

Brexit shadow won't fall on Jersey

The domicile will remain attractive to private equity fund managers looking to market vehicles in all or parts of the European continent, regardless of Brexit's effect on the national private placement regime, *Elliot Refson*, business development director for funds at Jersey Finance, explains to *pfm*

Q What will happen to the national private placement regime?

The private placement regime will remain in place until at least three years after the Alternative Investment Fund Managers Directive passport is granted to third countries, as agreed in the AIFMD. Jersey has been approved to be in the first round of third countries to achieve the AIFMD passport, which therefore offers significant security around any changes to private placement. In my view, changes to the private placement regime are unlikely, but if they do happen, NPPR will still be in place for three years, by which time we will have access to the passport, so we're completely future-proofed.

Q What do you see as the impact of the Brexit vote on the use of private placement so far?

Jersey sits outside the EU and the UK, but has well-established links to both. The only certainty of Brexit currently is that the UK will become a third country. Jersey is already a third country with the relevant memoranda of understanding in place to support private placement across Europe. That means Jersey will be able to continue to operate seamlessly irrespective of the outcome of Brexit.

It's worth pointing out that when the UK becomes a third country, it does so from a standing start and must put the MOUs in place from that position.



Refson: changes to private placement unlikely

In April 2017 we introduced the Jersey private fund, which is a very simple fund vehicle, available for up to 50 investors within as little as 48 hours.

In that period, there have been almost 200 created. This demonstrates the growing use of Jersey as a key fund jurisdiction and highlights the speed and efficiency with which the industry and regulators can operate, irrespective of Brexit

Q How many NPPR funds have been set up in Jersey recently, as compared with when the Brexit vote happened?

As of June 30, there were 161 alternative investment fund managers authorized in Jersey to market more

than 306 funds via private placement throughout Europe.

Two years prior, there were 115 alternative investment fund managers authorized to market 251 funds via private placement, and as of June 30, 2015, a year before the vote, 84 alternative investment fund managers were authorized in Jersey to market 205 funds.

So, as you can see, any perceived uncertainty around Brexit hasn't hampered the growth of Jersey's funds sector and, in fact, at the last count the island's fund administration value had broken through the £300 billion mark for the first time.

Q What is the process to set up in Jersey?

It depends whether managers are looking to set up their own office or whether they're going to use one of our local service providers.

The set-up process is a lot quicker than onshore solutions and a lot more efficient. It's also a lot more targeted. With the EU passport, you're never going to use it for every single country. You're never going to go to the full extent of it. I am talking to an increasing number of fund managers who are looking to relocate either fully or partially to Jersey.

Equally, I am talking to a number of managers who are looking to set up in Jersey to take advantage of the private placement regime here. Either way, Jersey is ready with the expertise to support fund managers' goals.

Q How does private placement compare with onshore management company options for UK and non-EU managers?

'ManCo' solutions have been available in Jersey for decades. They were formalized in 2009. Many UK and non-EU managers use this solution. They are complementary concepts to the onshore ManCo solution. For example, if a manager wants to market on a pan-European basis, or to the retail market, they would almost certainly select an onshore solution. But when a manager wants to market to a smaller number of countries or to institutional professional clients, Jersey is faster to market and offers a more streamlined solution. One key influence is the target market, whether institutional or retail. The reality is, according to EU statistics, only 3 percent of managers are registered to market in more than three countries, which makes Jersey a far better, faster option.

Private placement is being used across all asset classes and fund sizes and that just reflects the strength of its appeal. There's no particular sweet spot.

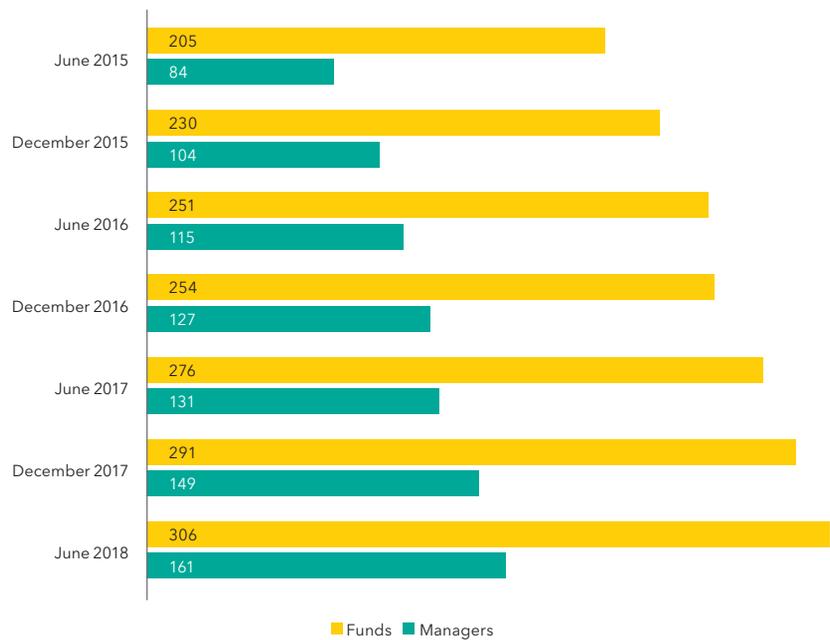
Q Is there interest in private placement beyond UK managers?

It's not only for UK managers looking to raise capital in Europe, but, post-Brexit, in all likelihood we will get to a point where UK private placement rules will apply to European managers looking to raise capital in the UK, which is by far the biggest investor base for alternative investments. Non-EU managers also use Jersey to access capital both in the UK and the EU.

Furthermore, Jersey offers solutions outside the scope of the AIFMD for those managers who are fundraising beyond Europe, such as those in the US. That solution cannot be offered

Continuing to rise

Private placement of alternative investment funds and managers have not dropped off since the Brexit vote



Source: Jersey Finance

by EU member states. Jersey's third country status offers clear advantages for non-EU managers to give them easy access to both EU and non-EU investors.

The key point now is that you've got the UK on one side, you've got Europe on the other, and you have Jersey sitting in the middle, with strong, long-established relationships with both. Jersey can offer certainty and seamless access to both, irrespective of the continued debate around Brexit.

Q Do you think the future of private placement is secure?

The question of an AIFMD passport being granted to third countries is off the table for now. When it is back on the table, Jersey will be in the first round of those countries to get that passport. To my mind, the future of private placement at this point in time

is open-ended, but the three-year period provides something of a buffer. If it is decided that private placement is going to end – and there's absolutely no discussion of that at the moment – Jersey is primed to be granted the passport, meaning we can maintain our standing. ■

Elliot Refson focuses on defining the strategy and execution of marketing Jersey as a domicile and destination for hedge and private equity management companies and funds based in the UK, US, Switzerland and Europe.

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