

Why the future remains bright for Jersey's funds industry

Our Jersey-based private equity director, Simon King, recently spoke to Jersey Finance about the outlook for Jersey's funds industry.

Simon, can you provide some context around the size, scale and focus of Jersey's funds industry?

At last count, the value of regulated funds in Jersey was something in the region of £300 billion; a colossal figure by any measure, particularly when considering it excludes unregulated structures, such as private funds. Alternative investment asset classes, such as private equity, real estate, infrastructure and private debt, represent more than three quarters of that number.

Perhaps the most eye-catching statistic, though, is the rate at which the industry is growing. Not only does year-on-year growth in overall funds business stand at an impressive 18% but private equity alone has seen growth of more than 30%, demonstrating just how buoyant the alternatives sector is.

Where does funds business usually come from?

It varies. We have a diverse pool of alternative investment managers with fund structures in Jersey, spanning different geographies, asset classes, sizes and investment strategies.

Geographically, the UK remains our largest market, which is understandable given it's the world's largest financial centre and right on our doorstep. Elsewhere in Europe, we've seen leading players in the Nordics, France and Germany choose to domicile their funds in Jersey.

For example, CVC, Nordic Capital and Ardian, who are among the largest private equity managers in the UK, the Nordics and Europe respectively, all use Jersey, as do a number of prominent global financial institutions such as BlackRock, HSBC and Deutsche Bank. You can then add major specialist real estate and infrastructure managers like TH Real Estate and CBRE to the list as well, not to

mention the broad range of small to medium sized managers that make up the largest proportion of the market.

What about outside of Europe - are you seeing growing interest in Jersey on an international level?

Absolutely. And the fact that the world's largest ever venture capital fund of \$100 billion, the Vision Fund, chose Jersey is arguably the greatest endorsement of the strength and quality of our funds industry.

It is also worth mentioning that the Vision Fund is about as international as it gets, with the fund's manager, SoftBank, having its origins in Asia but with its advisors in the UK, US and Japan, plus its investors ranging from Middle Eastern sovereign wealth funds to global tech firms such as Apple. This really is a fund that transcends borders and it's great for our industry that Jersey has been identified as the jurisdiction from which to administer it.

Softbank aside, I've already mentioned some of the international institutions using Jersey and there is certainly confidence within the industry that this is a trend we'll continue to see play out in the future.

So, what services are provided from Jersey to fund managers?

Our industry's goal is to enable fund managers to focus on what they know and do best, which is making investment decisions. The local finance industry can support with everything else, from providing experienced NEDs, to securing the relevant regulatory consent, closing the fund and managing the evolving structure through its life cycle.

Key to this is the fund administrator whose role really is both wide and varied and sees us working alongside the fund manager at the outset, to build and implement an operating platform, before taking the lead on key day-to-day activities, such as financial reporting, drawdowns, distributions and investor communications.

The fund administrator's role will also usually extend to ensuring that the fund structure meets its regulatory obligations, including compliance with the applicable fund codes or guidance and handling the growing demands of international regulatory reporting, such as FATCA, CRS, AIFMD and Dodd Frank, to name but a few.

What's the appeal of Jersey as a funds jurisdiction?

I would view Jersey's appeal in three parts: experience, stability and innovation. There's some overlap between them but I think those three words really encapsulate what Jersey has to offer as a jurisdiction.

Starting with experience. First and foremost, it's the people. Jersey is not only home to the major legal and accountancy firms and fund administrators but between them they have a long and successful track record, having spent many decades working with the world's leading alternative investment managers. This really is a differentiating factor for Jersey because there's unquestionably more choice of truly experienced service providers who understand the technical intricacies of the myriad of fund structures; something that the emerging competition is still some way off achieving. In addition, we have an experienced regulatory body overseeing compliance with a robust, yet pragmatic, regulatory framework for the Island's service providers to operate within.

Jersey also has an unblemished record of political, economic and fiscal stability; providing fund managers with peace of mind and a high degree of certainty for the future. I would almost go as far as to say that stability is a word that's become synonymous with the Island's finance industry. Add to this a solid and mature legal system, which is, of course, something we take for granted but is a must have for managers and their investors.

And last - but not least - innovation. Jersey is a jurisdiction that listens to what the industry wants and adapts accordingly. There's plenty of examples of this from a legal perspective, with the Island having a long history of modifying its existing laws and introducing new legislation to maintain its appeal.

Tell me a bit more about innovation and how important it is?

It's very important. Only fund jurisdictions that respond to the evolving needs and requirements of their client base will remain successful in a growing competitive market.

Where innovation is key for fund managers is their speed to market, given they work in such a fast-paced sector. Perhaps the best and most recent example of Jersey facilitating this came only last year when the Island moved to consolidate their existing private funds products by introducing a single regime for funds, the

Jersey Private Fund (JPF) regime.

Building on the success of the previous products, the new JPF regime simplified the go to market process for fund managers with a sophisticated investor base, by providing a more streamlined registration process. Under the regime, there is no requirement for an offer document or auditor, provided certain criteria are met and, crucially, the fund can be established in 48 hours - a remarkably short turnaround time.

Where does Jersey stand in light of Brexit?

While it's too early to speculate about the impact of Brexit, what I would say is that Jersey is not and never has been an EU member state. Yet, despite this, Europe is our largest market. Even in the aftermath of AIFMD, Jersey's European manager base has continued to grow, with national private placement regimes providing a perfectly effective tried and tested alternative route into the EU alternative investment market.

While a passport to market throughout the EU may seem attractive, in practice our market is different from the open-ended structures regulated by UCITS. Therefore, the creation of AIFMD was never going to work in the same way on closed-ended structures where most promoters are usually only marketing to a handful of EU countries. In fact, only 3% of managers are registered for sale in more than three EU member states.

As such, opting for private placement achieves what's required at a fraction of the cost of full Directive compliance. We have been operating this way for many years now and in that time, a very credible track-record has been established.

And Jersey's prospects for the future in a few words?

You won't be surprised to hear this but I would say extremely good. It's well-regulated, yet flexible and adaptable to industry developments and trends, and brings a truly unrivalled level of experience to the table. Credentials that have served Jersey so well in the past and will continue to do so in the future.

If you would like to read the full Jersey First For Finance Annual Review, please click [here](#).