



**FORWARD GROUP**  
Trust & Corporate Services

**GUIDANCE NOTE**  
**VERY PRIVATE JPF**

## Introduction

This Guidance Note is a summary of the purpose and uses of a Very Private Jersey Private Fund (“JPF”).

The guide will not be able to answer all of the detailed questions that clients may have, and it is not intended to be comprehensive advice. We will gladly introduce you to appropriate legal counsel should this type of structuring be of interest.

## What is a Jersey Private Fund?

A JPF is a private investment fund involving the pooling of capital raised for the fund and which operates on the principle of risk spreading. In order to fall within the scope, there would need to be at least two investors pooling their capital and a number of assets being acquired, such that there would be ‘risk spreading’.

JPFs have been utilised as ideal for:

- club investments;
- co-investments;
- launching private equity, corporate finance or real estate vehicles;
- structures requiring an arms-length separation from an existing structure; and
- philanthropy co-funding and sustainable investment projects.

There are 2 regulatory levels connected to the JPF, one allowing up to 15 participants (known as the Very Private JPF), and the fund regime allowing up to 50 investors.

JPFs are administered by a Jersey-regulated administrator (“the Designated Service Provider” or “DSP”) to ensure that the JPF criteria and the applicable Anti-Money Laundering legislation (“the AML legislation”) are complied with, and to carry out due diligence on the promoter and investors.

The larger 50 investor fund regime requires the DSP to be in receipt of a Fund Services Business (“FSB”) administration license, whereas the smaller funds can be offered by a Trust Company Business (“TCB”).

Forward Group offers the Very Private JPFs through its TCB license, which allows considerable cost savings compared to the pricing structures offered through traditional fund administration service providers.

## Key requirements

### A Very Private JPF:

- can be a Jersey company (including a protected cell company, an incorporated cell company or any cell thereof), a limited partnership, a limited liability partnership, a separate limited partnership, an incorporated limited partnership, or a unit trust;
- is not required to appoint any Jersey-resident directors (or for the general partner or trustee to be incorporated in Jersey or have Jersey-resident directors);
- can be open-ended or closed-ended;
- is not required to appoint an auditor;
- must have 15 or fewer professional investors (see Appendix);
- must not be listed;
- retail investors are not permitted to invest (directly or indirectly);
- must appoint a Jersey-regulated administrator (the “DSP”) to ensure that the JPF criteria and applicable AML legislation are complied with and to carry out due diligence on the promoter;
- must procure that investors receive and acknowledge written receipt a specified form of investment warning;
- must not be a collective investment fund and so, any offer for subscription, sale or exchange of units of a JPF must be addressed exclusively to a ‘restricted circle of persons’ so as to ensure that the offer does not in any way constitute an ‘offer to the public’; and
- must be subject to the sound business practice policy published by the Jersey Financial Services Commission (“the Commission”) which deals with investments by Jersey vehicles in ‘high-risk’ areas.

## Benefits

JPFs benefit from the ‘professional investor regulated scheme’ status such that any Jersey special purpose vehicle, general partner, trustee, investment manager and/or investment adviser will be exempt from regulation under the Financial Services (Jersey) Law 1998.

A JPF is not required to issue an offer document but, where one is issued, there are very few prescribed content requirements (assuming no Alternative Investment Fund Managers Directive 2011/61/EU (“AIFMD”) disclosure is applicable). Jersey JPFs (and any Jersey special purpose vehicle, general partner, trustee, investment manager and/or investment adviser) will either be tax transparent or subject to the 0% rate of Jersey income tax.

Jersey fund structures are expected to provide significant levels of certainty in the face of both base erosion and profit shifting (“BEPS”) and Brexit.

## AIFMD disclosure

AIFMD was implemented in July 2013 and prescribed new rules with respect to the authorisation, operation and transparency of managers of alternative investment funds (“AIFs”) which are marketed to professional investors (see Appendix) in the European Union or European Economic Area.

Certain AIF managers are exempt from the majority of the requirements of the AIFMD and the Jersey AIF Code of Practice on the basis that the values of the assets they manage fall below certain prescribed thresholds, namely:

- (i) leveraged funds valued at less than €100 million; or
- (ii) unleveraged closed-ended funds valued at less than €500 million.

Such AIF managers and the AIFs they manage are subject to a simplified regime as described below.

## Appendix – What is a professional investor?

A 'professional investor' is:

- a) a natural or legal person, partnership, trust, or other unincorporated association whose ordinary business or professional activity includes, or it is reasonable to expect that it includes, acquiring, underwriting, managing, holding or disposing of investments whether as principal or agent, or the giving of advice on investments;
- b) an individual who has a net worth, or joint net worth with that person's spouse or civil partner, greater than one million United States dollars (or the equivalent of that amount in another currency) excluding that person's:
  - i. principal place of residence; and
  - ii. any rights under a contract of insurance;
- c) a body corporate, partnership, trust, or other unincorporated association which has assets available for investment of not less than one million United States dollars (or the equivalent of that amount in another currency);
- d) a person who is authorised to carry on FSB, TCB or investment business within the meaning of the Financial Services (Jersey) Law 1998, as amended, or a person who is authorised in another jurisdiction to carry on materially equivalent services by way of business to or in connection with a JPF (a 'Relevant Service Provider') and any Associate thereof or a co-investment entity in which a Relevant Service Provider or Associate thereof is participating in relation to a JPF;
- e) a person who is a senior employee, director, partner, expert consultant or shareholder of or to a Relevant Service Provider or an Associate thereof, who acquires an interest in a JPF as part of his remuneration or as an incentive, benefit or reward for acting in such a role;
- f) a person who is a senior employee, director, partner or expert consultant of or to a person referred to in paragraph a) above;
- g) a carried interest scheme or arrangement established in relation to a JPF;
- h) a family trust settled by or for the benefit of one or more persons referred to in sub-paragraphs e) or f) above or their spouses, civil partners or dependants;
- i) a trustee of an employment benefit or executive incentive arrangement/scheme established for the benefit of one or more persons referred to in sub-paragraphs e) or f) above or their spouses, civil partners or dependants;
- j) a government, local authority, public authority or supra-national body in Jersey or elsewhere;
- k) a body corporate, partnership, trust, or other unincorporated association of which, every member, partner or beneficiary is a 'professional investor' (within the meaning of this Appendix);
- l) a 'professional client' within the meaning of Annex II to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments; or
- m) where an application is made to the Commission, such other natural or legal persons as the Commission may deem appropriate on a case by case basis.



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