

Legal 500

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Jersey

Alternative Investment Funds

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This country-specific Q&A provides an overview of alternative investment funds laws and regulations applicable in Jersey.

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Jersey: Alternative Investment Funds

1. What are the principal legal structures used for Alternative Investment Funds?

Jersey offers a broad range of legal entity types. This Guide focuses on the two go-to vehicles most commonly used for alternative investment funds:

(a) the Jersey limited partnership (LP) under the Limited Partnerships (Jersey) Law 1994, the dominant vehicle for closed-ended private equity, venture capital, secondaries, credit and infrastructure funds; and

(b) the Jersey company limited by shares (private or public) under the Companies (Jersey) Law 1991, which is used for listed vehicles, some real estate (such as REITs), open-ended, hedge and hybrid structures.

Protected cell companies (PCCs) and incorporated cell companies (ICCs) add ring-fenced compartments for different portfolios or investor groups. Unit trusts, governed by Jersey trust law, also remain important. They have historically been particularly popular for real estate—especially UK real estate—through Jersey Property Unit Trusts (JPUTs), valued for familiarity to UK investors and lenders, and the ability (subject to the relevant structure and tax rules) to transfer units rather than the underlying property with limited friction on aspects such as stamp duty. JPUTs remain widely used for UK commercial real estate.

Other vehicles exist too in order to meet a variety of investor and manager demands globally, including SLPs under the Separate Limited Partnerships (Jersey) Law 2011, which have separate legal personality but are not bodies corporate, ILPs under the Incorporated Limited Partnerships (Jersey) Law 2011, which have separate legal personality and are bodies corporate, LLPs under the Limited Liability Partnerships (Jersey) Law 2017, LLCs under the Limited Liability Companies (Jersey) Law 2018, together with foundations and other traditional forms of trusts. Most of the vehicles described above can be established under the Jersey Private Fund (JPF) regime, subject to the relevant eligibility and consent requirements.

2. Does a structure provide limited liability to the investors? If so, how is this achieved?

Generally, yes, but the answer depends on the vehicle and the constitutional documents. In an LP, a limited partner's liability is generally limited to its agreed contribution or the level of its commitment, provided it does not participate in the management of the LP. There is a wide-ranging statutory list of expressly permitted activities for clarity for investors (known as "safe harbours"). In a Jersey company, a shareholder's liability is normally limited to any amount unpaid on its shares. In a unit trust, the trust instrument and trustee arrangements normally limit the unitholder's exposure to the amount unpaid on its units. In an ICC or PCC, the statutory cell regime is designed to ring-fence the assets and liabilities of each cell with the liability of investors in respect of a cell broadly similar to that of a normal company. The constitutional documents and the investor's contractual terms should be checked for each particular structure.

3. Is there a market preference and/or most preferred structure? Does it depend on asset class or investment strategy?

The LP is largely the market default for closed-ended private equity, venture capital, real estate, private credit, secondaries and infrastructure funds together with related carried interest and co-investment structures. Companies—including cell companies—are often chosen for listed vehicles, real estate (REITs), open-ended, hedge or hybrid funds where corporate structuring is mandatory or a share-class model is preferred. Unit trusts are still common for real estate funds and some fund-of-funds structures. The right choice usually turns on the asset class, liquidity, investor base, market conventions in that asset class, financing and tax objectives.

The JPF regime is flexible enough to support both open- and closed-ended strategies, from smaller club deals through to larger blind pool private funds, provided the JPF eligibility and private-offer conditions are met. There are also clear carve outs for holding companies, joint venture arrangements, securitisation vehicles, team/employee incentive vehicles (such as carried interest and co-investment structures) and structures with a family connection meaning regulation is proportionate for vehicles that the market doesn't typically recognise as being funds. The Jersey Expert fund tends to be the predominant option where a more regulated public fund option is required.

4. Does the regulatory regime distinguish between open-ended and closed-ended Alternative Investment Funds (or otherwise differentiate between different types of funds or strategies (e.g. private equity vs. hedge)) and, if so, how?

A JPF may be open or closed-ended. Following enhancements in 2025, JPFs are no longer constrained by the former 50 offer/investor cap, although any offer for subscription, sale, or exchange of units of a JPF must be addressed exclusively to a 'restricted group of investors' who meet the "eligible investor" or "professional investor" definitions within the current JPF Guide issued by the Jersey Financial Services Commission (JFSC)- this essentially means an offer to a targeted audience and not the public at large. This makes the JPF a more practically viable option for open-ended funds.

Certified Funds (public funds) which have unlimited offers include Expert Funds, Listed Funds, Eligible Investor Funds and Open-ended Collective Investment Funds (OCIFs), are subject to the Certified Funds Code of Practice and the requirements of their category (**Certified Funds**); a JPF is not subject to that Code. Certified Funds can have certain additional requirements where they are open-ended, such as in relation to the headline requirements for custodian/trustee/prime broker arrangements and any deviations require clearance from the JFSC. For completeness, Recognized Funds are the most regulated category of funds in Jersey and were intended to be utilised for retail investors but are now relatively rare due to the growth in the UCITS market.

The Jersey regulatory regime does not tend to draw distinctions between its regulatory options based on different types of underlying assets or strategies.

The practical distinction which then drives the appropriate regulatory regime is usually a reflection of the fund's liquidity and related terms rather than by the label of the strategy. Closed-ended funds—often private equity, venture capital, real estate, secondaries, infrastructure and private credit — typically use the LP family and restrict redemptions until an exit or the end of the term due to limited liquidity and a restricted ability to meet requests for redemptions in an open-ended structure. Open-ended funds with more liquid and quickly realisable assets — often hedge, equities, commodities, liquid credit or multi-asset strategies — typically use a company and need more detailed arrangements for dealing, valuation, redemption mechanics and liquidity management.

5. Are there any limits on the manager's ability to restrict redemptions? What factors determine the degree of liquidity that a manager offers investors of an Alternative Investment Fund?

Redemptions would tend not to be applicable in closed-ended funds and exits would tend to be limited to transfers permitted under the fund documentation or the stipulated term of the fund.

For open-ended funds (and generally), there are no statutory or regulatory caps or stipulations on a manager's ability to restrict redemptions. Suspending or deferring rights of redemption or trading may require notification to the JFSC under the Certified Funds Code of Practice (where applicable). Detailed requirements apply to redemption and suspension arrangements for Recognized Funds but are not detailed here due to the limited use of that fund type.

As a consequence, in most cases, an open-ended fund's constitutional documents and offering/subscription materials set the terms, subject to any requirements of the relevant regulatory category. Lock-ups, gates, side pockets, suspension powers, longer notice periods and limited dealing days are commonly adopted mechanisms. Restrictions should match the liquidity of the underlying assets, be applied consistently and fairly, and be disclosed clearly to investors before they invest in the fund.

6. What are potential tools that a manager may use to manage illiquidity risks regarding the portfolio of its Alternative Investment Fund?

Closed-ended funds manage liquidity in a variety of ways but commonly due to the illiquid nature of the underlying assets have contractual commitments with investors to meet establishment and ongoing costs through periodically called commitments up to an agreed level of total contribution supplemented by any income arising from the underlying assets.

Common tools for open-ended vehicles include:

- (a) gates, which limit aggregate redemptions for a dealing period;
- (b) side pockets, which separate illiquid or hard-to-value assets;
- (c) suspension of dealing where the documents and applicable rules permit it;

- (d) redemption in specie, meaning delivery of portfolio assets instead of cash;
- (e) swing pricing or anti-dilution levies to allocate transaction costs fairly;
- (f) extended notice periods or less frequent dealing; and
- (g) deferred or staged payment of redemption proceeds.

The tool, trigger and investor communication should be set out in the constitutional documents and offering/subscription materials.

7. Are there any restrictions on transfers of investors' interests?

Transfer restrictions are usually contractual, but they also protect the fund's regulatory status and seek to ensure that investors who would pose a material legal, regulatory, tax, pecuniary or other risk to the fund can be exited. LP interests and company shares commonly require the prior consent of the general partner or company board respectively. A proposed transferee may need to meet a fund's investor-eligibility test, complete AML/KYC and sanctions checks, agree to be responsible for the obligation to meet any unpaid commitments and adhere to the core fund documents. LP transfers tend to be contractually agreed in the limited partnership agreement together with an investor's subscription agreement, company transfers are usually governed by the articles and any shareholders' agreement and unit-trust transfers are governed by the trust instrument, any unitholders' agreement and any subscription agreement. Side letters may also impact the contractual position and can (if permitted under the constitutional and subscription documentation) be assigned.

Transfers to affiliates are commonly permitted on simplified terms, but the documents should be reviewed in each individual case. Transfers of interests, shares or units in a fund by way of transmission for deceased individual natural persons are usually possible (subject to the documentation noted above), noting that in those cases compliance with Jersey's probate requirements may be required depending on the value of the interest/shares/units and the individual requirements of the fund. Advice should be sought by a party seeking to implement such transfers.

8. Are there any other limitations on a manager's ability to manage its funds (e.g., diversification

requirements)?

Jersey law does not generally impose a single, universal set of general management restrictions, including diversification requirements, on alternative investment funds and by implication, the manager of a fund.

Key issues such as the investment policy / strategy / guidelines, concentration limits, borrowing limits, investment restrictions and any general restrictions on the authority of a general partner of an LP or a board of a company are normally set out in the constitutional / governing documents together with any offering documents (such as prospectuses, private placement memoranda or similar documents).

Public funds generally require offering documents and have prescribed content requirements under a combination of statute and the applicable section of the Certified Funds Code of Practice (for example under the Jersey Expert Fund Guide for Jersey Expert Funds). The issuance of offering documents is not compulsory for JPFs under the JPF Guide. Funds subject to the Alternative Investment Funds Code of Practice may also have additional disclosure requirements.

In relation to JPFs, the emphasis of the regulatory framework is put on the nature of permitted investors (i.e. eligible investors) and requirements in relation to appointing a regulated designated service provider rather than prescribing specific rules in relation to the management of the fund itself which provides a great deal of flexibility.

Public funds by their nature have a greater level of regulation but again, the emphasis is primarily in relation to ensuring a suitable governance and general risk management framework for general partners of LPs, LPs, companies and other types of vehicles and ensuring disclosure is sufficient to clearly enable investors to assess the alternative investment fund. Those entities are subject to detailed governance, reporting and licensing requirements together with a prescribed level of disclosure for investors. Although a more rigorous regulatory framework applies, it is still flexible in terms of facilitating many forms of investment strategies easily. Points to be aware of for public funds would be mandatory audit, Jersey residency requirements for a regulated Jersey general partner or corporate fund board, baseline expectations on custody/prime brokerage arrangements and additional scrutiny for borrowing of more than 200% of NAV.

Managers should also check the laws of the jurisdictions in which the fund is marketed (particularly any interaction

with non-Jersey requirements for AIFMD) and any local rules applicable to the jurisdiction of the underlying assets.

As with other aspects, detailed requirements apply to Recognized Funds but are not detailed here due to the limited use of that fund type.

9. What is the local tax treatment of (a) resident, (b) non-resident, (c) pension fund and (d) sovereign wealth fund investors (or any other common investor type) in Alternative Investment Funds? Does the tax status or preference of investors or the tax treatment of the target investments primarily dictate the structure of the Alternative Investment Fund?

Jersey operates a “zero/ten” corporate income tax regime. The general corporate tax rate is 0%, with a 10% rate applying only to certain defined financial services companies and a 20% rate to utility companies, large corporate retailers, cannabis businesses, certain petroleum importation companies and Jersey-source real property income. There is no capital gains tax, no inheritance tax, and no net wealth tax in Jersey. Critically, there are no withholding taxes on dividends, interest, or royalties paid by Jersey investment vehicles.

Certain collective investment funds and securitisation vehicles can elect to be exempt from income tax (other than on income from Jersey land or property) for an annual fee (at the time of writing GBP 500). This “exempt fund” status is available under Article 118C of the Income Tax (Jersey) Law 1961 to “eligible investment schemes.”

Jersey levies a goods and services tax (GST) at a standard rate of 5%. However, entities qualifying for International Services Entity (ISE) status – which is automatically available to a wide range of Jersey-based funds and financial services providers, including fund administrators, fund managers, and managed entities – are not required to register for GST if they are registered as an ISE. The main benefit of being registered as an ISE is that the entity will not suffer GST on supplies received from Jersey suppliers. There is an annual fee payable to benefit from ISE status.

Jersey-Resident Investors

Jersey-resident individuals are typically liable to income tax at a flat rate of 20% on their worldwide income. Jersey-resident individuals who invest in a Jersey fund will therefore be subject to income tax at up to 20% on

income distributions received from the fund, regardless of whether the fund itself is tax-exempt.

Jersey-resident companies are taxed under the zero/ten regime. A corporate investor that falls within the general 0% rate would not bear Jersey corporate tax on fund returns. A financial services company investor, however, would be subject to the 10% rate on its income. Utility companies and other companies liable at the 20% rate on their trading income would be liable at 20% on income distributions from Jersey funds.

Since there is no capital gains tax in Jersey, gains realised by Jersey-resident investors on the disposal of interests in a fund are generally not subject to Jersey tax.

Non-Resident Investors

Non-resident investors benefit considerably from Jersey’s tax regime. Non-residents are generally exempt from Jersey income tax on Jersey-source income in certain circumstances. Specific exemptions for non-residents include exemptions on bank interest, interest received from a Jersey-resident company, profits and earnings from director positions, and dividends received from Jersey companies to the extent paid out of profits taxed at the 0% rate.

Where a non-resident investor is structured as a tax transparent entity such as an LP, the non-resident investor would only be liable to Jersey income tax where the underlying source of income would be taxable if received directly by the non-resident investor, for example, Jersey property income.

There are no withholding taxes on dividends, interest, or royalties paid by Jersey entities to non-residents, meaning distributions and returns from a Jersey fund can flow to non-resident investors gross (i.e., without any Jersey tax deduction at source).

Where the fund has elected for exempt fund status, the fund itself will not be subject to Jersey income tax (other than on Jersey property income), and non-resident investors will generally have no Jersey tax liability on their fund returns. Non-resident investors may, of course, be subject to tax in their home jurisdiction on their share of income or gains from the fund, and it is typically the investor’s home-jurisdiction tax position that is the primary concern.

Pension Fund Investors

Jersey does not impose any specific or differential tax regime on pension fund investors in funds. Since the general corporate rate is 0% and there are no withholding

taxes, a pension fund – whether Jersey-resident or non-resident – investing in a Jersey fund is in substantially the same position as any other institutional investor. No additional Jersey tax exemption is needed to achieve tax neutrality for pension fund investors because the underlying tax burden in Jersey is already nil or negligible for most fund structures.

The Income Tax (Jersey) Law 1961 does provide for certain pension scheme manager exceptions under Article 123G. Whether a pension fund qualifies for any specific exemption will depend on its particular circumstances, but the practical significance of such exemptions is limited given the 0% general rate.

The tax treatment of the pension fund in its home jurisdiction (e.g., whether it retains its tax-exempt status when investing in an offshore fund, and whether the applicable double taxation agreement provides for treaty benefits) is likely to be the more commercially significant consideration.

Sovereign Wealth Fund Investors

As with pension funds, Jersey does not impose any specific or differential tax regime on sovereign wealth fund (SWF) investors. Given the 0% general corporate tax rate and the absence of withholding taxes, an SWF investing in a Jersey fund will generally face no Jersey-level taxation on fund distributions or returns.

The key consideration for SWFs is typically their treatment in jurisdictions where the fund's underlying investments are located and in the SWF's home jurisdiction – for example, whether the SWF benefits from sovereign immunity from taxation in those jurisdictions, and whether a Jersey fund vehicle will be “looked through” for the purposes of applying any applicable double taxation agreements or sovereign immunity protections.

Does Tax Status or Investor Preference Primarily Dictate Fund Structure?

Jersey's tax environment is broadly tax-neutral by design: the 0% general corporate rate, the absence of withholding taxes, and the availability of exempt fund status mean that Jersey itself imposes minimal tax friction on fund returns regardless of the investor's identity or tax status. As a result, the tax status of investors does not typically drive the choice of fund structure in Jersey to the same degree it might in higher-tax jurisdictions.

Instead, the structuring of a Jersey fund is primarily influenced by:

(a) investor home-jurisdiction tax treatment: The critical tax-structuring question is usually how the investor's home jurisdiction taxes returns from an offshore fund – for example, whether a particular vehicle type (limited partnership, company, unit trust) is transparent or opaque for the investor's home-jurisdiction purposes, and whether the structure can access relevant double taxation agreements;

(b) transparency vs. opacity: Jersey limited partnerships are commonly used as the vehicle of choice for alternative investment funds because they are typically treated as tax-transparent in most major investor jurisdictions, allowing investors to be taxed directly on their share of the fund's income and gains without an entity-level tax charge. Jersey companies, by contrast, are generally treated as opaque for foreign tax purposes;

(c) tax treatment of target investments: Where the fund invests in jurisdictions that impose withholding taxes or other source-country taxation, the structure may need to be designed to access double taxation agreements or to minimise withholding tax leakage. Jersey itself has a limited network of DTAs, which may influence whether the fund holds assets directly or through intermediate holding entities in treaty jurisdictions;

(d) regulatory and commercial factors: Jersey offers a range of regulated and unregulated fund products (certified funds, Jersey private funds, listed funds, etc.), and the choice among these is driven primarily by the target investor base, the asset class, the desired speed-to-market, and the applicable regulatory requirements – not by tax considerations;

(e) GST and ISE considerations: While not a structuring driver in the same sense, the availability of ISE status ensures that the fund and its service providers can operate in a GST-efficient environment, which is a practical operational benefit rather than a structural determinant; and

(f) Pillar Two / MCIT: For very large multinational enterprise groups with consolidated revenue of EUR 750 million or more, Jersey has introduced a Multinational Corporate Income Tax (MCIT) at 15%, effective for fiscal years starting on or after January 1, 2025. Most Jersey funds remain unaffected, but for in-scope MNE groups, this may be a structuring consideration.

In summary, the tax treatment of the fund and its investors in Jersey does not primarily dictate fund structure because Jersey's regime is inherently low or no tax at the fund level. The primary structural drivers are instead the tax position of investors in their home

jurisdictions, the tax treatment of the underlying investments in the jurisdictions where they are located, and the regulatory and commercial preferences of the fund promoter and its investors.

10. What rights do investors typically have and what restrictions are investors typically subject to with respect to the management or operations of the Alternative Investment Fund?

Investors are usually not involved in the day-to-day management (particularly in LPs) so that their limited liability protection is preserved, although a variety of investor rights are relatively standard subject to entity type and market norms and would tend to be set out in a combination of a fund's constitutional documents, an investor's subscription documentation and any agreed side letters. In the context of investors in LPs, statutory safe harbours expressly state what activities are permitted that will not affect their limitation of liability.

Common investor rights in relation to the management or operation of a Jersey fund include:

- (a) voting rights on fundamental restricted issues or consent matters, such as replacing the general partner, extending the term or approving material amendments;
- (b) investor advisory committee participation (where applicable), often referred to as an 'LPAC' for LPs, with the committee advising on agreed key issues such as conflicts, key period extensions, continuations and specified transactions;
- (c) regular information and reporting, including NAV or capital-account information and annual audited accounts where required; and
- (d) consent or consultation rights for related-party transactions, key-person or key adviser related events and other specified reserved matters.

11. Where customization of Alternative Investment Funds is required by investors, what types of legal structures are most commonly used?

Jersey's flexible regulatory framework supports a range of legal structures that enable fund managers to accommodate bespoke investor requirements. Where customisation is needed, the most commonly used structures include dedicated feeder vehicles, co-investment and parallel vehicles, and, for certain fund

types, separate managed accounts. In addition, where the investor audience is known in advance, the fund's governing documents can incorporate excuse and exclusion provisions to provide further flexibility.

Often the type of legal structure will mirror those commonly used for the main fund itself, namely LPs or companies.

Regulatory requirements that apply to the main fund can also apply to such vehicles including regulatory investor criteria.

Jersey feeder vehicles whose sole or exclusive purpose is to invest in a main or "master" fund can be used to accommodate investors with specific requirements, such as:

- (a) tax structuring: investors from different jurisdictions may need to invest through a vehicle that is transparent or opaque for their home-jurisdiction tax purposes (e.g., a corporate feeder for certain institutional investors or a partnership feeder for tax-transparent treatment);
- (b) regulatory requirements: certain investor types (e.g., pension funds, insurance companies) may be subject to home-jurisdiction rules that require investment through a specific vehicle type or in a specific jurisdiction; and
- (c) currency hedging: a feeder denominated in the investor's preferred currency, with hedging at the feeder level, can avoid exposing other investors to the cost of hedging.

Co-investment vehicles allow selected investors to participate alongside the main fund in specific investment opportunities, typically on a deal-by-deal basis and often on reduced or no-fee/no-carry terms. Parallel investment vehicles invest alongside the main fund in substantially all of its investments, typically at the same time and on the same terms, but through a separate legal entity.

For certain fund types and investor relationships – particularly where a single institutional investor (such as a sovereign wealth fund, pension fund, or large family office) wishes to have direct control over investment parameters, asset allocation, or specific restrictions – a separate managed account (SMA) may be used. SMAs are typically established as standalone vehicles (often a Jersey company or limited partnership) with bespoke investment management agreements tailored to the individual investor's requirements.

Where the investor audience is known in advance and the commercial terms of the fund support flexibility, the

fund's governing documents — typically the limited partnership agreement or memorandum and articles — can incorporate excuse and exclusion rights. These provisions allow investors to be excused from, or elect not to participate in, specific investments for bona fide legal, regulatory, tax, or policy reasons (e.g., a pension fund investor that is prohibited from investing in certain asset classes or jurisdictions, or an investor with restrictions on investments that would create unrelated business taxable income).

Implementing any of the above customisation structures requires careful attention to several regulatory and commercial considerations, particularly for more regulated (public) fund types or for those subject to the Alternative Investment Funds Code of Practice issued by the JFSC (AIF Codes):

(a) conflicts of interest; (b) fair treatment and preferential treatment; (c) investment/order allocation; (d) side letters; (e) fee arrangements; and (f) suitable disclosure.

In all cases, the overarching principles are usually that customisation structures must be established and operated within a framework that ensures fair treatment of all investors, robust conflicts of interest management, transparent allocation of investment opportunities, and adequate disclosure of any preferential rights or arrangements.

12. Are managers or advisers to Alternative Investment Funds required to be licensed, authorised or regulated by a regulatory body?

General position

On the face of it, carrying on investment advisory and investment management activities in or from within Jersey by way of business is a regulated activity under the Financial Services (Jersey) Law 1998 (**FSJL**) that requires registration with the JFSC. A Jersey company or LLC shall not carry on such business in any part of the world without being registered. Investment advice is also considered to be given where the advice is received (reach in) so can impact non-Jersey investment advisers potentially.

JPFs

In respect of managers or advisers acting in relation to JPFs (or indeed less regulated investment vehicles), there are exemptions available that would typically enable the manager or adviser to carry out such activities without being registered with the JFSC. The most common are

pursuant to the Financial Services (Investment Business (Restricted Investment Business – Exemption)) (Jersey) Order 2001 and/or the Financial Services (Trust Company Business (Exemptions No.5)) (Jersey) Order 2001 (**PIRS Orders**) which provide exemptions to both investment business and trust company business in tandem. These orders are structured so that the exemption is available to 'professional investors' or those subscribing for a minimum of £250,000 (or currency equivalent). Those investors must also receive and sign a prescribed investment warning.

This would also operate to ensure that an overseas investment adviser was exempt from any additional regulation in Jersey in this regard.

An overseas manager or adviser will still remain subject to the regulatory regime in its home jurisdiction and would usually operate under an investment management or advisory agreement. Jersey does not require a manager of a JPF to be in Jersey alongside the fund, but a Jersey fund would always be expected to retain appropriate oversight, records and responsibility for any delegated management activities. Confirmation of the appropriate regulatory position for a manager or adviser should always be confirmed before commencing services to a Jersey fund.

Public funds

A person conducting fund services business in respect of a public fund (namely a collective investment fund that is not a Recognized Fund or an unregulated fund) or investment business generally needs the appropriate registration under the FSJL. In practice, for example with a Jersey expert fund, this would mean that a Jersey general partner of an LP that was a collective investment fund or a manager to a corporate fund would tend to be regulated for fund services business in Jersey on a lighter touch 'manager of a managed entity' basis and is supported by the Jersey fund administrator in relation to its regulatory obligations. In relation to a non-Jersey adviser or manager, as part of the regulatory approval process of the fund, it will have to provide various confirmations to the JFSC but usually does not have to be separately regulated in Jersey for those activities.

13. Are Alternative Investment Funds themselves required to be licensed, authorised or regulated by a regulatory body?

Yes. Jersey offers a range of classifications, but the two most commonly used for alternative investment funds are JPFs and Expert Funds. Additional approvals may be

required where AIFMD also impacts the fund.

JPFs

As a light-touch regime, a JPF is established with consent under the Control of Borrowing (Jersey) Order 1958 (**COBO**), and the application is filed online by a JFSC-regulated Designated Service Provider (**DSP**). It is anticipated that COBO will gradually be replaced and the legislation under which approvals for JPFs are requested will move to separate legislation in due course.

For a "very private" JPF (15 or fewer offers), the appointed DSP can potentially be regulated only for trust company business or a class of fund services business other than the specified classes of fund services business required otherwise (administrator, manager, investment manager or trustee classes of fund services business).

Expert Fund

An Expert Fund is a fast-track public collective investment fund for expert investors and requires to obtain a certificate from the JFSC pursuant to the Collective Investment Funds (Jersey) Law 1988 (**CIF Law**). Authorisation is typically targeted within about three working days although the request for the certificate would also tend to operate in tandem with requested fund services business approvals for a Jersey general partner or manager, approval of principal persons and key persons under the FSJL and review by the JFSC of the offering document. As such, typically advisers would recommend at least 10 working days be factored in from submission and if principal or key persons are not previously known to the JFSC, they should allow 30 working days for the approval to be provided to facilitate the JFSC's background checks.

Listed funds

A Jersey Listed Fund is a closed-ended Jersey company that is a collective investment fund under the CIF Law and is listed on a stock exchange or market recognised by the JFSC. Its approval process will usually be similar, albeit not identical, to an Expert Fund subject to the Listed Funds Guide issued by the JFSC.

Recognised venues under the Listed Fund Guide include the London Stock Exchange main market, AIM, TISE, NYSE, NASDAQ and Euronext, among many others. The streamlined authorisation process is targeted within about three working days in a similar manner to Expert Funds and the request for the certificate would also tend to operate in tandem with any requested fund services business approvals for a Jersey manager and related principal persons or key persons as set out above.

REITs (including private REITs) and other listed real estate vehicles are commonly structured or listed through Jersey; TISE is a cost-effective venue often used for REITs, and this area is likely to attract further interest.

Other options

Unregulated Funds are notification-only structures with no direct ongoing JFSC supervision, they are not AIFMD-compatible, cannot be marketed into the EEA and cannot be listed.

Eligible Investor Funds are public collective investment funds for investors meeting higher qualification thresholds, broadly through substantial net worth or assets or a substantial minimum investment. They are relatively rare as originally designed in part to provide an AIFMD-compatible certified fund option to allow unregulated funds to transition to a public fund structure. Details of requirements, including criteria for investors, are set out in the Eligible Investor Fund Guide issued by the JFSC and the Collective Investment Funds (Certified Funds – Prospectuses) (Jersey) Order 2012 (**CFPO**).

As noted above, Recognized Funds are the most heavily regulated, retail-facing category. They and their functionaries require a separate authorisation process under the CIF Law.

14. Does the Alternative Investment Fund require a manager or advisor to be domiciled in the same jurisdiction as the Alternative Investment Fund itself?

No, generally, Jersey does not require the manager or investment adviser to be domiciled in the same jurisdiction as the Jersey fund.

For practical reasons, including tax structuring, economic substance and ease/cost of administration of entities, in most cases the governing body of the fund (general partner of an LP or board of a company) will be based in Jersey and supported by an investment manager or adviser based outside of Jersey that contracts with the fund.

Care should be taken that where a non-Jersey manager or advisor is appointed to a structure that it doesn't carry out activities that would require it to be registered in Jersey.

15. Are there local residence or other local

qualification or substance requirements for the Alternative Investment Fund and/or the manager and/or the advisor to the fund?

There is no single generally applicable residence or substance rule for every structure or regulatory type and should be considered on a case-by-case basis but certain key aspects are highlighted below.

Residence – JPFs

In relation to residence, for a JPF the JFSC's expectation is for a JPF to be established:

- (a) in Jersey; and/or
- (b) to have its governing body and management and control in Jersey.

Where a JPF is established in a country or territory outside of Jersey, having its governing body and management and control outside of Jersey, post authorisation the JFSC will request additional data on the JPF from the DSP, to establish the indirect but relevant nexus to Jersey.

A JPF established in Jersey shall take the form of a Jersey company (including a PCC, an ICC or any cell thereof), an LLC, a partnership (including LPs, LLPs, SLPs or ILP) or a unit trust.

A JPF established in a country or territory outside of Jersey shall be incorporated or constituted, as applicable, in such equivalent form as is permitted under the laws of the relevant country or territory.

While there is no explicit requirement for the governing body and management and control of a JPF to be in Jersey, the JFSC's expectation is for at least one or more Jersey resident directors to be appointed to a JPF's board or, if different, to the board of its governing body.

A JPF will also have to appoint a DSP that is suitably regulated by the JFSC for Fund Services Business and/or Trust Company Business under the FSJL. This requirement ensures a minimum level of Jersey-regulated substance is associated with every JPF.

Residence – Expert Funds / Listed Funds

An Expert Fund may take any form recognised under the laws of Jersey. If an Expert Fund is established as a fund company in Jersey, at least two Jersey-resident directors with appropriate experience must be appointed to the board. If the Expert Fund is a limited partnership, a Jersey entity with at least two Jersey-resident directors with

appropriate experience should act as the general partner; similarly, if it is a unit trust, the trustee should have at least two Jersey-resident directors.

For Listed Funds, at least two Jersey resident directors with appropriate experience must be appointed to the board of the fund company. A majority of the directors of the board of the fund company (including the chairman) must be independent.

Residence and Qualifications – Managers and advisors

Where a manager or advisor is registered for investment business or fund services business in Jersey, the relevant Codes of Practice, the FSJL and other legislation impose a variety of local registration, residence and qualifications required for those registrations. For example, the Fund Services Business Code of Practice imposes a requirement for the board of the registered person to include at least two directors who are resident in Jersey.

For non-Jersey managers and advisers, in relation to a JPF, the DSP is required to ensure that all necessary due diligence on the JPF and its promoter (which is typically the investment managers or advisor to be appointed to the fund) is carried out and ensuring that the promoter of the JPF has put in place appropriate measures to ensure that all service providers to the JPF are fit and proper and can fulfil the tasks in a responsible, professional and suitable manner.

For Expert Funds and Listed Funds, where an investment manager (or manager for a Listed Fund) or advisor is located outside Jersey, the applicable fund guide imposes qualification requirements. These include that they:

- (c) should be established in an OECD member state or a jurisdiction with which the JFSC has entered into a Memorandum of Understanding, and must be either regulated in that jurisdiction or granted approval to act by the JFSC (or in the case of Listed Funds meet prescribed requirements);
- (d) must possess relevant experience in relation to managing or advising on investors' funds using similar investment strategies;
- (e) have had no disciplinary sanctions imposed on them by any supervisory authority or professional body in the previous five years;
- (f) have no convictions, be cash flow solvent and meet the JFSC's requirements for corporate governance regarding span of control.

The fund's Jersey-regulated administrator, manager, or trustee must counter-sign a confirmation that it has carried out its own due diligence on the investment manager.

Economic Substance Requirements

Jersey introduced economic substance legislation effective January 1, 2019, through the Taxation (Companies – Economic Substance) (Jersey) Law 2019. This was followed by the Taxation (Partnerships – Economic Substance) (Jersey) Law 2021. The 2019 law requires Jersey-resident companies carrying on “relevant activities” to demonstrate adequate economic substance in Jersey, including having adequate people, premises, and expenditure. Importantly, these requirements do not apply to a company that is not seeking to have Jersey tax residency (which can be the case where you have a Jersey company that is managed and controlled elsewhere, such as the UK and is tax resident in that other jurisdiction).

Fund management business is a defined “relevant activity” under the law, covering the business of being a manager (including general partner), investment manager, or trustee of a collective investment fund (or equivalent). A Jersey-resident company that carries on fund management business must therefore meet the economic substance test, which involves demonstrating that the company is directed and managed in Jersey and conducts core income-generating activities in Jersey with adequate qualified employees, adequate expenditure, and adequate physical premises.

Importantly, however, the fund vehicle itself is generally excluded from the substance requirements: business conducted by a collective investment fund (or a fund that would be a collective investment fund were it not for the offer of units not constituting an offer to the public) is not a “relevant activity” for the purposes of the economic substance law. This means the substance obligations fall on the managing entity (such as the general partner) rather than on the fund vehicle directly.

16. What service providers are required by applicable law and regulation?

Required providers depend on the regulatory category and structure.

A JPF must appoint a Jersey-regulated DSP to file the regulatory application, perform the required investor due diligence and oversee ongoing compliance. The DSP is also likely to act as an AML service provider for the

purposes of the Proceeds of Crime (Jersey) Law 1999. A JPF is not required to appoint an auditor but may if it opts to do so.

Certified Funds generally require a Jersey-licensed administrator, manager (which includes a general partner for this purpose) or trustee of a unit trust as applicable. Typically an investment manager or investment adviser is also appointed to the fund. Expert and Listed Funds must be audited. Listed Funds are likely to require a registrar and listing sponsor/agent (or similar).

A custodian or depositary is not mandatory in all cases but it is necessary for Expert and Listed Funds to have adequate arrangements for the safe custody of the property of the fund. Open ended Expert Funds have separate requirements set out under the Expert Fund Guide. AIFMD requirements arising outside of Jersey may require the appointment of a depositary depending on the jurisdiction.

Local legal counsel should be appointed to ensure the chosen arrangements are effective and are required in order to submit applications for authorisation for public funds.

17. Are local resident directors / trustees required?

See Q15 above.

18. What rules apply to foreign managers or advisers wishing to manage, advise, or otherwise operate funds domiciled in your jurisdiction?

Foreign managers and advisers can work with Jersey funds in several ways: (i) register in Jersey for the relevant fund services or investment business; (ii) use a managed-entity arrangement in which a JFSC-regulated Jersey host is the licensed principal; or (iii) act under delegation or sub-advisory arrangements with a Jersey-licensed GP, trustee, administrator or management company. The foreign firm must comply with its home-jurisdiction rules, and the Jersey principal must retain oversight. Jersey has no AIFMD marketing passport. A Jersey fund marketed into an EU/EEA member state will generally need to use that state's national private placement regime (**NPPR**), obtain any required AIF Certificate for the fund and AIF Services Business registration for the AIFM (or make a sub-threshold AIFM notification), and comply with the AIF Codes and the target state's rules. UK marketing is subject to the UK's separate regime.

19. What are the common enforcement risks that managers face with respect to the management of their Alternative Investment Funds?

Common enforcement risks managers and funds should be mindful of addressing with the support of their fund administrator and advisers are:

- (a) carrying on regulated business for Jersey purposes without the required licence or outside an exemption;
- (b) breaching a JFSC Code of Practice, relevant Guide requirements or filing obligation or investor-disclosure requirement;
- (c) weak AML/CFT/CPF, customer due diligence, sanctions screening or transaction monitoring, policies or procedures;
- (d) poor or inconsistent governance, review or monitoring;
- (e) misleading marketing or marketing of a fund in contravention of Jersey requirements or the requirements in which investors are based, including AIFMD;
- (f) failures under the Proceeds of Crime (Jersey) Law 1999 and related legislation;
- (g) data-protection breaches;
- (h) insider dealing for Listed Funds; and
- (i) unmanaged conflicts.

The JFSC can impose a variety of sanctions depending on the regulatory framework applying to the fund, manager or advisor, including financial penalties, public statements, restrict or revoke a licence, request information and documents, refer matters for prosecution or make enquiries with foreign regulators.

20. What is the typical level of management fee paid? Does it vary by asset type?

Jersey does not regulate or prescribe typical management fee levels for alternative investment funds. For JPFs, best practice is to ensure that all fees, charges, remuneration, and expenses — both initial and recurring — are fully and transparently disclosed to investors, but the framework does not cap or set market rates. This approach is reinforced more prescriptively for public funds such as Expert Funds where the Certified Funds Code requires that funds must be open and transparent about the fees, charges and any other remuneration or expenses (both initial and recurring) charged to the fund,

and any arrangements to amend them. The AIF Codes also require fee disclosures where AIFMD applies.

The management fee levels set for Jersey funds will reflect general market practice from time to time and jurisdictional norms of the manager, advisor and/or investors, strategy, leverage, size and investor bargaining power and can be a product of negotiation between a fund/manager/advisor and investors.

Fee structures are not limited to management fees and carried interest. Jersey fund fee arrangements commonly include additional components such as:

- (a) transaction fees and deal fees (particularly in private equity), which may be shared with the fund or offset against management fees;
- (b) monitoring and advisory fees charged by the manager/advisor to portfolio companies;
- (c) administration, custody, and audit fees borne by the fund; and
- (d) organisational and placement fees associated with the fund's establishment and capital raising.

The following table reflects suggested broad industry ranges/approaches to management fees and should be read as indicative starting points for information only to be verified in each case rather than prescribed ranges as ranges across asset classes as the approaches of different managers can be difficult to verify from time to time:

Asset Class	Typical Management Fee (% per annum)	Typical Performance Fee / Carried Interest	Notes
Private equity / buyout	1.5% - 2.0% on committed capital (investment period); stepping down to 1.0% - 1.5% on invested capital (post-investment period)	20% carried interest over a preferred return (hurdle) typically of 8%	Fee base commonly transitions from committed to invested capital after the investment period ends. Catch-up provisions and whole-fund vs. deal-by-deal waterfalls vary.
Venture capital	2.0% - 2.5% on committed capital	20% carried interest, often with no preferred return or a lower hurdle	Higher management fees reflect the intensive portfolio management and smaller fund sizes typical of early-stage investing.
Real estate	1.0% - 2.0% on committed or invested capital (depending on strategy: core vs. opportunistic)	15% - 20% carried interest over a preferred return typically of 6% - 8%	Core and core-plus strategies tend toward lower management fees; value-add and opportunistic strategies command higher fees.
Infrastructure	1.0% - 1.5% on committed or invested capital	10% - 20% carried interest over a preferred return typically of 7% - 8%	Fees tend to be lower than private equity given the long-duration, income-generating nature of infrastructure assets.
Hedge funds	1.0% - 2.0% on net asset value	15% - 20% performance fee, often subject to a high-water mark	The traditional "2 and 20" model has come under sustained pressure; many hedge funds now charge closer to 1.0% - 1.5% management fee and 15% - 20% performance fee.
Private credit / debt	1.0% - 1.5% on committed or invested capital	10% - 20% carried interest (or performance fee) over a preferred return	Reflects the lower-risk, income-oriented nature of credit strategies.
Fund of funds	0.5% - 1.5% on committed or net asset value	0% - 10% carried interest / performance fee	An additional layer of fees on top of underlying fund fees; fee pressure has been particularly acute in this segment.

21. Is a performance fee or carried interest typical? If so, does it commonly include a "high water mark", "hurdle", "water-fall", "preferred return" or other condition? If so, please explain.

See Q20 above. A performance-based fee component is typical in virtually all categories of Jersey alternative investment fund, though its form varies by asset class. In closed-ended funds (private equity, venture capital, real estate, infrastructure), the performance component usually takes the form of carried interest – a share of the fund's profits allocated to the manager or general partner. In open-ended funds (usually hedge funds), the performance component is typically structured as a performance fee calculated as a percentage of the net gains in the fund's NAV.

High-water mark

A high-water mark ensures that a performance fee is only charged when the fund's NAV per unit exceeds the highest NAV per unit at which a performance fee was previously paid. This prevents the manager from earning a performance fee on the same gains twice – i.e., if the fund declines and then recovers, the manager must first recoup the previous loss before earning a new performance fee. High-water marks are standard in hedge fund structures. They are less common in closed-ended fund structures where carried interest mechanics serve a similar protective function through preferred returns and clawback provisions.

Hurdle rate (preferred return)

A hurdle rate – often referred to as a "preferred return" in closed-ended fund structures – is the minimum rate of return that must be achieved by the fund before the manager becomes entitled to a performance fee or carried interest. In private equity, the typical preferred return is 8% per annum (compounded), meaning that investors receive all distributions until they have received their contributed capital back plus an 8% annual return. Only after the preferred return has been met does the manager begin to participate in profits through carried interest. In hedge fund structures, a hurdle rate may be applied before the performance fee is calculated, though many hedge funds do not use a hurdle and rely solely on a high-water mark.

Waterfall

The term "waterfall" refers to the order of priority in which the fund's profits are distributed between investors and the manager. In closed-ended funds, the most common waterfall structures are:

(a) whole-fund waterfall: Carried interest is calculated and distributed only after investors have received back their entire contributed capital plus the preferred return across the fund as a whole. This is generally considered more investor-friendly because the manager does not receive carry until the fund's overall performance exceeds the hurdle; and

(b) deal-by-deal waterfall: Carried interest is calculated and distributed on a deal-by-deal basis as each investment is realised. This is more favourable to the manager because carry can be earned on profitable exits even if other investments have not yet been realised or have produced losses. Deal-by-deal waterfalls typically include a clawback mechanism (see below) to protect investors in case the fund's overall performance does not ultimately meet the hurdle.

The choice of waterfall structure is one of the most commercially significant terms in a closed-ended fund and is a key point of negotiation between the manager and its investors.

Catch-up

A catch-up provision allows the manager, once the preferred return has been paid to investors, to receive an accelerated share of profits (often 100% of the next tranche of distributions) until the manager has "caught up" to its carried interest percentage on all profits distributed to that point. For example, with a 20% carried interest and a full catch-up, once investors have received their preferred return, the next distributions go entirely to the manager until it has received 20% of all cumulative profits — after which the remaining profits are split 80/20 between investors and the manager.

Clawback

A clawback provision requires the manager (or, in practice, the individual carry recipients) to return excess carried interest previously distributed if, at the end of the fund's life, the aggregate distributions to the manager exceed its entitlement based on the fund's overall performance. Clawbacks are standard in deal-by-deal waterfall structures.

22. Are fee discounts / fee rebates or other economic benefits for initial investors typical in raising assets for new fund launches?

Yes. Fee discounts and other economic benefits for early or initial investors are a well-established and common feature of alternative investment fund launches in Jersey,

as they are globally. The most common forms include:

(a) first-close or management fee discounts: Investors who commit capital at the first close (or within a specified early period) receive a reduced management fee and/or reduced carried interest / performance fee for the life of the fund;

(b) founder share classes or fee classes: The fund establishes a separate share or interest class with lower fee economics, available only to investors who commit before a specified date or at a minimum commitment size. Once the founder class is closed, subsequent investors participate through the standard fee class;

(c) fee rebates: Rather than reducing the headline fee, the manager rebates a portion of the management fee or carried interest to early investors, either directly or through a reduction in subsequent fee calculations. This achieves the same economic result as a discount while preserving a uniform headline fee structure;

(d) seed investor arrangements: A seed investor who provides the initial capital to launch a fund may receive a share of the fund's management fee revenue in addition to (or in lieu of) a fee discount, effectively creating a revenue-sharing arrangement that rewards the seed investor for the reputational and economic risk of being the first committed capital;

(e) co-investment rights: Early investors may be granted priority or exclusive access to co-investment opportunities alongside the fund, often on a reduced-fee or no-fee/no-carry basis. This is particularly common in private equity and real estate fund launches; and

(f) advisory board or governance seats: Early investors may be offered a seat on the fund's advisory committee or LPAC which, while not a direct economic benefit, provides governance influence, an element of possible control and information access that is valued by institutional investors.

Other options including priority access to later fund raises or enhanced reporting. These terms are usually documented in a side letter, constitutional documents or within a separate class of interests. First-close incentives may taper at later closings, and 'most favoured nation' (MFN) provisions may give other investors a right to elect equivalent terms.

23. Are management fee "break-points" offered based on investment size?

Yes. Tiered fee structures under which the effective

management fee rate decreases as the size of an investor's commitment or investment increases are a fairly common and well-established feature of Jersey alternative investment funds across asset classes. They reflect the logic that larger investors contribute proportionally more to a fund's asset base and are therefore in a stronger negotiating position to secure reduced fee rates. Larger commitments commonly receive a lower management fee, either through a tiered schedule, a negotiated rate and funds can utilise a combination. Funds should ensure that any tiered fee schedule or individually negotiated break-point is clearly documented in the constitutive documents, side letters, or offering materials and disclosed in accordance with the applicable regulatory framework requirements.

24. Are first loss programs used as a source of capital (i.e., a managed account into which the manager contributes approximately 10-20% of the account balance and the remainder is furnished by the investor)?

First-loss programmes in which the manager funds a buffer for an account are not a common feature of Jersey-domiciled funds which tend to be largely closed ended where manager co-investment is much more common and is used to align interests.

These programs are most relevant to emerging hedge fund and liquid alternatives managers rather than to the closed-ended funds such as venture capital, private equity, real estate, and infrastructure funds.

Jersey's regulatory framework is flexible enough to accommodate first loss arrangements – there is no prohibition or specific restriction – but the arrangements require careful structuring, documentation, and attention to disclosure, conflict of interest, and (where the structure involves pooling) fund authorisation requirements. Managers considering a first loss program should take specific legal and regulatory advice on the structure and its implications under Jersey law.

25. What are the typical terms of a seeding / acceleration program?

Seeding and acceleration programs are a recognised capital-raising tool in the alternatives industry, most commonly associated with emerging hedge fund managers but also used across other strategies. Jersey's regulatory framework is flexible enough to accommodate these arrangements without specific restrictions, subject to addressing typical issues of investor eligibility, fee

disclosure, preferential treatment transparency, and conflicts of interest management.

Seeding and acceleration programs are capital introduction arrangements under which a seed investor – typically a specialist seeding platform, fund of funds, family office, or institutional allocator – provides launch capital to a new or emerging fund manager in exchange for economic participation in the manager's business, usually through a share of the management company's revenues and/or carried interest. These programs are designed to help managers overcome the "cold start" problem of launching a fund without a meaningful asset base or track record.

While the terms of seeding arrangements are bespoke and negotiated on a case-by-case basis, a number of typical structural and economic features are commonly seen across the industry:

(a) revenue share: The seed investor typically receives a share of the management company's revenue (i.e., a percentage of the management fees and/or performance fees earned by the manager) for a defined period. Typical revenue shares range from 15% to 30% of the manager's total revenue;

(b) duration: Seeding arrangements typically run for a fixed term, commonly 3 to 5 years from the fund's launch (or from the date of the seeding agreement), though longer terms of up to 7–10 years are seen in some arrangements;

(c) seed capital commitment: The seed investor's capital commitment level varies widely depending on the strategy and the manager's needs;

(d) fee terms on seed capital: The seed investor's capital is commonly invested at reduced or zero management fees and may also benefit from reduced or zero performance fees / carried interest in addition to (not a substitute for) the revenue share;

(e) equity stake in the management company and buyback arrangements: In some seeding arrangements, the seed investor receives a minority equity stake (or an economic interest structured as equity) in the management company itself, typically ranging from 10% to 25% together with a pre-agreed buyback mechanism under which the manager can repurchase the seed investor's revenue share or equity stake after a specified period at an agreed price;

(f) MFN and capacity rights: Seed investors commonly negotiate MFN provisions ensuring they receive terms at least as favourable as any subsequent investor. They

may also negotiate capacity rights — the right to increase their allocation to the fund (or to subsequent funds managed by the manager) up to a specified amount before external capital is accepted; and

(g) lock-up or other commitment period: The seed investor's capital is typically subject to a lock-up period longer than that applicable to other investors — commonly 2 to 3 years for hedge fund strategies, or the full fund life for closed-ended strategies. This ensures stability of the asset base during the critical early period. After the lock-up expires, withdrawal is usually subject to a notice period and may be staggered to avoid destabilising the fund.

Any agreement should also cover exclusivity, capacity, termination, conflicts and what happens if the fund does not reach its target size.

Acceleration programs are a variant of the seeding model, typically offered by institutional platforms or distribution networks rather than by a single seed investor. In an acceleration program, the platform provides a combination of capital, operational infrastructure (such as office space, compliance support, technology, and back-office services), and distribution support in exchange for a revenue share and/or equity participation. The economic terms are broadly similar to a traditional seeding arrangement, but the non-capital components — particularly the operational and distribution support — may represent a significant portion of the value exchanged.

26. What industry trends have recently developed regarding management fees and incentive/performance fees or carried interest? In particular, are there industry norms between primary funds and secondary funds?

The alternative investment fund industry, including Jersey-domiciled funds, has experienced significant and sustained fee compression and structural evolution over recent years. These trends are driven by institutional investor bargaining power, increased transparency, competitive pressure among managers, and a growing focus on alignment of interest between managers and investors. While Jersey's regulatory framework remains disclosure-based rather than prescriptive on fee levels, the commercial terms of Jersey funds reflect these broader global trends.

Recent trends include:

(a) pressure on headline management fees, particularly

for large institutional commitments;

(b) for closed-ended funds, a shift from charging management fees on committed capital throughout the fund's life to charging on committed capital only during the investment period, stepping down to invested capital (or net invested capital) thereafter;

(c) growing differentiation: top-quartile managers with strong track records can sustain or even increase their carry percentage, while emerging or mid-tier managers may need to offer reduced carry to attract capital;

(d) clearer fee-offset arrangements for deal, monitoring and similar fees; and

(e) closer scrutiny of which expenses may be charged to the fund.

In relation to distinctions between primary and secondary funds, secondary funds typically command lower management fees and carried interest than primary funds, reflecting their distinct risk/return profile. Management fees tend to be lower as secondary portfolios benefit from shorter duration to cash flow, reduced blind-pool risk, and earlier distribution profiles. Carried interest is also lower reflecting the reduced risk inherent in acquiring interests at a discount to NAV with greater visibility into underlying portfolio performance. Preferred returns can be broadly comparable, with some secondary managers setting a lower hurdle to reflect the accelerated return profile. GP-led secondary transactions and continuation vehicles have emerged as a significant sub-category, with fee terms typically set at the lower end, given the manager's informational advantage and the reduced blind-pool risk associated with known assets.

27. What restrictions are there on marketing Alternative Investment Funds?

Marketing in Jersey is regulated. Offering, distributing or circulating interests in a collective investment fund (i.e. a fund that constitutes a collective investment fund under the CIF Law) to persons in Jersey generally requires JFSC consent or an applicable exemption under the Collective Investment Funds (Jersey) Law 1988 and/or the Control of Borrowing (Jersey) Order 1958.

This Guide will not focus on the requirements applicable to non-Jersey alternative investment funds marketing into Jersey.

A JPF is not required to have a prospectus, private placement memorandum or an offer document unless it

is specifically required by another statutory requirement or applicable law, but it may do so, provided that such document contains the very limited content requirements stipulated by the JPF Guide. Although a JPF has no limits on the number of offers or investors it may have, offers must be made to a restricted group of investors (not an offer to the public).

Certified Funds, including Expert Funds and Listed Funds may make unlimited numbers of offers to the public, subject to the relevant investors meeting any relevant investor criteria as well as meeting the detailed offering document content requirements set out in the relevant guide (such as the Expert Fund Guide and Listed Fund Guide), the CFPO and where applicable, the AIF Codes.

Marketing outside Jersey must comply with the law of each target jurisdiction. Jersey is a third country under AIFMD, so EU/EEA marketing generally proceeds through the relevant national private placement regime rather than an AIFMD passport. The JFSC has confirmed that recent AIFMD II changes have a minimal effect on Jersey's national private placement regime.

28. Is the concept of "pre-marketing" (or equivalent) recognised in your jurisdiction? If so, how has it been defined (by law and/or practice)?

Jersey does not have a single statutory pre-marketing regime equivalent to the AIFMD framework. The regulatory focus is on when conduct amounts to an "offer" for subscription, sale, or exchange of interests within the meaning of the applicable legislation. Early discussions, draft term sheets, and testing investor appetite can be appropriate if they remain genuinely preliminary and do not amount to an offer or invitation to invest. Materials should be marked as non-binding and controlled carefully. If EU/EEA investors are approached, the pre-marketing rules of each relevant member state should also be checked.

29. Can Alternative Investment Funds be marketed to retail investors?

The fund category is determinative. A JPF expressly prohibits retail investors from investing directly or indirectly (except in limited circumstances). Expert Funds are restricted to Expert Investors, which by definition excludes retail participation. Listed Funds require an express investment warning stating that the fund is suitable only for professional or experienced investors, or those who have taken appropriate professional advice. Retail access in Jersey is associated with OCIFs and

Recognized Funds, and requires the relevant JFSC consent, detailed offering disclosures, and sophisticated ongoing regulatory and governance requirements. A fund marketed to retail investors outside Jersey must also satisfy each target jurisdiction's retail-distribution rules. In practice, most Jersey funds are aimed at professional or institutional investors.

30. Does your jurisdiction have a particular form of Alternative Investment Fund be that can be marketed to retail investors (e.g. a Long-Term Investment Fund or Non-UCITS Retail Scheme)?

Jersey does not have a widely used retail fund product equivalent to UCITS, the UK NURS or the EU ELTIF. Recognized Funds or OCIFs are the most likely retail-facing category, but Jersey's market is primarily professional and institutional. Where a sponsor needs a retail-accessible product for broad cross-border distribution to UK and EU investors, it is often more practical to establish it in a jurisdiction such as Luxembourg or Ireland, subject to the sponsor's advice and distribution plan.

31. What are the minimum investor qualification requirements for an Alternative Investment Fund? Does this vary by asset class (e.g. hedge vs. private equity)?

Requirements depend on the category. For a JPF, investors must satisfy the current JPF Guide's professional/eligible-investor requirements and changes in 2025 broadened the professional-investor definition to include, among others, UK FCA professional clients and US SEC accredited investors.

For an Expert Fund, each investor must be an Expert Investor—for example, by making a minimum initial investment of US\$100,000 (or currency equivalent) or meeting another limb of the Expert Investor definition—and must acknowledge the prescribed warning. Listed Funds have no minimum investment under the Listed Fund Guide, subject to the listing and fund documents. The requirements generally follow the regulatory category rather than the asset class. Eligible Investor Funds have higher headline investor thresholds and full details are set out in the Eligible Investor Fund Guide and the CFPO.

32. Are there additional restrictions on marketing

to government entities or similar investors (e.g. sovereign wealth funds) or pension funds or insurance company investors?

Jersey does not impose a separate marketing regime merely because the investor is a sovereign wealth fund, government entity, pension fund or insurer. The usual AML/CFT, beneficial-ownership and sanctions checks still apply. Enhanced due diligence is required for politically exposed persons (PEPs) and may be needed for other higher-risk or government-connected relationships. The investor must also satisfy its own mandate and regulatory constraints; US pension investors commonly require ERISA-related representations and covenants.

33. Are there any restrictions on the use of intermediaries to assist in the fundraising process?

Jersey does not generally prohibit placement agents or other fundraising intermediaries. An intermediary carrying on financial services business in or from Jersey may need a licence under the FSJL, though exemptions may be available, including under the PIRS Orders for intermediaries dealing with professional investors in qualifying fund structures such as JPFs or the FSJL itself.

A non-Jersey intermediary remains subject to its home regime.

In the case of Expert Funds and Listed Funds, it should be noted that if a distributor is not the investment manager or one of its associates (both terms as defined in the relevant guide) and it falls within certain prescribed criteria, it can be required to provide certain confirmations to the JFSC in relation to its role.

Placement arrangements should address AML/CFT, sanctions, anti-bribery and conflicts, and the fund's offering documents should describe material fees and benefits paid to the intermediary. Intermediaries should, particularly in the case of a JPF which can only be offered to a restricted circle of persons, be live to any jurisdictional restrictions or requirements in relation to the marketing of the fund to prospective investors.

34. Is the use of "side letters" restricted?

Jersey does not prohibit or restrict the use of side letters. They are a well-established feature of the Jersey funds market and are expressly contemplated within the regulatory framework.

They should be consistent with the fund's constitutional documents and applicable law, and should not create unmanaged conflicts, misleading disclosures or an impermissible advantage that the fund documents do not allow. Typically, a fund's governing or constitutional documents will expressly permit side letters and set out the key terms on which they can be entered into in order to ensure disclosure and clear authority. They should also not purport to conflict with contractual obligations owed by the fund or, if applicable, a general partner of an LP, to any other investors in the fund.

Care should be taken when entering side letters involving general partners that the relevant entity is entering into such letters in its appropriate capacity as certain obligations or waivers may be in its own capacity or in its capacity as general partner of the LP.

There should be a clear process for approving, recording and implementing side-letter terms in a consistent fashion and ensuring that MFN rights, fiduciary duties and any category-specific disclosure rules are respected.

For Certified Funds, the Certified Funds Code provides that the general fair-treatment obligation does not apply to any discount offered to or negotiated by an individual investor in relation to fees charged upon that investor's investment and does not require the fund to offer a similar discount to any other investor. Separately, the fair-treatment requirement does not apply to arrangements set out in a fund's constitutive documents, applicable rules, or material contracts that provide for preferential rights or treatment or confer other priorities on certain persons or classes.

Where the AIF Codes apply, the AIFM must disclose how it ensures fair treatment of investors and, whenever an investor obtains preferential treatment or the right to obtain preferential treatment, must provide a description of that preferential treatment, the type of investors who obtain it, and, where relevant, their legal or economic links with the AIF or AIFM.

35. Are there any disclosure requirements with respect to side letters?

There is no single general Jersey rule requiring every side letter to be disclosed to every investor which provides funds, managers and advisors with a great deal of flexibility.

Typically the fund constitutional documents and any MFN provisions determine what must be disclosed and to whom.

In practice, material terms may need to be reported to the LPAC (if applicable), the auditors where relevant, and investors with MFN rights, often in anonymised form.

Constitutional documents and where applicable, offering documents commonly state that side letters may be entered into and the key terms applicable to them.

The Certified Funds Code in relation to public funds does have mandatory disclosure requirements applicable to hedge funds, namely the existence of any side letters agreed by the Fund with one or more Unitholders and the extent to which the terms of any such side letters may have a material adverse effect on non-party Unitholders.

36. What are the most common side letter terms? What industry trends have recently developed regarding side letter terms?

Common side-letter provisions in the Jersey market include:

- (a) fee or carried interest discounts and break-points (as discussed earlier in this Guide);
- (b) co-investment rights or priority access to co-investment opportunities;
- (c) enhanced reporting or transparency rights, such as portfolio-level reporting or more frequent valuation data;
- (d) excuse and exclusion rights allowing the investor to opt out of specific investments for legal, regulatory, ethical or tax reasons;

(e) transfer restrictions or liquidity provisions, such as reduced lock-up periods or enhanced redemption rights;

(f) key-person provisions or additional governance protections;

(g) MFN (most favoured nation) provisions, entitling the investor to elect into any more favourable terms granted to other investors of the same or lesser commitment size;

(h) consent rights over specified decisions; and

(i) regulatory confirmations and representations for institutional investors.

Recent trends include more detailed ESG and cybersecurity provisions, greater fee transparency and wider regulatory-notification rights. The manager should maintain a side-letter matrix so that obligations are not missed across investors, classes and transfers.

DISCLAIMER

This Guide is only intended to give a summary and general overview of the subject matter. It is not intended to be comprehensive and does not constitute, and should not be taken to be, legal advice. If you would like legal advice or further information on any issue raised by this Guide, please get in touch with a JTC Law contact. You can find out more about us and access our legal and regulatory notices set out at: www.jtcgroup.com/services/independent-services/jtc-law/.

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