Channelling growth

Dominic Carman, editor of *Reports Legal*, recently met with Maples' Jersey Head of Office, **Nick Evans**, and local partners – **Simon Hopwood**, **Paul Burton**, **Mark Crichton**, **Tim Morgan** and **David Allen** – to discuss the current Jersey market and the firm's plans for future growth

The Maples Group recently celebrated the fifth anniversary of its Jersey office which complements its British Virgin Islands, Cayman Islands, Irish and Luxembourg legal offerings. Since September 2018, the office has (together with the complementary Jersey fiduciary services business) grown from two to a team of 45 lawyers and professionals, who advise on corporate, finance and investment funds work. The team also offers Jersey entity formation and corporate / administration service solutions and provides listing agent services for the listing of securities on The International Stock Exchange (TISE) in the Channel Islands.

Part of Maples' growth in Jersey includes a newly created Jersey Trainee Solicitor Programme for which the first trainees – Emily Garton and Jacob Shenkin, who are both from Jersey – joined in October 2023.

AT THE TABLE

Nick Evans (NE)
Head of Office
Maples Group, Jersey

Maples Group Jersey Partners:

Simon Hopwood (SH)
Funds & Investment Management Partner

Paul Burton (PB)
Corporate & Finance Partner

Mark Crichton (MC)
Corporate & Finance Partner

Tim Morgan (TM)
Funds & Investment Management Partner

David Allen (DA)
Corporate Partner

Dominic Carman
Editor
Reports Legal

Opening in Jersey

Nick Evans has been a partner with Maples and Calder for over 20 years and became Head of Office in Jersey in 2021.

NE: The decision to establish our presence in Jersey was a natural evolution of the Maples Group's global service offering and carefully complements our existing legal services in the BVI, Cayman Islands, Ireland and Luxembourg and was largely driven by client demand. Although the process took approximately 18 months from original conception to launch, we had been considering it for some time. A group of partners based in London recognised it as a significant strategic opportunity

▲ **The Maples Group recently celebrated the fifth anniversary of its Jersey office**

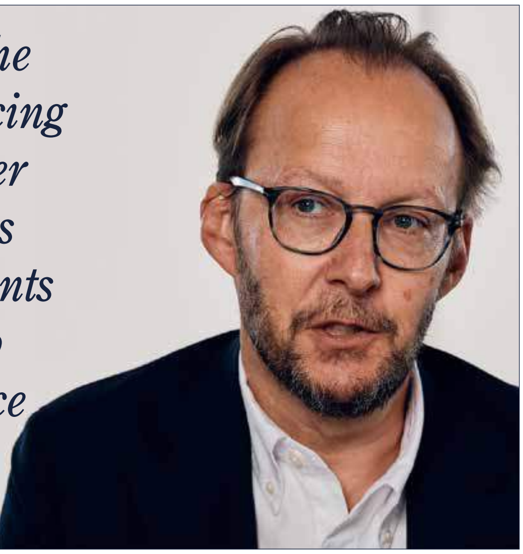
to establish a strong presence in Jersey. Many of our international clients, who were already working here, required professionals with expertise in Jersey, as well as in the BVI and Cayman Islands, for instance.

Within just three years of our launch, our growth caused us to revise our initial business plan because it didn't provide an accurate year-on-year benchmarking (not least because we achieved profitability in less than half of the time originally contemplated). And that belief and confidence in the jurisdiction fed into the development of our new trainee program – which represents an investment by the Group in the infrastructure, not only of this office but also in Jersey as a whole.

It's an exciting blend of having Maples' DNA from the very beginning – a greenfield operation, which is quite uncommon – and being a relatively small group. We share similar values and professionalism, but have different backgrounds and perspectives, allowing us to create our unique culture.

The success story can be attributed to a combination of more work from global clients than we initially anticipated and the remarkable effort put in by our team. Paul and Simon were among the founding partners, and we benefited from a healthy mix of referrals from within the Group and locally-generated projects. The first part, integral to our DNA and our evolution from a Cayman-based firm into a global business, stems from the dedication throughout the Maples Group to making this office a success and nurturing business development. Partners with their own client and intermediary relationships introduced new clients to the Maples Group, which has been a thrilling experience.

We've also had the pleasure of introducing several US and other international clients to Jersey. These clients have found Jersey to be a successful choice for their needs – for example, we have been able to facilitate migrations into Jersey in circumstances where it provided a better fit (for example, particular assets in the structure or the specific requirements of clients). We're steadily growing our presence within the local community, and unlike some other parts of the global economy, we haven't yet been significantly affected by the global slowdown or the prevailing interest rate environment. We continue to support a global roster ▶



> *“We’ve also had the pleasure of introducing several US and other international clients to Jersey. These clients have found Jersey to be a successful choice for their needs*
>
> ***Nick Evans***

of clients who remain active in their core areas.

External factors

Paul Burton, Corporate and Finance partner has been with Maples Jersey since 2018.

PB: Wider macro-economic and geo-political factors impact markets globally and while there continue to be headwinds, these have not substantially diminished activity levels at any of our top sponsor clients. Although we shouldn’t expect this year to resemble 2020 or 2021, when compared to the previous year, it’s evident that these years are far from average. In some ways this situation bears a resemblance to the period of 2008/2009, marked by a surplus of available assets that profoundly influenced how deals were structured, rather than the sheer volume of activity. The significant difference is the level of liquidity that remains in the market.

Some clients are proceeding cautiously, taking into account high valuations from the previous year but on the whole, we would say that buyers and sellers are now closer on valuation expectations. Across various sectors such as real estate, infrastructure, energy and renewables, there is a noticeable shift in sentiment. People are contemplating their investments more thoroughly, considering whether to commit as much capital. Nevertheless, the availability of funds means that they don’t need to deliberate too long, as investors are seeking returns. The investment process is becoming more time-consuming, but we’re not witnessing substantial divestment activity. This is a positive development; that is, the continuity of investment holding sitting between five and seven years.

Real Estate

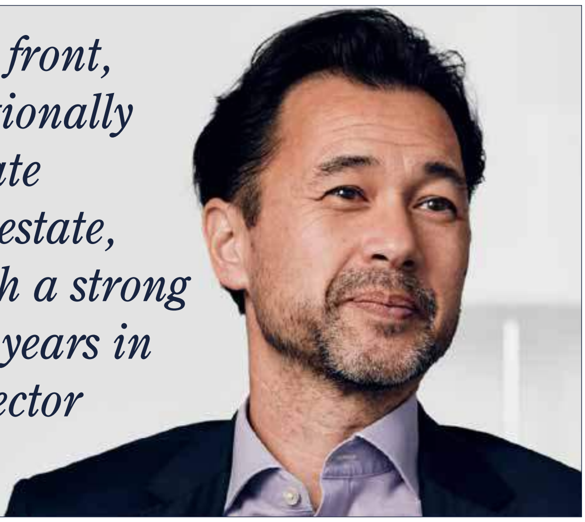
Simon Hopwood, Funds & Investment Management partner has also been with Maples Jersey since 2018.

SH: In the real estate sector, the UK market was slow last year with many major transactions stalled, particularly those reliant on debt as interest rates rose sharply. Large real estate deals remain relatively subdued, but build-to-rent and student accommodation projects continue to thrive. The issue we’re facing is a pricing disconnect between sellers’ expectations and what buyers are willing to pay. As a result, buyers are price chipping and attempting to negotiate better terms with sellers. If an agreement is reached, buyers will explore refinancing options once the debt market regains momentum. This slowdown has left many investors in a state of hesitation.

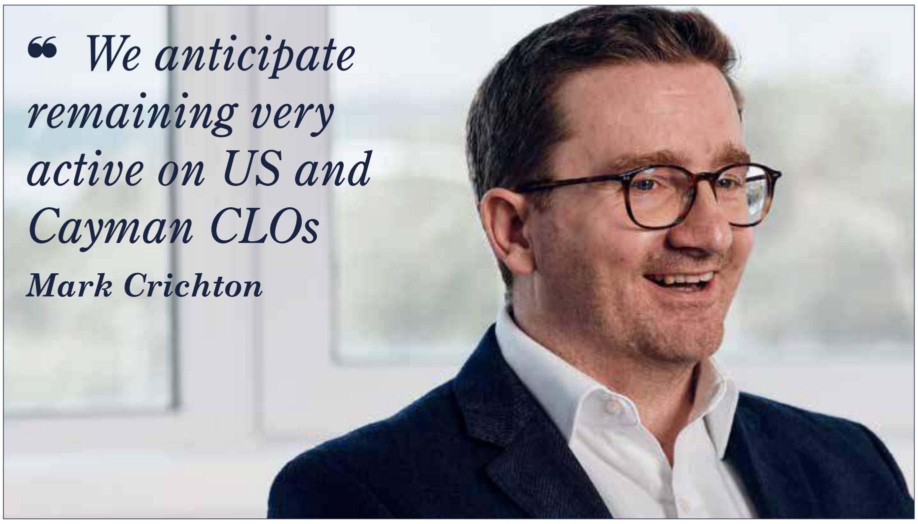
FinTech deals, on the other hand, are not as dependent on debt, so activity levels remain buoyant. Meanwhile, larger private equity deals have noticeably slowed due to their heavy reliance on debt.

Alternative Lenders

PB: While mainstream lenders had a relatively easy time hitting their targets last year, largely owing to the changes in interest rates, there is now a niche for traditional leverage loans to be provided by alternative financiers. Our private equity clients, who traditionally borrowed from mainstream banks to fund leveraged buyout activity, are now (via their own credit divisions) operating as alternative



> *“On the funds front, Jersey has traditionally excelled in private equity and real estate, particularly with a strong growth over the years in the real estate sector*
>
> ***Simon Hopwood***



financiers to mid-market private equity firms which has ensured ongoing leveraged acquisition activity.

SH: The alternative lending landscape has seen a significant surge, akin to the period between 2008 and 2013. However, there is a slight distinction between then and now. In the crash, funds were compelled to divest portfolios, resulting in assets flooding the market. In contrast, amid the Ukraine crisis and interest rate hikes, this forced selling has not occurred as owners have not been under pressure to sell. Nevertheless, with re-financings are on the horizon, some owners may opt to offload specific assets either to avoid LTV covenant breaches or if they are unable to secure favourable re-financing terms.

This is where alternative lenders step in, offering gap funding. While senior lenders are still playing it safe, typically capping their financing at 60% to 65%, mezzanine lenders are increasingly filling roles that were once the domain of senior lenders. Senior banks are now maintaining a conservative stance, having learnt from the past crisis. Nevertheless, there are undoubtedly opportunities for alternative lenders to step in and provide valuable support.

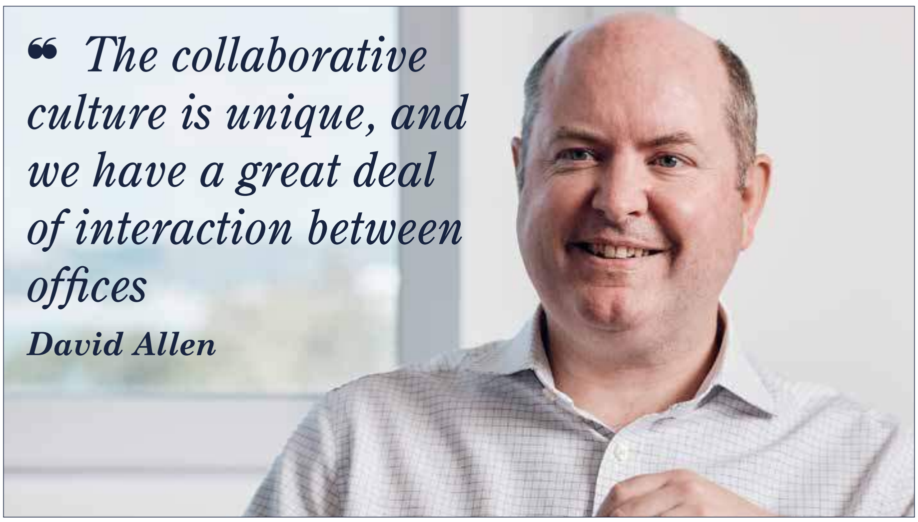
NE: Key global asset managers, many of whom have roots in private equity or hedge funds, have undergone a significant diversification. With a surplus of capital available, the most desirable scenario for them is to manage an increasing range of assets. We represent 16 of the top 20 global alternative asset managers and most of these firms have developed their offering in alternative debt, whether through dedicated funds, returns within commingled funds, or SMAs (separate managed accounts), which cater to clients seeking exposure to specific asset classes. Given their extensive reach, almost all of them are deeply involved in this space, particularly when returns on traditional debt were relatively low. These asset managers have invested heavily in building the necessary infrastructure, positioning themselves to take advantage of this opportunity.

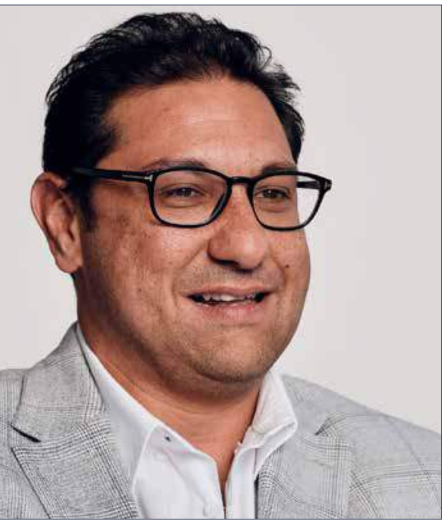
Tim Morgan, Funds & Investment Management partner joined Maples Jersey in 2021.

TM: Agree with that. Jersey had been involved in the evolution of the alternative credit market for many years, however as this has developed from a niche mezzanine market into a more multi-strategy market, and particularly, as Nick has said, into a question of the leading sponsors widening their product mix. We have been able to assist a number of global sponsor clients in structuring to particular global investor groups and Jersey has often been the perfect solution for enabling these products, whether as SMAs or as parallel funds. These have often been first time structures in Jersey for those sponsors and complement what they are doing in onshore US, Cayman, and onshore EU structuring. We have also been closely involved in structuring funds to comply with risk retention regulation

Investment Management

SH: As co-head of the Jersey funds and investment management team, I oversee a team involved





> ❝ *The investment process is becoming more time-consuming, but we're not witnessing substantial divestment activity*
> ***Paul Burton***

in fund and other investment structure formations, as well as a lot of downstream work. On the funds front, Jersey has traditionally excelled in private equity and real estate, particularly with a strong growth over the years in the real estate sector. On the transactional side, while we have been involved in a number of good quality deals, market activity levels were affected by the various economic challenges. When we initially launched, Brexit occurred. Once that was resolved, we anticipated market activity levels to pick up that year, only to be hit by the pandemic and the Ukraine crisis.

Despite the challenging market conditions, we've managed to secure some substantial deals. We've observed an increasing number of real estate funds positioning themselves for future opportunities when the market rebounds. For inbound investment into the UK, Jersey is a trusted and proven jurisdiction, similar to how Cayman is for hedge funds. Our Luxembourg law firm office was established shortly after our Jersey office launched, strengthening our presence in Europe. In fact, we were the only offshore firm with offices in Luxembourg, London, Dublin, and the Channel Islands. From a funds perspective, this has been highly beneficial, as we engage in co-marketing efforts with our colleagues in these various locations.

TM: On the private equity side, we've seen a very strong mix of new funds as well as follow on funds, some of which are stand-alone Jersey funds and a number of which are also parallel sleeves or feeders combining with funds established in EU centres, particularly Luxembourg and Ireland, as well as Cayman. While many funds opt for Luxembourg, Jersey often provides a perfect fit for private equity where there are global investors or where there is an EU element which does not require full AIFMD passporting. We're also witnessing a growing number of fund activity in the venture capital sector, ranging from first time funds, feeder funds to co-investment structures.

SH: For US promoters looking to operate outside the EU and avoid the regulatory and administrative burden and costs associated with the AIFMD, Jersey offers a swift and cost-effective solution. It's an ideal jurisdiction for alternative investment vehicles, co-investment vehicles, carried interest vehicles and feeder funds. We have been collaborating with our Cayman team, especially during the periods when Cayman faced regulatory challenges, having been placed on the EU black and grey list. In cases where there is a European connection but a preference not to be within the EU, Jersey has provided valuable support. Clients realise that Jersey can, in certain situations, offer solutions that may be more attractive in terms of costs, regulation and procedures.

Securitisation and Structured Products

PB: In the lead-up to the global financial crisis, Jersey was a go-to choice, especially for German, French, and other European banks, for structured finance and securitisation work. The collapse of Lehman Brothers reset the Jersey market in this area however in the last 18 months, this area has made a strong comeback on account of developments in the US collateralised loan obligation (or CLO) market.

Mark Crichton, Corporate and Finance partner, joined Maples Jersey in 2020.

MC: The Jersey Financial Services Commission (JFSC) shared some data with us, revealing that activity levels in Jersey remained quite sluggish until mid-2022. Our exceptionally proficient Cayman team, always on the lookout for opportunities to create new structures for European investors, has been working closely with us. We have constant communication with our Cayman colleagues on these projects, often several times a day. Adaptability and readiness to seize market opportunities are vital traits for our team. Being a small team, you've got to be dynamic and able to pivot for market opportunities.

M&A

David Allen, Corporate Partner joined Maples Jersey in January 2023.

DA: My practice is focused on downstream private equity, ▶

public and private M&A and IPOs and I have particular experience advising Jersey companies listing in New York. I also have significant experience in Jersey schemes of arrangement, having played a role in most of the large schemes that have come through Jersey in the last 10 years.

I anticipate that the levels of M&A work will increase in the next year as more realistic valuations will create opportunities and narrow the existing gap between buyers' and sellers' expectations. We can expect a noticeable increase in general M&A activity across various sectors, including infrastructure, wealth management, and the growing interest in biopharma and all things related to medical technologies.

Our office is currently in a growth phase but our approach is quite different from necessarily setting up stand-alone departments, which may not always prove profitable. I have found that the collaborative culture within the Maples Group is unique, and we have a great deal of interaction between offices particularly in the context of business development initiatives.

The Maples brand carries significant weight, especially in London. We concentrate on areas where we excel, and we can easily compete with the other more established Jersey firms.

PB: What initially drew me to Maples was its remarkable growth story. I had spent over a decade at other well-established, Jersey-headquartered firms. What I've truly appreciated about my experience here is the exceptional success story that has come with organic and incremental growth particularly as the Maples Jersey law firm was launched for the Group as a greenfield operation. My specialisation naturally leans towards downstream private equity work which is the common thread and theme that runs through the whole Jersey practice. What has truly defined my time here has been attracting top sponsor private equity clients to Jersey as a jurisdiction.

Global Market

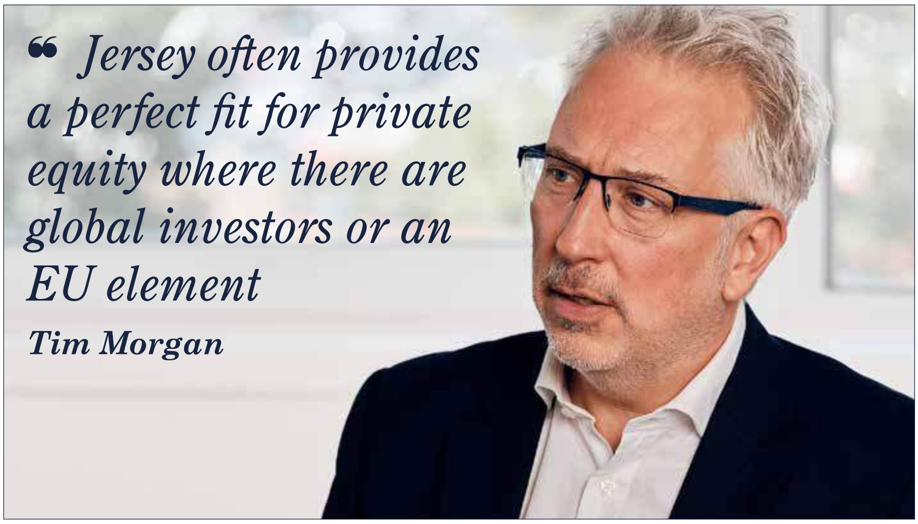
NE: When you're moving into a very mature legal market with good quality firms, it would be a mistake to underestimate how hard you have to work. It's not a matter of simply putting up a sign and expecting work to pour in based on reputation alone.

In London, which is integral to the effectiveness of the Jersey offering, US firms have moved into a position of dominance in many of our key markets from those in the magic circle who were transactionally dominant 10 years ago. Globally, we have the most-deep rooted and effective relationships with the leading US firms, doing a huge amount of work with them. These partnerships undoubtedly enhance our credibility.

Nevertheless, we must work diligently, staying hungry for opportunities. There's no room for complacency, assuming work will naturally come our way. We need to be determined and consistently perform at an exceptionally high level. Our journey began with a small team, and over my 23 years at Maples, I've witnessed unmatched accolades for the quality of the work being done in Jersey. The core of our approach revolves around delivering top-notch quality, and we've had to consistently exceed expectations as we've grown our practice. Our relentless commitment to excellence is in the very foundations of our global endeavours.

Strategic Ambitions

NE: We maintain an open-minded approach when it comes to our presence in Jersey. We never had an specific blueprint for what we aimed to achieve here or what "success" looked like – we are constantly striving to push the boundaries of what we can achieve so don't want to be restricted by artificial targets. We recognised there was high-quality work available that we might not access through offerings in other jurisdictions. Ten years from now, who can say what the future holds? Our focus is on continuous exploration and growth. We're not set on occupying the same position as other firms. Our expansion into additional practice areas or growth in terms of size will be determined by the circumstances and opportunities that arise, and we will dig into



the entrepreneurial acumen that is at the heart of Maples Group to help us assess and pursue any such opportunities.

Our global partnership views Jersey in a positive light, as our presence here has contributed to the firm's financial success more rapidly than initially anticipated. While some may entertain the idea that we might eventually become a full-service operation, that's not one of my primary goals. I appreciate the "disruptor" label; we're here to make our mark and don't necessarily intend to replicate what has been done elsewhere.

Local Engagement

NE: In mainland Europe, there can be significant hostility towards offshore centres, and a noticeable lack of understanding about our work, presenting a considerable challenge. To my knowledge, clients haven't raised issues regarding Jersey.

PB: Over the past 15 years, Jersey has set a remarkably high standard in its engagement with the international community. It intensifies its efforts when the industry come under the spotlight. Jersey Finance does an exceptional job in fostering communication links between the Jersey government policy and legislative department, the financial services sector, and local regulatory bodies. This interconnected dialogue is of paramount importance for any offshore jurisdiction.

NE: We actively participate in those discussions. As members of the Jersey Funds Association and serving on many of the legislative committees, we are fully engaged. We believe that by actively contributing to shaping our destiny and showcasing our value to the jurisdiction, we are playing a crucial role in these dialogues.

Outlook

SH: The real estate market is poised for growth once sellers become more amenable to accepting lower prices. Additionally, we expect a significant surge in North American interest on the private equity front, both upstream and downstream.

MC: Two easy predictions: first, we anticipate remaining very active on US and Cayman CLOs; secondly, we foresee continued growth in core real estate work, particularly in the build-to-rent sector, with new fund launches on the horizon. That's going to be a notable subsector of the real estate market.

DA: In addition to the buyer/seller valuation expectations noted above, there is a substantial amount of 'dry powder' in the PE market in need of deployment, and we anticipate a resurgence in lending activity when interest rates stabilize, and hopefully, inflation subsides. These factors should generate more M&A activity in the next year.

▲ The Maples team in Jersey met with Reports Legal to discuss the current Jersey market

NE: As private equity funds reach the divestment phase, there's a need for assets to transition to new ownership. We've already been involved in various restructurings at the general partner level and have witnessed some activity between fund complexes. However, there may be a shift towards more permanent capital vehicles, which are highly sought after by sponsors during times when valuations don't accurately reflect the value created.

All of these developments offer excellent opportunities for us to apply our expertise and provide careful, nuanced, and detailed advice regarding fiduciary duties and complex structuring issues. This includes dealing with illiquid assets within an open-ended fund structure and finding innovative solutions to address these challenges. These are certainly interesting times ahead in our landscape. ●

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