    - (c) the creation or renewal of an obligation by the limited partnership; or
    - (d) a change in the nature of the activities of the limited partnership.

A Jersey company provides investors (as shareholders) with a natural limitation of liability due to the company's distinct legal personality. The circumstances in which the courts may "pierce the corporate veil" and have recourse to shareholders are broadly the same in Jersey as in England – for instance, where a person who is subject to an existing legal obligation deliberately attempts to evade that obligation by interposing a company under their control.

2.1.4 Disclosure Requirements

Jersey Private Funds

A private placement memorandum (PPM) or other offering document is not required for a JPF (although certain AIF Code investor disclosures need to be made, if relevant). However, a PPM may be issued provided the document contains a directors' responsibility statement, together with all of the material information which investors and their professional investors would reasonably require to make an informed judgement about the merits of investing in the fund, and the nature and level of the risks accepted by so investing.

There are also ongoing investor notification requirements if the fund is marketed into the EU under the NPPR. Under the AIF Code, a Jersey AIFM from among Jersey AIFs (that is not sub-threshold) is required to periodically disclose matters such as the fund's liquidity arrangements (including special arrangements such as side pockets) and risk-profile and risk-management systems to investors and the JFSC.

Regulated Funds

A PPM is required to be issued in relation to a Regulated Fund. The PPM will need to contain the content and disclosures set out in:

- the Collective Investment Funds (Certified Funds - Prospectuses) (Jersey) Order 2012 (unless the fund is an eligible investor fund);
- the relevant JFSC Guide; and
- the AIF Code if the fund is an AIF that is not sub-threshold.

Investors should also be notified of any material changes which may affect their investment. Additional reporting requirements apply in the case of retail funds (please refer to 3.1.4 Disclosure Requirements).

Finally, the JFSC Guides set out details of matters which need to be notified to the JFSC or which require its prior consent.

Public Companies

A fund which is a public company (of any regulatory classification must file and send to investors annual audited financial statements, and Regulated Funds must file audited accounts with the JFSC.

2.2 Fund Investment

2.2.1 Types of Investors in Alternative Funds

Jersey's alternative funds attract a sophisticated investor base, predominantly comprising institutional investors, high net worth individuals, and family office. The island's stable regulatory environment and tax neutrality make it particularly appealing for these discerning investor categories.

2.2.2 Legal Structures Used by Fund Managers

Fund managers and/or investment advisers of alternative investment funds are commonly established in Jersey as companies or limited partnerships, providing them with the flexibility and governance structure conducive to fund-management activities.

Where a special purpose Jersey entity needs to be regulated to be appointed as manager or adviser (for example, where acting as AIFM to a JPF which is not sub-threshold, or for a Regulated Fund), a simplified licensing regime applies under the JFSC's "managed entity" regime. The key features of this regime are as follows.

- The entity must be administered by a regulated Jersey administrator, which assumes responsibility for ongoing regulatory compliance and often provides one or more directors.
- There is no minimum regulatory capital requirement, but the entity should have such financial resources as are, in the opinion of the directors, sufficient to meet commitments.
- Each director of the entity (and each of its beneficial owners with a 10% or greater interest) is required to submit a personal questionnaire and obtain approval from the JFSC. As international regulatory checks often take three weeks or more to complete for individuals who have not already been approved by the JFSC, these should be completed and submitted as early as possible.
- Registration under the FSJL typically takes two weeks (if, as is usual, personal questionnaires are filed in advance).

2.2.3 Restrictions on Investors

The investor eligibility requirements for each type of fund are summarised below.

Jersey Private Funds

Each investor in a JPF must be a person who invests at least GBP250,000 (or currency equivalent) or who qualifies as a "professional investor". A "professional investor" includes:

- a natural or legal person, partnership, trust or other unincorporated association whose ordinary business or professional activity includes, or it is reasonable to expect that it includes, acquiring, underwriting, managing, holding or disposing of investments whether as principal or agent, or the giving of advice on investments and their senior employees, directors, partners or expert consultants;
- certain appropriately regulated service providers and their senior employees, directors, partners, expert consultants or shareholders (in each