



Communicate.

The Jersey Unregulated Fund Regime

Introduction

On 19 February 2008 Jersey introduced the 'Unregulated Fund' regime allowing the formation of funds meeting a certain criteria without the need for regulatory approval thus heightening Jersey's position in the global fund market and enabling promoters to take advantage of the 'lighter touch' approach offered to 'Unregulated Eligible Investor Funds' and 'Unregulated Exchange Traded Funds'.

Unregulated Eligible Investor Funds

These open or closed ended funds are open to 'Eligible Investors' each of whom must provide a written acknowledgement accepting the risks associated with investing and who must be able to meet one of certain criteria, such as:-

- commit to invest a minimum of USD1,000,000 (or currency equivalent)
- whose ordinary business or professional activity includes dealing in, acquiring, managing, underwriting or providing advice on investments
- their net wealth is over USD10,000,000 (or currency equivalent) excluding the principle place of residence
- a company, trust or partnership which either has a market value of in excess of USD10,000,000 or whose members, partners, beneficiaries are all Eligible Investors
- a trustee of a trust which was settled by an Eligible Investor or where the beneficiaries are all Eligible Investors
- discretionary investment managers may make investments on behalf of clients who are not Eligible Investors provided that they are satisfied that the underlying investors can deal with the economic consequences of total loss

Unregulated Eligible Investor Funds are not required to have their financial accounts audited and may list on a stock exchange provided that the chosen exchange permits transfer restrictions – you must be an Eligible Investor to accept a transfer of interest.

Unregulated Exchange Traded Funds

Whereas these funds are not regulated by the Jersey authorities they are required to be listed on a regulated exchange. Such funds have the following characteristics:-

- they must be closed ended and listed on one of the 50 approved stock exchanges, such as AIM, NASDAQ, Euronext and the Channel Islands Stock Exchange
- the fund will be subject to the rules of the chosen exchange
- there is no minimum investment level
- there is no limit to the number of investors

Other Considerations....

The Jersey Financial Services Commission is to be notified upon formation of such funds and in all cases the offering document will include certain standard risk warnings and specific wording noting that the fund is unregulated in Jersey.

The fund vehicle can take any legal form. Jersey Limited Partnerships will have a Jersey based General Partner and Jersey Unit Trusts will have a trustee or manager which is a Jersey company.

Conclusion

The introduction of Unregulated Funds is an important step in the continued development of Jersey's funds industry and provides the Island with an opportunity to compete with jurisdictions such as the Cayman Islands, particularly in the hedge fund market. These funds compliment the Expert Fund and Jersey Listed Fund regimes in addition to the private, regulated fund and recognised fund schemes already on offer. From a convenient geographical location with tax neutral status and high quality choice of industry professionals, Jersey is well positioned to offer premier fund services to a worldwide client base.

Jersey Trust Company

Jersey Trust Company is one of Jersey's leading independent trustee, management and fund administration service providers. Our head office is located in Jersey's financial district of St. Helier and through our continued international expansion we have opened offices in jurisdictions such as London, Glasgow, the British Virgin Islands and Geneva.

We have experience in administering and managing complex company and fund structures for our clients and we have approximately £7.3 billion in assets currently under our management and administration.

Our funds practice, JTC Fund Services, provides services to funds which have a range of both traditional and unusual asset classes located throughout the world. Adopting a flexible approach to fund services allows us to tailor solutions for our clients ranging from the provision of a single non-executive director through to an all-encompassing approach which takes a concept through to reality.

We believe in developing and maintaining robust risk management systems and stringent monitoring controls relevant to each individual engagement. We have an internal funds committee which oversees our funds practice and we are members of the Jersey Funds Association and the Channel Islands Stock Exchange (CISX).

Should you wish to discuss the contents of this briefing note in further detail please contact:-

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Regulated by the Jersey Financial Services Commission.

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