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MANAGEMENT INCENTIVE PLANNING – JERSEY EBTS: AN EFFICIENT SOLUTION

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Management Incentive Planning – Jersey EBTs: An Efficient Solution

In today's competitive business landscape, attracting, retaining, and motivating key talent is more critical than ever. Management Incentive Planning ("MIP") has emerged as a cornerstone strategy for private equity firms, corporate groups, and other organisations seeking to align the interests of senior executives, managers, and employees with those of shareholders.

Jersey stands out as a leading jurisdiction for the establishment and administration of MIP vehicles, offering a compelling blend of legal, tax, regulatory, and operational advantages.

The Role of MIPs and Employee Benefit Trusts

MIPs encompass a broad range of arrangements designed to incentivise management and employees, typically through the grant of equity interests, options, or deferred bonuses. Among the various structures available, Employee Benefit Trusts ("EBTs") are a particularly well-established and popular choice. EBTs are frequently utilised by private equity sponsors following the acquisition of a portfolio company, as well as by listed and privately held trading groups, to facilitate the efficient allocation and issuance of management incentive awards.

For example, following a change of control or significant investment, a private equity firm may implement an MIP to ensure that key managers remain engaged and motivated throughout the investment lifecycle. EBTs are often used to warehouse shares, manage vesting and leaver provisions, and provide a

mechanism for the buyback or reallocation of shares as participants join or exit the scheme. This flexibility is invaluable in managing the complexities of modern incentive arrangements, particularly where participants are globally mobile or where the business anticipates future corporate events such as an IPO or secondary sale.

Jersey's Distinctive Advantages for MIPs

Jersey's reputation as a premier jurisdiction for MIPs is underpinned by several key features:

Robust Legal Framework: Jersey's recognition of the sophisticated use of trusts in a flexible, certain and adaptable way is a key advantage. Appropriate legal infrastructure and technology allows for the creation of bespoke MIP vehicles tailored to the specific needs of each client, whether the plan covers a handful of senior executives or a broad base of management employees.

Tax Neutrality: Jersey offers a tax neutral environment for MIP vehicles, meaning that trusts and similar entities established in Jersey or established elsewhere but with Jersey based professional trustees are generally not subject to local income, capital gains, or

inheritance taxes. While the tax treatment of MIPs and EBTs will ultimately depend on the residence of the participants and the employing entity, Jersey's neutrality ensures that the vehicle itself does not create unnecessary tax friction or leakage and can facilitate tax deferral and efficient wealth accumulation for participants.

Political and Economic Stability: As a British Crown Dependency, Jersey combines political stability with legal independence. Its mature financial services sector is supported by a robust regulatory regime, providing confidence to clients and participants alike.

Operational Excellence: Jersey boasts a deep pool of experienced professional trustees, administrators and legal advisers, many of whom have decades of experience in establishing and managing MIP vehicles. This expertise ensures that clients benefit from best-in-class service, efficient administration and proactive support throughout the life of the plan.

Streamlined Regulatory Compliance: Jersey's regulatory environment is both rigorous and pragmatic. Notably, specific exemptions under Jersey's Customer Due Diligence ("CDD") regulations are available for employee benefit schemes, allowing for a simplified and efficient onboarding process for participants where certain criteria are met. This is particularly valuable for large-scale MIPs involving numerous employees across multiple jurisdictions.

Practical Application and Use Cases

Jersey-based MIP vehicles are widely used across a range of scenarios:

Private Equity Acquisition Holding: Following the acquisition of a target company, private equity sponsors often establish a Jersey EBT to hold shares or options on behalf of management, ensuring alignment of interests and providing a mechanism for the orderly transfer of equity on exit or in the event of a leaver.

Corporate Group Incentive Plans: Multinational groups with globally mobile executives frequently turn

to Jersey for the administration of their MIPs, leveraging the jurisdiction's expertise and regulatory flexibility to manage complex cross-border arrangements.

Public Company Share Plans: Many UK-listed companies utilise Jersey EBTs to facilitate employee share plans, taking advantage of Jersey's tax neutrality and robust legal framework to manage the allocation, vesting, and settlement of awards.

For instance, a technology group with operations in multiple countries may use a Jersey-based MIP vehicle to warehouse unallocated shares, manage cash balances, and ensure that leaver and exit provisions are administered efficiently and in accordance with plan rules. The use of a nominee structure allows for seamless handling of shareholder matters, including the execution of documents and the exercise of voting rights on behalf of participants.

Comprehensive Corporate and Professional Services Support

The Maples Group in Jersey offers a full suite of solutions for clients seeking to establish and operate MIP vehicles. This includes:

- Establishment of the trust or other vehicle under Jersey law.
- Acting as trustee or nominee shareholder.
- Warehousing and managing unallocated shares.
- Administration of cash balances and plan assets.
- Maintenance of accounting records and preparation of annual financial statements.
- Streamlined due diligence and participant onboarding.
- This end-to-end support ensures that clients can focus on their core business objectives, confident that their MIP arrangements are being managed efficiently, transparently, and in full compliance with all relevant regulations.

Go-Forward Solution

Jersey's unique combination of legal sophistication, tax neutrality, regulatory robustness and operational

excellence makes it an ideal jurisdiction for the establishment and administration of MIP vehicles, in particular EBTs. Whether for private equity sponsors, multinational corporate groups or listed companies, Jersey offers a proven, flexible and efficient platform, a complete go-forward solution for structuring of arrangements to incentivise and reward key talent — helping businesses to achieve their strategic goals and drive long-term value creation.

About the Authors

Joe Betts

Joe is a Senior Vice President in the Maples Group's Fiduciary Services team, based in Jersey. He has extensive experience in setting-up and managing trust and corporate structures, including private equity investment, commercial/residential real estate holding and development, employee incentives and share plans, and general investment holdings. He has an expert understanding of effective corporate governance, acting on the boards of many privately owned businesses and large publicly listed groups

registered in various countries. Joe is a member of the Society of Trust and Estate Practitioners.

Paul Burton

Paul is a Partner of Maples and Calder's Corporate and Finance team in the Group's Jersey office. He has extensive knowledge and experience of corporate and finance matters, including M&A, public markets, DCM, High Yield, and leveraged and structured finance, including securitisation. Paul also advises on listing services, including The International Stock Exchange ("TISE"), the Cayman Islands Stock Exchange ("CSX") and High Yield listings. Paul joined the Maples Group in Jersey in 2018, having previously practised at two large offshore law firms in Jersey and in Australia. He holds the Bachelor of Laws (LLB), Private International Law from Queensland University of Technology, and is admitted as an Advocate in Jersey, and Solicitor (not practicing) in England and Wales, and Australia.