



# Jersey Fund Services

IN FOCUS 2020

## GROWTH OUTLOOK

Flexibility is key to support industry trends

## REGULATION

Launching the Jersey LLC to attract US managers

## ALTERNATIVES

Private equity and venture capital most prominent asset classes

**Featuring** Carey Olsen | Collas Crill | Jersey Finance | Maples Group | VG Fund Services

# Jersey – the trends, opportunities & challenges

Interview with Simon Hopwood

The Covid-19 pandemic has caused a devastating impact on human life and health, and the global economy. As a consequence, the funds industry has faced unprecedented challenges, as it continues to navigate through uncharted waters.

Despite this, the Jersey funds industry has remained resilient with net assets under administration up 5.7 per cent<sup>1</sup> year on year standing at GBP361.7 billion<sup>2</sup> with alternative investment funds representing 87 per cent<sup>3</sup>. Noticeably, private equity was up 19 per cent year on year<sup>4</sup> and managers using Jersey to market funds into the EU increased by 9 per cent year on year<sup>5</sup>.

With over a 50-year proven track record, Jersey is internationally recognised as a first-class and well-regulated domicile for funds and managers. Although close in proximity to the UK and EU, Jersey is independent, which provides political, economic and fiscal stability, as well as offering tax neutrality with substance, and a flexible regulatory regime. As a jurisdiction, Jersey cooperates with global authorities and meets all international standards. It also has wide choice of flexible and innovative entities and fund products with fast-track procedures, supported by a world-class infrastructure with high-quality professionals, service providers and non-executive directors.

This platform forms the basis of an essential ecosystem, providing a perfect environment for Jersey's alternative investments funds to evolve, grow and thrive, while meeting the needs of managers and investors.

## What are the key trends currently driving growth and development within the Jersey funds industry?

The Jersey funds industry has seen continued growth and development in new funds and investment structures. This year, many funds were opportunistic in nature, taking advantage of the volatile markets, the lower valuations and distressed assets. Across asset classes, private equity and venture capital funds were the most prominent, particularly those focused on technology, Fintech, health and

financial services, as these sectors continued to thrive in the current climate.

With many businesses struggling with liquidity issues due to the prolonged pandemic, distressed asset funds and credit funds have also been on the rise. Many hedge funds have taken advantage of the market volatility, reporting strong performances. Other than infrastructure funds, the real estate sector has been slow this year, however, some funds have raised capital ready for when the market picks up again.

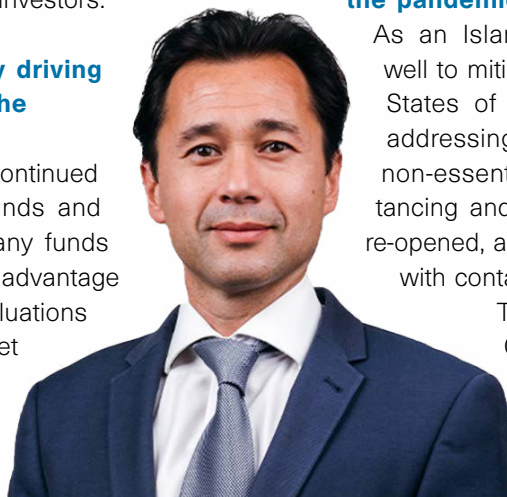
Jersey has proven popular for acquisition and alternative investment vehicles, taking into account their unregulated status and no audit, custody or valuation requirements. Many co-investment, joint venture, managed account or single asset investment structures formed were opportunistic in nature, as managers wanted to take advantage of good investment opportunities. Other vehicles had defensive objectives, such as side pocket arrangements to hold underperforming or hard to sell or value assets.

Due to the proximity to the UK and Europe and offering stability, governance and substance, Jersey continues to attract new managers. These are either hosted by a local service provider or a 'full presence' manager, with promoters ranging from the institutional or well-known and established players to the start-up managers.

## How has the jurisdiction fared over the course of the pandemic?

As an Island, Jersey responded and adapted well to mitigate the impact of the pandemic. The States of Jersey introduced emergency laws addressing public health concerns, imposing non-essential travel restrictions, physical distancing and lockdown measures. When borders re-opened, a free testing system was implemented with contact tracing, permitting travel.

The Jersey Financial Services Commission (JFSC) and the Jersey Comptroller of Revenue recognised the challenges faced by Jersey's funds industry. They took a pragmatic and flexible approach,





introducing measures and relaxing certain procedures to help the industry maintain 'business as usual'.

The Jersey funds industry was robust and also adapted well to challenges faced. Service providers' businesses and working practices completely changed overnight with businesses transitioning to remote working operations. This led to an increased use of technology, in particular video conferencing for meetings to maintain contact and conduct day-to-day business, and online portals and secure file sharing for managers' and investors' access to information.

### How are these trends impacting your organisation's objectives?

Although previous recessions and market crashes have been experienced before, the pandemic presented new challenges. We found our clients needed more timely support and guidance on a wide range of legal and regulatory issues. With our global network of 18 offices worldwide, we have the benefit of a deep bench of expertise and know-how globally and this has ensured that we can continue to provide the most innovative and efficient solutions for our clients at all times.

While new fund and manager workflows helped us achieve our financial objective, we have to ensure our teams are appropriately resourced with the most effective systems and back office support. This will enable us to meet our client-focused service objective.

With more reliance on technology this year, our continued investment in our technology and infrastructure platforms has ensured we have efficient, secure and fail-safe systems in place, particularly using secure file sharing sites and online portals for our clients.

### Can you outline the primary challenges your clients in Jersey are facing at the moment and how your services are helping them overcome these difficulties?

Clients experienced unprecedented challenges this year. Fund managers have had to deal with crisis management, being forced to implement business continuity plans to protect their staff and businesses, transition to remote working operations, and adapt to conducting business virtually. With an increased reliance on technology and IT, data and cybersecurity risks also had to be monitored more closely.

For funds managing to launch, new challenges were encountered with fund raising and investor take-on. Face-to-face investor meetings were replaced by virtual meetings, and online portals and secure file sharing sites were used for sharing and exchanging fund, due diligence and know your client documentation.

In addition to the pandemic, UK and EU managers and funds have also had to assess the implications of the UK losing its EU passporting right and the impact on existing

cross-border delegation arrangements, requiring the possible restructure of those arrangements.

Leveraging the broad capabilities within the Maples Group's global network, we have been able to guide our clients through these difficult times, providing timely advice to help them resolve or manage their issues or crises. Our global IT team and systems have enabled us to use secure file sharing sites for investor take-on, due diligence and transactions.

### What are the most significant developments you expect within the Jersey funds industry over the coming year?

A significant development will be the launch of the Jersey LLC, which is based on US LLC, as a flexible vehicle for a fund, manager or SPV, which should increase Jersey's appeal to US managers. We will closely monitor AIFMD II, which should have minimal impact on Jersey. OECD BPEPS and the Pillar One and Pillar Two blueprints will also be monitored to track if there will be a workable carve-out for fund vehicles.

Another hot topic is environmental, social and governance ("ESG"), as managers are now more aware of their responsibilities to the environment and are looking to factor ESG into their operations and investment processes. Jersey has actively encouraged sustainable finance. The JFSC is committed to maintaining ESG international standards, where applicable and proportionate to Jersey. Depending on the outcome of the JFSC's consultation paper concerning ESG, the regulatory codes of practice applying to Jersey funds and managers are likely to be revised to include certain ESG requirements, covering disclosure and 'green-washing'. ■

1. Source: Based on statistics published by Jersey Financial Services Commission as at 30th June 2020.
2. Source: Based on statistics published by Jersey Financial Services Commission as at 30th June 2020.
3. Source: Based on statistics published by Jersey Finance.
4. Source: Based on statistics published by Jersey Financial Services Commission as at 30th June 2020.
5. Source: Based on statistics published by Jersey Finance.

#### Simon Hopwood Partner, Maples Group



Simon Hopwood is head of Maples and Calder's Funds & Investment Management team in the Maples Group's Jersey office. He has significant experience in the establishment, structuring and maintenance of offshore funds and other investment, acquisition and holding structures within the real estate, private equity and hedge fund sectors. He has a particular specialism in the establishment and structuring of UK REITs and sharia compliant funds and other investment, acquisition and financing structures. Simon acts for a wide range of clients, whether as fund promoters or investors, including well-known financial institutions, investment managers and sovereign wealth funds, boutique investment managers, established family offices and high net worth investors.