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JERSEY
FUNDS
ASSOCIATION

JERSEY LISTED FUNDS

Introduction

A new regime has just been introduced in Jersey for listed closed-ended funds. The new structure is modelled on Jersey Expert Funds and enables such funds to be established within a matter of days on the basis of a self certification approach without the requirement for any formal regulatory review of the Fund or its promoter. This new streamlined authorisation procedure will enable a speedy approval of funds which are to be listed on European and other leading stock exchanges and markets, including the CISX and AIM. Although initially only available to companies it is intended that this proposal be extended at a future date to Jersey limited partnerships and unit trusts.

What constitutes a Listed Fund?

A Listed Fund will need to be:

- a company incorporated in Jersey;
- a collective investment fund (within the meaning of Article 3 of Collective Investment Funds (Jersey) Law 1988);
- listed on a Recognised Stock Exchange or Market; and
- closed-ended.

Regulatory Requirements

A Listed Fund will be subject to a very light degree of regulation. In particular:

- the promoter of a Listed Fund will not be subject to any regulatory review or approval;
- there will be no requirement to adopt any prescribed investment restrictions or risk diversification strategy;
- a Listed Fund may be offered to any category of investors including retail investors;
- there is no required minimum subscription.

The regulatory requirements applicable to a Listed Fund are as follows:

- At least two Jersey resident directors with appropriate experience must be appointed to the board of the fund company, a majority of which must be independent.
- The Investment Manager or Adviser (the 'Investment Adviser') must satisfy the following requirements:
 - have had no convictions or disciplinary sanctions imposed on it;
 - be solvent;
 - be regulated in relation to managing or advising on investor funds in an OECD state or jurisdiction or any other state or jurisdiction with which the Jersey Financial Services Commission (the 'Commission') has entered into a Memorandum of Understanding (or equivalent) on

- investment business and collective investment funds;
- have relevant experience in managing or advising on investors' funds using similar investment strategies to those to be adopted by the Listed Fund; and Jersey Listed Funds ADMIN-11516286-1 0468InvestFunds/11516286 - satisfy the Commission's general principles of corporate governance by maintaining an adequate span of control over its business;
- If neither the Investment Adviser nor its activities are regulated in its home state the Investment Adviser must be:
- a subsidiary of a company that is;
 - a listed company with a minimum market capitalisation of US\$500 million (or its currency equivalent) or a subsidiary of such a company;
 - a company or partnership with a trading record of at least five years or whose principal persons can demonstrate relevant business experience for this period and possess relevant professional qualifications; or
 - otherwise granted approval by the Commission.
- If the Distributor of the Fund is independent of the Investment Adviser and is a driving force behind the Fund or the majority of investors going into the Listed Fund are put in by the Distributor or its agents, it must satisfy the same requirements as the Investment Adviser (other than in relation to investment management experience).
- Every Listed Fund will need to appoint an administrator, and/or manager which has at least two Jersey resident directors with appropriate experience (the "Administrator") and which is regulated and has staff and a physical presence in Jersey. The Administrator will be required to monitor the compliance of the Investment Adviser with any investment or borrowing restrictions set out in the Offer Document and must have access to appropriate records of the Investment Adviser to enable it to carry out such monitoring function.
- The Fund's board of directors must also regularly review the investment strategy and risk profile of the Fund together with the Investment Adviser's performance.
- All Jersey functionaries of a Listed Fund (including the Administrator) must be regulated in Jersey, and will be required to comply with applicable Codes of Practice.
- There is no requirement for a Jersey custodian however a Listed Fund must have adequate custody arrangements in place, including, if applicable, prime brokerage arrangements, which must be disclosed in the Fund's Offer Document. In the case of a hedge fund, any prime broker appointed must have a minimum credit rating of A1/P1.
- A Listed Fund must appoint an auditor.

If a Listed Fund does not comply in all respects with the above requirements, it is possible to obtain derogations from the Commission in relation to such non-compliance.

There are no other structural or documentary requirements applicable to a Listed Fund.

Authorisation Process

The application process is simple and quick. An application form setting out the key features of a Listed Fund, including a confirmation from the Investment Adviser that it satisfies the requirements set out above must be submitted with supporting documentary evidence, namely, the latest draft of the Offer Document, a fund structure chart, the required Investment Adviser's confirmation and completed personal questionnaires of directors or any principal persons. The Administrator must countersign such confirmation having carried out its own general due diligence against the Investment Adviser stating that it has no reason to believe the Investment Adviser's confirmation provided is incorrect. These must be submitted to the Commission, together with an application fee. The Commission check that the application form has been appropriately completed, but do not carry out any regulatory review of a Listed Fund. The requisite consents to the establishment of the Fund will be issued within days.