

## JPF – Jersey, proportionate, fast!

Service area / [Investment Funds](#)

Location / [Jersey](#)

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A quick and user-friendly introduction to the new Jersey Private Funds regime.

### The news

The Jersey Financial Services Commission (“JFSC”) has on 15 March 2017 announced a new private funds guide (“JPF”) with a view to implementing the regime on 18 April 2017. The JPF will take the key aspects of the hugely popular Jersey ‘very private’ fund regime and expand their application so that a vastly increased number of privately-placed funds can benefit from a proportionate and fast-track regulatory process.

### So what’s changing?

Essentially, any Jersey private fund vehicle (or virtually any non-Jersey private fund vehicle with a relevant connection to the Island – eg a non-Jersey limited partnership with a Jersey general partner) can now become a JPF Fund. A JPF Fund is granted a quick and simple consent under the Control of Borrowing (Jersey) Order (“COBO”) which will enable it to make up to fifty offers to investors who qualify as ‘professional’ investors (or subscribe for interests with a value of at least £250,000). The COBO consent will be issued by the JFSC to qualifying funds within forty-eight hours of the application being received.

The JFSC had previously applied a similar proportionate and light-touch approach to very private structures (that permitted up to fifteen offers) which resulted in a large number of those structures being established – they have been seen in particular as ideal for club investments, funds of one and co-investments. The wider scope will now allow many more funds to benefit from even more rapid fast-track authorisation with (potentially) reduced initial and ongoing costs.

### How does this work with AIFMD?

Like all Jersey funds, if a JPF Fund is to be marketed into the EU/EEA then Jersey’s AIFMD overlay will apply in the form of an additional AIF Certificate granted to the structure and a FSB/AIFSB permit granted to any Jersey AIFM – this is particularly straightforward for sub-threshold managers (ie those managing less than €500m in closed-ended unleveraged funds or €100m where funds are open-ended or leveraged). A streamlined approach requiring compliance with certain key aspects of AIFMD (disclosure, reporting, transparency and anti-asset stripping) applies for managers above those thresholds.

Once the additional certificate/permit is issued, a JPF Fund may be marketed into the EU/EEA using the various national private placement regimes – a well-worn path for Jersey funds. As and when the AIFMD passport is introduced, it is anticipated that JPF Funds will also be eligible for passporting.

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## OFFSHORE LAW SPECIALISTS

BERMUDA BRITISH VIRGIN ISLANDS CAYMAN ISLANDS GUERNSEY JERSEY  
CAPE TOWN HONG KONG LONDON SINGAPORE

## What key requirements are there?

A JPF Fund:

- can be established as a Jersey company (including a protected cell company, an incorporated cell company or any cell thereof), limited partnership (LP), limited liability partnership (LLP), separate limited partnership (SLP), incorporated limited partnership (ILP), or unit trust;
- can also be established as virtually any non-Jersey structure so long as a COBO consent is required;
- is not required to appoint any Jersey-resident directors (or Jersey-resident GP or trustee directors, as appropriate);
- can be open-ended or closed-ended;
- is not required to appoint an auditor;
- must appoint a Jersey-regulated administrator (the “Designated Service Provider”) to ensure that the JPF criteria and applicable AML legislation are complied with and to carry out due diligence on the promoter;
- can only be marketed to specific categories of investors including those a) who subscribe for interests with a value of at least £250,000 and/or b) who qualify as ‘professional’ (eg whose ordinary business or professional activity includes acquiring or managing investments or who have at least US\$1m of investable assets); and
- must procure that investors receive and receipt a specified form of investment warning.

## Can I convert existing structures to the new JPF regime?

Yes. So long as the JPF criteria are met, any existing structure can apply to convert. The existing Jersey very private, COBO-only and private placement fund regimes will continue to apply to structures that do not wish to convert but will be superseded by the JPF regime and so no new applications under those regimes will be possible.

## Are there any other benefits?

Like the existing very private and private placement regimes, it will be possible for JPF Funds to benefit from Jersey ‘professional investor regulated scheme’ status such that any Jersey SPV GP, trustee, investment manager and/or investment adviser will be exempt from regulation under the Financial Services (Jersey) Law (save in some circumstances where the AIFMD overlay applies).

A JPF Fund is not required to issue an offer document but where one is issued, there are very few prescribed content requirements (assuming no AIFMD disclosure is applicable). Jersey JPF Funds (and any Jersey SPV GP, trustee, investment manager or investment adviser) will either be tax transparent or subject to the 0% rate of Jersey income tax.

Further, Jersey fund and manager structures are expected to provide significant levels of certainty in the face of both BEPS and Brexit. Jersey’s well-established funds infrastructure means it is relatively simple to build significant substance where required and the Island’s position as a jurisdiction which is an established third country from an EU perspective while maintaining distinctive constitutional links with the UK should benefit both global managers seeking to access EU capital and EU managers seeking to access UK capital post-Brexit.

## Sounds great – who should I speak to?

Carey Olsen Partners Robert Milner and Daniel O’Connor were members of key industry working groups which were directly involved with the formulation of the JPF. Since July 2014, our funds team has advised on 43 per cent of all new funds business in Jersey (source: 2016 Monterey Insight Jersey Funds Report) – twice the number of our nearest rival. We know the new regime inside out and will be happy to answer any questions you may have and work with you and your advisers in structuring your next fund.

Continued



## Key contacts

For further information or professional advice please contact our lawyers below:



**Christopher Griffin**  
Partner

D +44 (0)1534 822256  
E [christopher.griffin@careyolsen.com](mailto:christopher.griffin@careyolsen.com)



**Robert Milner**  
Partner

D +44 (0)1534 822336  
E [robert.milner@careyolsen.com](mailto:robert.milner@careyolsen.com)



**James Mulholland**  
Partner

D +44 (0)1534 822369  
E [james.mulholland@careyolsen.com](mailto:james.mulholland@careyolsen.com)



**Daniel O'Connor**  
Partner

D +44 (0)1534 822249  
E [daniel.oconnor@careyolsen.com](mailto:daniel.oconnor@careyolsen.com)



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### FIND US

Carey Olsen Jersey LLP  
47 Esplanade  
St Helier  
Jersey JE1 0BD  
Channel Islands

T +44 (0)1534 888900  
E [jerseyco@careyolsen.com](mailto:jerseyco@careyolsen.com)



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