

## Jersey Listed Funds 2022

Insights - 15/08/2022

The Jersey Listed Fund regime is available to listed closed-ended companies further to the Listed Fund Guide (the **Guide**) issued by the Jersey Financial Services Commission (the **JFSC**). Modelled on the Jersey Expert Fund, the Listed Fund regime enables the fast-track establishment of corporate closed-ended funds that are listed on recognised stock exchanges or markets, including the London Stock Exchange/Specialist Fund Market, AIM and The International Stock Exchange.

A Listed Fund is regulated pursuant to the Collective Investment Funds (Jersey) Law 1988 (the **CIF Law**).

### | What constitutes a Listed Fund?

A Listed Fund needs to be:

- a company incorporated in Jersey
- a collective investment fund (within the meaning of Article 3 of the CIF Law)
- listed on a Recognised Stock Exchange or Market; and
- closed-ended

### | Regulatory requirements

A Listed Fund is subject to a very light degree of regulation. In particular:

- the promoter of a Listed Fund will not be subject to any regulatory review or approval
- there are no requirements to adopt any prescribed investment restrictions or risk diversification strategy
- a Listed Fund may be offered to professional or experienced investors as well as retail

investors provided they have taken appropriate professional advice; and

- there is no required minimum subscription

The parameters for a Listed Fund are set out in the Guide, and outlined below. If a Listed Fund does not comply in all respects with these requirements, it is possible to request derogations from the JFSC in respect of any areas of non-compliance.

## **Board of directors**

At least two Jersey-resident directors with appropriate experience must be appointed to the board of the Listed Fund. A majority of the board must be independent of the promoter.

## **Investment manager / adviser**

The investment manager / adviser must:

- have had no convictions or disciplinary sanctions imposed on it
- be solvent
- be established in an OECD member state or another jurisdiction with which the JFSC has entered into a memorandum of understanding (or equivalent) on investment business and collective investment funds
- be regulated in that jurisdiction in relation to managing or advising on funds, subject as stated below
- have relevant experience in managing or advising on investors' funds using similar investment strategies to those to be adopted by the Listed Fund; and
- satisfy the JFSC's general principles of corporate governance by maintaining an adequate "span of control" over its business

If the investment manager / adviser is not regulated in its home jurisdiction in relation to managing or advising on funds, and provided the fund is a property fund or other type of fund not requiring it to be regulated, the investment manager / adviser must be either:

- a subsidiary of a company that is so regulated
- a listed company with market capitalisation of at least US\$500 million (or other currency equivalent) or a subsidiary of such a company
- a company or partnership with a trading record of at least five years, or whose principal persons forming its span of control can demonstrate relevant business experience for this period or possess relevant professional qualifications; or

- otherwise approved by the JFSC to act

If the distributor of the Listed Fund is independent of the investment manager/adviser and either is a driving force behind the fund or introduces the majority of investors to the fund, it must satisfy the same requirements as the investment manager/adviser (other than in relation to investment management experience).

## **Jersey service providers**

A Listed Fund must appoint an administrator and/or manager which has two Jersey resident directors with appropriate experience, staff and a physical presence in Jersey. The administrator and/or manager must monitor the compliance of the investment manager/adviser with any investment or borrowing restrictions set out in the Listed Fund's offer document and must have access to appropriate records of the investment manager/adviser to enable it to carry out this monitoring function.

All Jersey fund service providers to a Listed Fund (including the administrator and/or manager) must be regulated in Jersey under the Financial Services (Jersey) Law 1998 (the **FS Law**), and will be required to comply with applicable Codes of Practice published by the JFSC.

There is no requirement for a Jersey custodian, although a Listed Fund must have adequate custody arrangements in place, which must be disclosed in the fund's offer document. These must, if applicable, include prime brokerage arrangements. In the case of a hedge fund, unless agreed with the JFSC any prime broker must be part of a group with minimum credit rating of A1/P1.

A Listed Fund must appoint an auditor.

## **Offer document**

The offer document of a Listed Fund must contain certain specified disclosures, including all information that investors would reasonably require to make an informed judgement about investing in the fund. Derogations may be sought in respect of specific content requirements where relevant.

The offer document must also prominently include a prescribed investment warning, which draws attention to the reduced regulatory requirements applicable to Listed Funds.

Listed funds can be marketed to investors in the UK and EU/EEA, subject to compliance with certain additional requirements set out under "Alternative Investment Fund Managers Directive/ UK AIFMD" below.

## Authorisation process

The authorisation process for a Listed Fund is simple and quick. An application form must be submitted to the JFSC setting out the key features of the fund, together with a confirmation (countersigned by the administrator) that the investment manager/adviser complies with the requirements set out above. The submission must be accompanied by a structure chart, the draft offer document (with any derogations from content requirements typically being requested at this stage) and the related application for the fund to be granted a certificate under the Collective Investment Funds (Jersey) Law 1988 (the **CIF Law**). Directors and other principal persons must provide completed personal questionnaires to seek the JFSC's approval for them to fulfil those roles for the Listed Fund. An application fee is also payable at this stage.

The JFSC will check that the application form has been properly completed and may request further information on the fund and its functionaries, but will not carry out a full regulatory review of the fund or its promoter. The requisite consents can be issued within as little as three working days.

## The Alternative Investment Fund Managers Directive

Jersey alternative investment fund managers (**AIFMs**) marketing funds to investors in the EU/EEA or United Kingdom via national private placement regimes (**NPPRs**) are required to comply with certain additional disclosure, transparency and reporting requirements under the Alternative Investment Fund Managers Directive (the **AIFMD**) or the UK's AIFMD regulations. However, as Jersey is a "third country" for AIFMD purposes, Jersey firms engaging in marketing under NPPRs are subject only to these limited aspects which apply to non-EU/EEA/UK AIFMs and not to full AIFMD compliance.

Since Listed Funds are regulated under the CIF Law and their Jersey service providers under the FS Law, no additional regulatory permissions are required in Jersey for the fund or to act as the fund's AIFM. However, the relevant provisions of the Alternative Investment Funds (Jersey) Regulations 2012 and the JFSC's Code of Practice for Alternative Investment Funds and AIF Services Business will apply (namely in relation to disclosure, reporting and asset stripping, together with notification to the JFSC in advance of marketing into the EU/EEA/UK).

These additional requirements apply only where there is to be active marketing of such funds in the EU/EEA/UK under NPPRs.

Jersey has implemented a notification regime for small AIFMs which manage AIFs below certain specific thresholds. This regime mirrors the corresponding exemptions provided in the AIFMD.

Jersey Managers and Funds Marketing into the European Union under the AIFMD

## Taxation

Jersey offers a location for investment funds which does not impose its own tax burden on an investment fund or its investors.

## Economic substance

Both the Taxation (Companies – Economic Substance) (Jersey) Law 2019 and the Taxation (Partnerships – Economic Substance) (Jersey) Law 2021 (together, the **Substance Laws**) are relevant in the context of Jersey investment funds.

A company or partnership will be caught within the scope of the Jersey economic substance regime if it is a "resident company" or a "resident partnership" which carries on one or more "relevant activities" from which it receives gross income.

The Substance Laws do not apply to investment funds directly, save in the case of self-managed corporate funds (ie corporate funds which have not appointed an external manager). However, any Jersey fund manager appointed in respect of the fund will be conducting the relevant activity of "fund management business". Accordingly, consideration should be given to the application of the Substance Laws to general partners, managers, investment managers and managing trustees.

If within scope, the relevant company or partnership must satisfy the "economic substance test".

Our briefings relating to economic substance requirements are available:

[Updated economic substance requirements for Jersey fund managers](#)

[Jersey economic substance requirements - the company perspective](#)

[The economic substance requirements for Jersey resident partnerships](#)

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## Related links

[Jersey Investment Funds – Regulatory Options](#)

[Jersey Expert Funds](#)

[Jersey managers and funds marketing into the European Union](#)

[Updated economic substance requirements for Jersey fund managers](#)

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