Jersey LLCs to strengthen US-Jersey connection

The government of Jersey has passed new legislation approving Jersey Limited Liability Company (LLC) structures, which is expected to significantly enhance the island's standing as a leading jurisdiction of choice for alternative fund managers around the world – particularly US alternative fund managers.

Jersey's new LLC legislation is set to expand the breadth of the jurisdiction's private fund offering. Modelled on leading LLC regimes including Delaware and Cayman, the LLC structure is familiar to and, therefore, hugely popular with US managers and investors.

There are a number of key benefits that Jersey LLCs possess, which will appeal to US fund managers looking to access the European distribution corridor, which we expand upon below:

Simple registration

Setting up a Jersey LLC involves a simple registration process by way of certificate and consent to issue interests from the Jersey Financial Services Commission, with the LLC agreement not publicly available. There is no requirement for Jersey resident members or managers – subject to regulatory and economic substance rules. Administration services will need to be fulfilled by a FSJ (Financial Services of Jersey) registered administrator.

Flexible approach to governance and management

Members can carry out the management of the LLC, although it is expected that, in the majority of cases, a manager would be appointed. The manager (or member where no manager is appointed) will not owe a fiduciary duty to the LLC, other than it must act in good faith with respect to the management of the LLC. These duties can be expanded in the LLC agreement.

Separate legal personality

The Jersey LLC has the ability to register as a 'body corporate'. This can be advantageous, is mandatory in certain jurisdictions, and required to utilise certain regulatory exemptions.

A structure that can market in Europe

Jersey LLCs can operate as a Jersey Private Fund, or as a manager to a Jersey Private Fund. Once permissioned by the JFSC, LLCs will be able to market to EU investors under AIFMD third country private placement rules, and can be used for securities-issuing vehicles, Jersey Private Funds (JPF), as a Manager or as an AIF Manager to a JPF.

Cross-border access

Jersey LLCs will allow US fund managers to fundraise directly into the EU. US managers can use the national private placement regimes (NPPR) structure, positioning Jersey as one of the leading jurisdictions for cross-border alternative funds, and for US fund managers in particular looking to grow their investor base in Europe. This route offers considerable cost, speed, efficiency and regulatory advantages to US alternatives fund managers looking to access Europe.

A structure familiar to US managers, within a European time-zone

US managers – many of whom have UK-based offices – can provide management, oversight and administrative services to their European investors, from an office within the European time-zone.

Jersey as a jurisdiction has grown in popularity, with US fund business doubling on the island over the past five years. With the addition of the Jersey LLC to the list of structuring options, Jersey now offers a key vehicle which is familiar to US managers and that will increase the ease of marketing in Europe for US managers. By expanding the Jersey offering, we can expect to see continued growth of the US/Jersey connection in the years ahead.

If you'd like to find out more about Jersey LLCs, how they can benefit your business, or discuss fundraising in Europe more generally, please contact *Gary Leatt*.