



# Opalesque Roundtable Series '16

# JERSEY

Opalesque Roundtable Series Sponsor:



# Editor's Note

The channel island Jersey, a British Crown dependency which has been enjoying administrative separation since 1204, is a fairly small island, but with 118.2 square km it's also over twice as large as Bermuda. Although Jersey's allegiance is to the British Crown, it is not a part of the United Kingdom and is not represented in the British Houses of Parliament. This means that Jersey is a self-governing parliamentary democracy under a constitutional monarchy, with its own financial, legal and judicial systems, and the power of self-determination. The EU Commission confirmed that Jersey is within the Union as a European Territory for whose external relationships the United Kingdom is responsible, however it is not fully part of the European Union.

Jersey is currently the world's sixth-largest jurisdiction by AUM and it is continuing to grow. About 70% of the assets in the jurisdiction relate to alternatives. From a population of about 100,000, over 13,000 people work in financial services across a broad range of disciplines from the professional services, tax advisory, legal, through administration services, management, banking, and fiduciary. Out of an annual cohort of about a thousand people coming out of Jersey's local education system, 420 came into the finance sector in 2014.

## **Jersey has been regulating hedge funds since 1988 and is the only offshore centre on IOSCO Committee 5**

Jersey has been regulating hedge funds since 1988. It is the only offshore centre that sits on IOSCO Committee 5, which is the one that comes up with the global rules. **Jersey's early implementation of equivalent legislation to the AIFM Directive on an opt-in basis was recognised by the EU and allows Jersey based funds to play in Europe and to access European-based investors using the National Private Placement Regimes.** In 2015, ESMA advised the European Commission on the extension of AIFMD passport to non-EU jurisdictions, and their advice concluded that no **obstacles exist to the extension of the AIFMD passport to Jersey**, putting Jersey at the front of queue of third countries waiting for the AIFMD passport from ESMA. It is important to remember that in this context of EU legislations, third countries here is the whole world outside the EU, including the US, Cayman Islands or Hong Kong. Obviously, managers can also opt out completely from AIFMD and have efficient segregated structures or management vehicles accessing the rest of the world's capital.

## **Not affected by Brexit**

It is not envisaged that Brexit will impact on Jersey's existing market access rights to the EU for financial services, as Jersey typically accesses the EU market through its own bilateral agreements which are independent from the UK's relationship to the EU. Managers can definitely market Jersey funds into the majority of the EU/EEA using the Private Placement Regimes, and they are likely to be first in line for the passport when that becomes available to third countries.

Alternative investment managers like Altis, Brevan Howard, BlueCrest or Systematica all have operations in Jersey, attracted by aspects like the time zone, geography, English language, short commutes and because generally Jersey is a beautiful place to live and work.

## **Jersey's solution to BEPS and attractive taxation**

The OECD's Base Erosion and Profit Shifting (BEPS) project has never really been an issue in Jersey because there have always been historic regulatory requirements for substance when doing business on the island. Jersey hasn't seen the rises of brass plate companies where people have an office but actually there's no one ever in that office. Maybe more importantly, Jersey's business has not been built upon some of the uses of double tax agreements. Jersey hasn't grown its funds industry off the back of international tax agreements and also hasn't seen the raft of holding company structures that exist in some jurisdictions that have purely been put there to make use of those tax arrangements.

From a taxation perspective, Jersey's tax regime is a certain one. There is a 20% income tax rate for the general population of the island, and for high net worth residents looking to come in, there's a tax rate of 20% on the first £625,000 of income, and 1% thereafter, so it's a very attractive regime. There is no capital gains tax and no inheritance tax, and that's been a very settled tax position for many years. In essence, Jersey hasn't done anything to change their tax model but just simply to better publicise it.



The inaugural Opalesque Jersey Roundtable took place in June 2016 in St. Helier, Jersey, with:

1. Mike Jones, [Jersey Financial Services Commission](#)
2. Stephen Hedgecock, [Altis Partners](#)
3. Oliver Morris, [KPMG](#)
4. Rober Milner, [Carey Olsen](#)
5. Alistair Rothwell, [Fairway Fund Services](#)
6. Richard Corrigan, [Jersey Finance](#)

The group also discussed:

- The three major drivers for a manager to come on to the island
- Are proposed changes to the UK's tax regime surrounding issues like management and performance fees and non-doms likely to have an impact on where managers base themselves?
- What is the situation re. staffing, infrastructure, housing and office space in Jersey? Is it true that there's a 1-gigabit capacity fiber internet connection for every household?
- What is Jersey's financial regulation like, and where is it heading? Why is the island putting a special focus on FinTech?
- Altis Partners (Jersey) Ltd. was founded in February 2000 and re-domiciled to Jersey in 2005. What has been Altis' experience since then? How have they seen the island change and evolve?
- What support do managers get in Jersey when setting up funds or locating there?
- Higher standards: Why non-executive Directors may need a specific regulatory licence when they have more than six directorships.

Enjoy!

Matthias Knab  
[Knab@Opalesque.com](mailto:Knab@Opalesque.com)

## Participant Profiles



(LEFT TO RIGHT)

Mike Jones, Robert Milner, Stephen Hedgecock, Oliver Morris, Richard Corrigan, Alistair Rothwell, Matthias Knab

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# Introduction

**Richard Corrigan**  
Jersey Finance

I am Richard Corrigan, Deputy Chief Executive of Jersey Finance. We are the promotional body for Jersey's finance industry and a public-private partnership between the government and the industry itself. We have representation around the world, in London, Dubai, Hong Kong, Shanghai, and New Delhi and Mumbai. We are delighted with the growth that we are seeing particularly in the hedge fund sector here in the island, and we continue to stimulate that growth through conversations with managers in the UK, Western Europe, and increasingly, on the East Coast of the US as well.

**Oliver Morris**  
KPMG

Oliver Morris, I am a Director at KPMG in Jersey where I lead the regulatory change practice for alternatives, covering hedge funds, private equity and real estate. I also work quite heavily with colleagues in the UK and Guernsey. I spent two years on secondment as Technical Director for the British Private Equity & Venture Capital Association.

**Stephen Hedgecock**  
Altis Partners (Jersey) Limited

Stephen Hedgecock, I'm one of the Founding Principals of Altis Partners (Jersey) Limited. We founded the firm in February 2000 and re-domiciled to Jersey in 2005. We've seen our assets grow from arrival here in Jersey from around \$120 million peaking at about \$1.6 billion, and today we have about \$350 million under management.

My background is primarily in New York where I started with Citibank Foreign Exchange. I moved on to join Louis Bacon at Moore Capital Management and moved back to the UK and became an executive director at Sabre Fund Management, one of the larger CTAs outside of the US at the time. I then went and set up Quality Capital Management for Aref Karim and then finally brought all that experience into setting up Altis with three other partners.

**Robert Milner**  
Carey Olsen

Robert Milner, I am a partner at Carey Olsen in Jersey. Carey Olsen is the largest law firm in Jersey and Guernsey. We are also present in the BVI, Cayman, and Singapore. We specialize in advising both onshore and offshore fund managers and fund directors on a myriad of issues that arise from their structuring and operational needs.

**Mike Jones**  
Jersey Financial Services  
Commission

Mike Jones, Director of Policy at the Jersey Financial Services Commission, which is the unitary financial services regulator here in Jersey.

The Policy Division has broadly three main functions. There is an international element which includes both responding to things like EU Directives or international standard changes and dealing with other international stakeholders which includes representing Jersey at IOSCO or similar international bodies.

Then there's the domestic focus which is improving and enhancing the domestic legislation, codes of practice, underlying rules, guidance, and so on.

And thirdly, we are also active from an innovation perspective including things like FinTech. Jersey is one of those that have taken some active steps quite recently in developing the FinTech space in the island, working in conjunction with other stakeholders in government.

Personally, I have now about 20 years of regulatory experience. I previously worked in London for Deloitte and I had a two-year secondment to Sydney working for ASIC, the Australian regulator, where I was very much involved in the hedge fund space and also did some enforcement work for them for a couple of years.

**Alistair Rothwell**  
Fairway Fund Services Limited

Alistair Rothwell from Fairway Fund Services Limited, which is part of the Fairway Group. We are one of the ever-reducing independent owner-managed fiduciary services provider in Jersey. In Fairway Fund Services, we provide administration and trustee services covering private equity, real estate, and over the last year increasingly hedge funds as well.

We are a more boutique fund administrator at the smaller end of the hedge funds administration space. We are finding it a very interesting area which for us has been growing rapidly; and there seems to be a lot of good business around, so we are quite excited about our future.

# 70

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**Richard Corrigan:** I think AIFMD has been quite a catalyst for this next stage of growth we are currently experiencing. When Jersey first looked at AIFMD, as many jurisdictions would have done when the Directive first came out, there was a degree of trepidation because it could also have had a major negative impact to the industry had we not dealt with it in a timely and responsive fashion, so tremendous efforts went into that across the regulator, government, and the industry to ensure that Jersey was as prepared as possible for AIFMD. That enabled us to be the first of the countries to get an approval for distribution through the National Private Placement Regime. That third country approval was important: at the moment we are at the front of the queue waiting for the AIFMD passport from ESMA.

**In 2015, ESMA advised the European Commission on the extension of AIFMD passport to non-EU jurisdictions, and their advice concluded that no obstacles existed to the extension of the passport to Jersey.** For now, ESMA will probably continue assessing other jurisdictions but, from our side, we certainly hope to see further progress over the summer months, at least in terms of the next pronouncement. Whether or not that means Jersey will receive passports remains to be seen.

The important aspect for us has been persuading managers to choose to **build substance here in Jersey**. We are seeing an increasing number of managers – such as Stephen who, with Altis, is one of the longest-serving managers here in the island – coming here and setting up operations. In many respects, Stephen has started that trend of moving into the jurisdiction and I'm happy to say that he is in good company, with a number of other hedge fund managers who now have formed a very meaningful cluster here. And of course, that success breeds further success because people ask: "Why did Altis come to Jersey?" "Why are companies like Brevan Howard, BlueCrest or Systematica here?" By asking those questions, it gives us an opportunity to answer and espouse the virtues of doing business from Jersey.



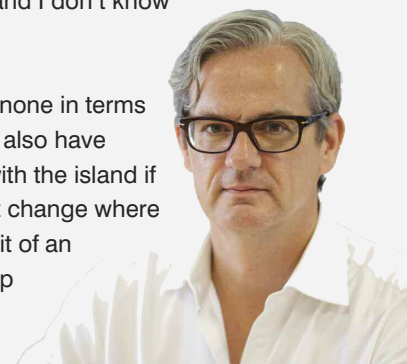
**Richard Corrigan:** About 70% of the assets in the jurisdiction relate to alternatives. Traditionally the funds have been more skewed towards real estate, private equity-real estate, traditional private equity structures. What is happening now is that we are starting to see a much better balance emerge across all alternative asset classes. We haven't lost the skills or the competitiveness in those other areas, and we remain a very significant jurisdiction for PE and PE-real estate, but we are also responding to the growth we are seeing in the hedge fund cluster as well. Jersey really is a broad-based center for alternatives.

**Stephen Hedgecock:** I think there are **three major drivers for a manager to come here onto the island**. The first is that managers and their business, by domiciling here with substance, can actually take advantage of the local tax regime. In the UK, for example, you've got corporation tax, capital gains tax, social security, personal taxation, and your own PA trading which, when you are small, is quite important. All that weighs on a business. Combine this now with the big push which has been going on for years in terms of fee squeezes, including the way fund products were distributed in the past through broker-dealer networks, the quite costly processes, that's all been under a great deal of pressure since 2008, together with a lack of great performance in a lot of sectors within the alternative management space.

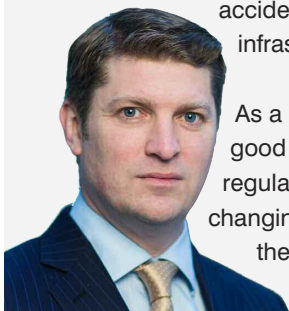
Regulations here are first class. I have to point this out and give Mike and his colleagues some kudos here; the regulator here is truly hands-on. You can go to them with any problem you have. You do get an appointment quickly, and they do listen to your specific problems or questions. When I arrived here in the island, we were under a dual regulatory regime, FSB, IB. These were two separate rulebooks applied under the same legal framework, and we had to abide by that. Some of it was grey because obviously the regulator wasn't used to dealing with actual managers. They would often have people using sort of some of the service providers here, so it was actually really good to see that there was a reaction from the regulator to get things done.

Well, compare that with Europe. So we've got MiFIR and – MiFID (II) going there and ESMA has to then pass that along to the European Commission. And then that has to pass on to the Council and the Parliament, and if they make a change to it, that's going to cost a three-month delay where they all look at it again. So, as a regulated individual, I've got a great degree of uncertainty in that environment where I'm supposed to abide by all these rules by January, and I don't know what it is yet; I mean, we've probably got a good guess.

Also, another advantage and my third point relates to the infrastructure here. It is second to none in terms of your service providers, you can get all high-end quality institutions here in the island. You also have connectivity with the rest of Europe and of course with London. You also culturally identify with the island if you are from UK especially. So, now from the perspective of a resident, it is not such a great change where you have sort of ended up on a beach down south or in the Caribbean and perhaps feel a bit of an outsider. You can integrate into the island here relatively quickly. Jersey gets a big thumbs up from us.



**Robert Milner:** I would echo what the other gentlemen have said and add that Jersey's success and where we are now is no accident. This is something that has been ten years of work in the making. We have continually developed the infrastructure, the legislation, the regulation on a very active basis.



As a lawyer, we talk to lawyers on other jurisdictions, and we know that Jersey is viewed internationally as a good place to do business for those very reasons. The industry here has built excellent relationships with our regulator and our government. And it's this joined-up approach which enables us to react to an ever changing international regulatory landscape and find niches and solutions for people that really encourage them to consider us as their jurisdiction of choice.

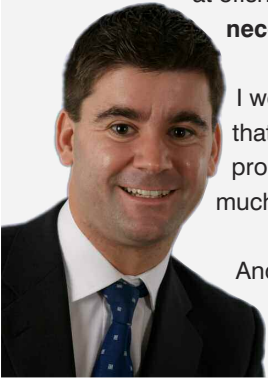
**Mike Jones:** A lot of good points have been mentioned already, I'd probably just add one point to Stephen's of "Why Jersey?" I believe the natural environment obviously helps as well, so **aspects like the time zone, geography, we're speaking English, and it is a beautiful place to live and work.** Having lived and worked in London and Sydney, I chose to come back to Jersey for those sorts of reasons. It's a great place to settle down and bring up kids.

And then from a regulator's perspective, the key thing for us is to be proportionate, responsive, agile, and a listening regulator that is approachable. One of the key things that we focus on is why are we doing certain regulatory activity. Lots of regulators are enforcement-focused, et cetera, but a key thing for us is having a **market access focus**, and everything we should be doing should be about market access, either gaining new market access or maintaining existing market access, and the response to AIFMD was clearly a key example or a demonstration of that.





**Oliver Morris:** I think one of the things we see quite often with a number of clients, both onshore managers and those looking at offshore and have moved offshore, is that Jersey has a **peculiar appeal of being close to Europe but not necessarily being part of the European Union**, and that has a particular appeal for a number of clients.



I would also underline the speed at which you can work with the regulator is particularly attractive. I know that new manager applications in some onshore jurisdictions can take anything up to a year to get processed at the moment. I think we're at a considerable margin below that. In general, I think we have a much more pragmatic environment to be able to do business.

And again, those channels of getting into Europe and further afield are very much open, which of course remains very positive and an important reason why we're seeing the continued growth that we have.

**Matthias Knab**

Jersey is a Crown Dependency of the United Kingdom, it's a self-governing parliamentary democracy under a constitutional monarchy, with its own financial, legal and judicial systems, and the power of self-determination. The EU Commission confirmed that Jersey is within the Union as a European Territory for whose external relationships the United Kingdom is responsible, however it is not fully part of the European Union but has a special relationship with it, notably being treated as within the European Community for the purposes of free trade in goods (as long as the UK remains in the Union).

What does your legislation as a fund jurisdiction look like? Let's talk a bit in greater detail about the market access and fund distribution from Jersey.

**Robert Milner:** From an international perspective, Jersey has historically been very focused, naturally due to its geographical location, both on the UK and Continental Europe in terms of its attractiveness for investors and managers. As we are all aware, a few years ago, as a response to the global financial crisis, new legislation was promulgated in the EU relating to the management of funds, the Alternative Investment Fund Managers Directive. As Richard mentioned, we have worked hard for an **early implementation of equivalent legislation to the AIMF Directive on an opt-in basis** and were therefore able to develop a recognized system and framework which allows Jersey based funds to play in Europe and to access European-based investors.

So, currently **Jersey managers are allowed to market into the EU using the National Private Placement Regimes**, which is exactly the same way they would previously have been able to access these markets.

One of the great benefits of AIFMD is that it introduced the concept of a passport, thus enabling a manager who had got approval in a single EU member state effectively to be able to market without limitation that fund to appropriate investors in every EU/EEA member state, and the good news from Jersey's perspective is that is expected to be coming online soon.

We have been working very closely as a jurisdiction with the EU to ensure that we are going to be **one of the very first tranches of third countries to be allowed access to the AIFMD passport**, and remember that in this context of EU legislations, third countries here is the whole world outside the EU, including the US and Cayman Islands or Hong Kong.

This will be a key selling point, because at least for a couple of years, you'll be able to have a super light touch and use the National Private Placement Regimes when accessing the EU, and you'll also be able to be fully compliant, have a passport and so market your funds without limitation to appropriate investors within the EU.



And thirdly, and this is the kicker, because we are outside the EU to start with, our relationship with the rest of the world hasn't changed. So you can opt out completely from AIFMD and have segregated structures or management vehicles accessing the rest of the world's capital.

So we like to think that we can offer the best of all worlds. We have stepped up to very imposing onshore levels of regulation and have adopted equivalent measures, and it has been recognized that we have done so, with the upshot that we can give this optionality to managers settling here that's simply not available to those established onshore.



**Stephen Hedgecock:** During the ten years we have been here, I have seen Jersey really evolve and mature as a jurisdiction. When I first arrived, I believe the direct interaction with the EU was virtually nonexistent, and the island in itself totally relied on representation from the UK. I believe it was some smart thinking from some of the people here that suggested that we as an island directly approach the EU. And I think that going direct has tremendously helped in building the financial sector. We have an Ambassadeur Extraordinaire, Mr. Powell, who has done a terrific job in establishing and refining this direct contact with the EU. So Jersey being represented directly and correctly in the European Union has also been a major driver of our success.

**Robert Milner:** Correct, and this has helped a great deal because while in the past we have faced a period of potential uncertainty, we have come out of it with a great deal of certainty. Right now with the **Brexit discussion** we are in a time where uncertainty is rife within the EU itself, and particular concerns are raised with respect to the UK's asset management industry if Brexit was to occur. But currently, we can say to people, "You can definitely market your funds into the majority of the EU/EEA using the Private Placement Regimes. You are likely to be first in line for the passport when that becomes available to third countries."

Being able to offer that degree of certainty together with an efficient operating environment, frankly, puts us in a very small cohort of jurisdictions. And irrespective of what happens in the EU, managers still have the rest of the world. There are solid and growing relationships between Jersey and the US, as well as the Far East. Many valuable business connections are developing. There is a lot of interest and activity from managers and funds based in those jurisdictions looking to use Jersey as a conduit for either the raising of capital in the EU and the deployment of capital in the EU, the raising of capital worldwide, and the deployment of capital worldwide. It really has been an exciting time for us.



**Matthias Knab**

Richard, you mentioned the different offices Jersey Finance has globally. From which region do you see the most growth in terms of business for Jersey?



**Richard Corrigan:** We are experiencing the highest levels of growth coming from the Middle East because a lot of capital is generated there, and there are fairly low barriers for that capital to exit the region and invest internationally. There is also a great cultural familiarity and fondness for the UK and Europe which are our most proximate geographic markets.

That said we are now branching further out into India and Greater China to build closer relationships there. When we do that, it's not just about promoting the jurisdiction, it's actually trying to lay some track that gives our industry sustainable access to those markets.

Take China as an example: our regulator in Jersey signed an MoU with their counterpart at the Chinese Securities Regulatory Commission in 2014, which helps to promote better market access and greater familiarity between those two securities regulatory regimes.

At all stages we are trying to promote understanding. That understanding isn't just about the commercial aspect, it's about governments talking to each other and it's about regulators talking to each other as well. So the success that we have currently in Europe is something that we're trying to replicate further and further afield in that sort of tripartite manner.

If we are going west from here and head to the US – the interest from East Coast-based private equity, private equity-real estate managers in European assets, whether that's real assets or financial assets – we are looking to deliver our AIFMD solutions to those managers. If capital raising in Europe is important for them, if having substance within Europe is important for them, then Jersey is able to offer those solutions. For example, our Business Development Director for the funds sector has been over in Boston this week at the SuperReturn Conference talking to US private equity houses about exactly that.

**Matthias Knab**

When you mention “substance in Europe”, I would think that this links with the OECD's Base Erosion and Profit Shifting (BEPS) project, no?

**Richard Corrigan:** Yes, this links very much to the **BEPS agenda**. I think we think we have a very compelling case to tell when it comes to the ability to build substance in Jersey compared to competitor IFCs. That case is based on the size and the quality of our existing labour pool here in the island. From a population of about 100,000, we have over 13,000 people working in financial services. That's across a broad range of disciplines from the professional services, tax advisory, legal, through administration services, through management, banking, and fiduciary. So we cover that whole range in depth here. We are also proximate to the UK and Europe, and so, when we need to top up our talent pool, we are able to do that selectively by bringing in the right kind of people to deal with any shortages that may occur from time to time in fund administration or professional services, for example.

Importantly, we will always look to managers or other businesses that are interested in establishing here in the island. We will look favorably upon their decision to relocate and help to support that by enabling them to bring in people from their wider networks.

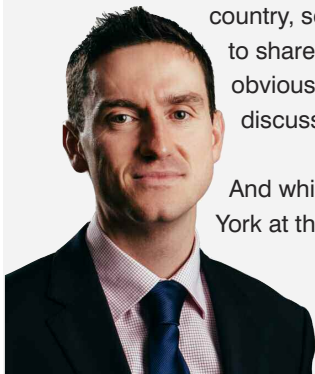
So if BEPS is going to drive managers towards an effective insourcing of some of their administration services, they will be able to insource that and grow their footprint here in the jurisdiction to demonstrate the substance that's required.



**Mike Jones:** I had a meeting with the SEC last year on AIFMD. In terms of EU regulations, the US is actually a fellow third country, so we were comparing notes on what we are doing regarding AIFMD, and we from Jersey were able to share some good progress that we made, and our conversation was a benefit to the US SEC. The US is obviously a good relationship to have, they are quite a powerful third country ally in some of these EU discussions.

And whilst I was there, I spent some time with Jersey Finance (JFL) at an event they were running in New York at the same time as part of a global regulatory event.

It became quite clear that there are a lot of managers in the US that were quite worried about the position of some of their existing structures and existing funds that were located offshore but



perhaps not in a blue chip or top tier high quality offshore location, and they were worried about the possible assessment of some of those jurisdictions. They know they need offshore for very sensible reasons but they wanted to make sure that they were at the very top end of offshore.

So there is a lot of interesting dialogue about where Jersey is placed and there are a lot of eyes looking at Jersey. I think that's probably a really good growth opportunity for us, should things progress as we hope and expect, particularly regarding the AIFMD passport.

On the substance point, there are a couple of points to mention. First, this new framework is coming, and if it's not BEPS or MiFID or AIFMD or the AML requirements, eventually you will get found out if you are gaming the system. So substance is coming to a place near you quite soon. It's never really been an issue in Jersey because there have always been historic **regulatory requirements for substance.**

If you look at AIFMD, there is the split between management and risk management which already helps in terms of substance, but the way our regulatory regime works and the way you get approved is that you have to have substance in the first place.

So when we implemented our AIFMD regime and as part of the subsequent equivalence assessment from Europe, we have had to answer very detailed questions on exactly how things work here. For example, the European regulators want to know, "You've got this hedge fund manager there. How many people do they have working for them?" And when we say, "Well, it is about a hundred people", they were surprised by that number because it was not what they were expecting. But having adequate substance is the requirement in Jersey, and it will of course help those companies going forward but in a way it really helped our equivalence assessment because people could understand the reality of what is happening in Jersey and where we are now.

The equivalence assessment is being done by regulators of regulators. So the politics is out. It's things like how does your enforcement regime work? We can show them enforcement cases against funds. How does your legal regime work? How do you supervise entities? And we can say that for example we also do supervision visits in partnership with the FCA in the UK or with the AMF in France. That's not widely known, but actually these assessments have helped people to understand Jersey.


So, again, BEPS isn't going to go away, and I don't believe people will be able to dodge the substance point, but fortunately we have a very strong position in that respect.

**Alistair Rothwell:** On the substance point, as administrators we often deal with complex structures; that is structures having multiple layers, often in different jurisdictions. One of the things we see repeatedly is that when we make enquiries, where we are the top of the structure and we enquire down through the structure about certain matters, in those other jurisdictions they are very often surprised of the depth we want to go, things which are 'business as usual' for us.

This may not be that surprising when we are contacting an offshore center that may aggressively try to compete on price, but it has even happened in places as reputable as Ireland or Luxembourg, i.e. EU jurisdictions, that when we enquired and said, "We are the directors of the holding vehicle, we want to know how you hold this or deal with that?" They are surprised that we need to know about details on the entities they administer and they sometimes really kick back since clearly this is not normal conduct of business for them. We have come across things that just don't seem to be on their radar such as demonstrating proper substance that has been standard practice in Jersey for many years. With increasing regulations and focus on matters such as BEPS setting the bar continuously higher, I think Jersey has certain advantages that we ourselves are just becoming more aware of that maybe we have taken too much for granted.








**Mike Jones:** This goes way back to 2013 when AIFMD came in, and our very first conversation with EU regulators who introduced this to regulate hedge funds. We said, “This is useful, but actually **we’ve been regulating hedge funds since 1988**. Our funds law doesn’t differentiate between the hedge funds or other asset classes. A firm is regulated here if they engage in any of those activities”, and this was an instant door-opener with the EU.

We are also very heavily engaged in IOSCO, which is the international organization of securities regulators, so the global standard setter for fund regulation, particularly regarding hedge fund regulation. We are **the only offshore centre that sits on Committee 5**, which is the one that comes up with the rules. The process is that G20 generally instructs FSB who then instructs IOSCO to ultimately come up with securities rules.

So Jersey was asked to sit on the group that came up with the revised hedge fund principles which was produced by IOSCO following the financial crisis. This means we are involved in both setting those standards and then of course implementing them on our end.

**Oliver Morris:** One of the big drivers for the market access is exactly this sort of international recognition which we have been able to establish over time, particularly, as Mike said, through our engagement and involvement with the IOSCO processes or engaging with the SEC. For a jurisdiction of our size to be able to get face time with the SEC on detailed matters is important. These are validating our offering, and I think that Jersey has and has continued to give people additional comfort when they are looking at what jurisdiction they should use. The fact that we are on the table with the global key decision and key policymakers and that we are engaged in the debate continues to work in our favor.


And again, regarding the BEPS substance point, I believe that we have a very positive story to tell. Not only have we had substance requirements for a number of years, but also, the way people have created their substance offices is very different to a number of the jurisdictions. We haven’t had the rises of brass plate companies where people have an office but actually there’s no one ever in that office. Actually there are real people here doing things on a day to day basis, and it works. If you do need to commute to some of the other major centers within Europe and further afield, it’s possible given the airport and infrastructure that’s in place. And therefore, actually a substance offering from Jersey is nothing to be afraid of and works quite well for large number of market participants.



**Robert Milner**

When you compare and contrast the position of Jersey with several other offshore centers in regards to BEPS, we’ve got less to worry about, because historically our business has not been built upon some of the uses of double tax agreements that other jurisdictions had almost been encouraging. And therefore we may find ourselves in a strategically very different position compared to them.

**Oliver Morris:** Yes, absolutely, this point on BEPS is quite key. As Robert said, we haven’t grown the funds industry off the back of international tax agreements. So we haven’t had the raft of holding company structures that we see in some jurisdictions that have purely been put there to make use of those tax arrangements. That hasn’t been Jersey’s USP for a number of years.



Via the BEPS actions we will see challenges for those tax arrangements and double tax agreements. I think Jersey is in a positive position as we don’t promulgate abusive tax regimes. But we support and have continued to support managers with substance using the jurisdiction for the right reasons.

As Mike said, **the substance requirement is here to stay**. If that’s not a solution that people are

considering then probably that business isn't going to come here, but actually when you look at some of the other jurisdictions and also the onshore jurisdictions that have traded on those international tax arrangements, they have some potentially significant challenges ahead.

### Stephen Hedgecock

Even back when we arrived here on the island, Jersey had always enforced a six eyes policy. Now, I have seen managers who tried to move to Jersey and have failed; they actually didn't think the island had this level of scrutiny on their businesses and found the bar too high. But reality is that Jersey always has had these high standards. And also, we are on a relatively small island, so to run a shell or a mailbox company, really, there is no way to hide with that. It is a very visual island. The regulators are engaging. The other managers are engaging, I think it is very difficult to hide yourself here.

### Matthias Knab

Stephen, you have been here now for 10 years, what has been your experience, how have you seen the island change and evolve? And how has being here affected you, how have you benefitted?

**Stephen Hedgecock:** Well, I think first thing is that after 10 years you become a local, which is kind of an interesting concept because that means you can own more than one house, if you want to do that. But let me add that it has changed dramatically since we arrived. I think the island has grown up into a modern financial arena, it's quite switched on and at the top of its game in terms of regulation, even trying to be ahead of the curve on regulatory themes.

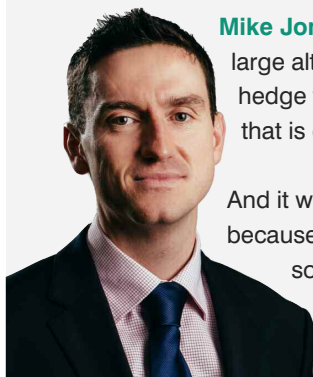
As a CTA we have also been through poor times of performance, even though we have also rebounded very strongly. Altis has had a good run from probably May 2014 up to around Christmas time last year, but in general we haven't been the stars of the industry. So for us, it's been almost a godsend that we haven't had to reshape as aggressively as most because here we can run quite a tight ship. We've got relatively decent offices, the standard office I have here is at 28 pounds a square foot, whereas when we were in London in Berkeley Square, I think our biggest trade in 2004, when the industry was going through a massive problem, was selling out of a five-year lease at 80 pounds a square foot and buying in at 48 pounds a square foot.

Looking at some of the downsides, well, you are on a small island and it has its own set of challenges with families. I think they describe it here as a little bit of rock fever. When you've been here for quite some time, you may have to get off a bit for a change, but all in all it's been a terrific experience.



**Mike Jones:** Just coming back to what has changed over the last 10 years, so Altis was probably the first large alternative investment manager to come here, and, as we have mentioned, some of Europe's largest hedge funds are here now and form part of a bigger cluster, Richard will certainly have more numbers. So that is clearly a sign of the growth that has happened over the last 10 years.

And it was the right strategy that Jersey has always followed in financial services to compete on quality, because if you compete on anything else – on price or a race to the bottom on regulatory standards – someone is always going to undercut you. But if you think long-term, maintaining access, meeting international standards, competing on quality clearly was the right strategy, and it's starting to bear the fruits.



**Robert Milner:** Jersey's regulatory framework caters for a number of different scenarios and so from certain angles, it could be seem quite complicated. But in fact, it's a series of carefully developed pigeonholes for certain types of products and certain types of manager. It's based upon one overriding principle, which has served the island very well, which is that there should be proportionality between the sophistication of the investor and the level of protection they are afforded. It's as simple as that. There's no point applying retail levels of protection to funds which are designed to be sold to Goldman Sachs - they will start laughing. There is also no point applying super-light levels of regulation to structures which are sold to pensioners.

Having the right level of regulation for the right underlying investor has been key to this philosophy, which has been developed in Jersey over the last 10 years.

We therefore have a range of classifications of funds, each of which would provide clarity as to the applicable amount regulatory oversight. In particular, we have some very sensible, very economic and very easy to set up structures where you have a very private structure with only a few very sophisticated investors coming together.

Further, when a manager wants to market into the EU/EEA, AIFMD just gets overlaid over the existing structure to the extent it's applicable. So if you already have a relatively heavily regulated Jersey product, there is very little that needs to be added to it to satisfy the AIFMD criteria. If you would have what was otherwise a very lightly regulated product and you want to market into the EU/EEA, then you have a bit more catch up, and it's just applied as an overlay.

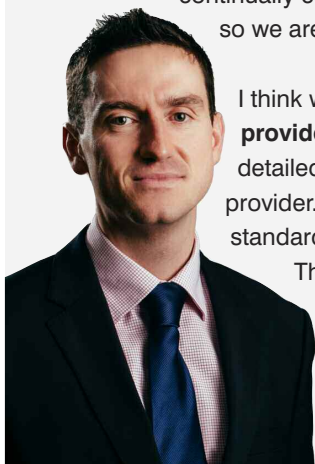


**Mike Jones:** On the funds side we have the principles of optionality and flexibility, which is obviously what the lawyers, the service providers and the funds want, and that's ultimately for investors' benefits as well. The overall regulatory regime in Jersey is very much **principles-based**. It has high level of principles of regulation, it's much easier to regulate that way. But if there are detailed rules needed on a particular field or for a particular type of investor or asset class or product, then they exist, but they are not automatically applied to everybody.

And then the other key point to make on the funds regulatory regime is that having optionality and flexibility is great, but it is also relatively complicated, and we have recognized that over the years. Now, you can't have both, you can't have total optionality/flexibility and simplicity, they are just mutually exclusive, but what we are doing is working in partnership with industry, with the service providers, with the lawyers, and with government and the other key stakeholders on where we can make that even better. So we are not resting on our laurels. It is a successful funds regime, but different jurisdictions are continually coming up with new products or new service provider regimes, and we are looking at that as well. And so we are looking where we they can streamline or make it even more effective and efficient.

I think what you probably will see as a general trend globally in **regulation is to become more service provider-focused** and less fund or product-focused itself. This means that we will strip away some of the detailed requirements on the fund on the authorization level and place certain requirements on the service provider. We are seeing this kind of change in a number of jurisdictions, it's backed by the international standards. Jersey's always had a bit of both, but we are now prepared to ease a little bit on the fund level.

The manager has certainty for the timescales of launching that fund because there is such a good and efficient regulation on the service provider. We can rely on them and we can trust them. If we need to take action or enforcement action, we have all the powers we need on the service provider. We'll still maintain all those powers on the fund and the directors of those funds, but you don't need to have that double test at the outset.



**Stephen Hedgecock**

I was at a conference last week where I heard that Luxembourg and Malta are now introducing similar regime changes as you have described now. How much of a competitive challenge is that going to be for Jersey?

**Mike Jones:** Other jurisdictions are also introducing similar manager-led regimes. We had announced we were looking at this about a year ago, so maybe some of those are taking our idea or perhaps we took theirs. So for us this means we have to find a balance in terms of passing the equivalence assessments, meeting the international standards, protecting investors, but, if everybody else is being competitive, we clearly need to be competitive as well and keep an eye on them. We are looking at those developments very closely to see what we can do.

We already touched on the fact that Jersey was in the fortunate position of being quite nimble when AIFMD happened, and at that time there was a clear and present danger for our industry that we needed to maintain access. Within six months, you had the best legal minds in Jersey together with regulator and government, and a law was created, drafted, and implemented. So again, that new regime, that was then found to be fully AIFMD compliant by the EU was created, drafted and implemented within six months. Now, you can't do that in most jurisdictions. You just physically cannot get law adjustments that quickly, but we were able to do that in Jersey.

Therefore, we know and we have proven that we are able to move quickly and yet create fully compliant and efficient frameworks. I think it's probably sensible and prudent to let the current ESMA assessment process on the AIFM passport conclude before we make any further changes.

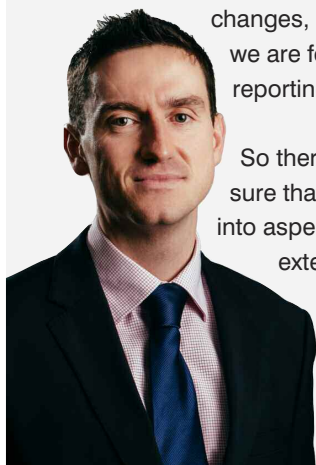


**Stephen Hedgecock**

One of the challenges we as a manager see with all the new regimes coming into force in Europe is the actual fiscal data collection that's required. While we have a large financial industry here, Jersey is still a rather small island and I wonder if the regulator is facing any resource or capacity issues and how you address that?

**Mike Jones:** Certainly, having capacity and being able to be responsive is something that we are deeply aware of. Right now, as an organization, we are undergoing a change program, which is a very grand title, but it does involve structural changes, change in human resources and in training. But one of the key aspects the industry will notice is that we are focusing even more on how we interact with industry, so things like a web portal for paying the fees or reporting your stats, will assist, rather than those pure internal aspects I mentioned.

So there will be a quite significant investment from the Commission in terms of its IT infrastructure to make sure that we can cope with those new global reporting requirements, because those now tie into everything, into aspects of financial stability, to be able to share information if requested within your authorities and externally, and of course fulfilling the ongoing requirements to get a passport. So we are doing quite large investment to facilitate efficient reporting and interaction with the industry on the IT front. It has already started and people pay their fees in a different way now rather than having to write us a letter and send us a check. You just do it all online, and that's going to be rolled out for various other regulatory interactions in due course.





Mike, you mentioned the regulator is also looking at the FinTech sector and starting to get involved. Could you please give us an update what is happening there and what you are trying to achieve?

**Mike Jones:** FinTech is a very broad topic and that means different things to different people. Regulators have a role to protect the island's best economic interests, to protect consumers, efficient oversight of the sector, etc., but we also have a role in ensuring that the island remains competitive, and globally there is clearly dramatic activity happening in the FinTech space.

So the Jersey Financial Services Commission have gone through a **FinTech strategy process** over the last year, liaising with government to decide what if anything we need to do, and the conclusion was that there is quite a big role for us to play. Other regulators have a lot more resources on this, for example the FCA has got an innovation team and a sandbox division, and Singapore has invested a lot of resources as well.

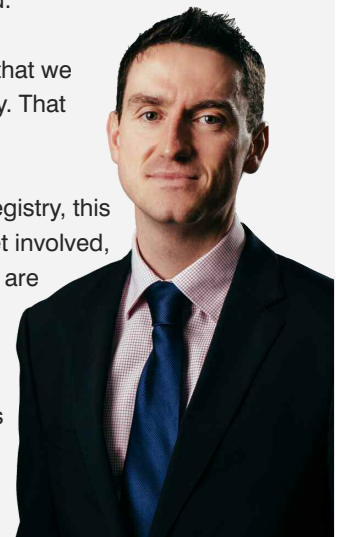
We don't have that luxury and we cannot charge industry a lot more to be able to fund that, but what we have done first is to ask if the jurisdiction wants to be proactive in this space, what are then the natural things and fundamental prerequisites to get started at all? For example, we believe it's a prerequisite that you need to have a very good reputation in terms of cybersecurity. So we have invested a lot ourselves as a regulator in terms of our own cybersecurity. Obviously we hold a lot of important and sensitive information on beneficial ownership data, on enforcement information, on individuals' personal questionnaire information, etc. We want to make sure that this data is protected, and then also address the industry to make sure it has adequate cybersecurity defenses as well.

Then, once you've got that awareness in place, and we'd like to think we have that in place as best as we can through things like a dear CEO letter to the industry, you move on to the next phase. So, for example, we're going to be doing themed examinations in this respect for industry in due course as well. You then look at what's next? And a lot of it is other agency's roles such as Digital Jersey and the Government is developing this, but the regulator can help and the regulator can also hinder some of that. So take something like crowdfunding or peer-to-peer lending. The current role of the JFSC might actually be to get out of the way to let that happen or we could issue some FAQs that say, you can and can't do this, and if you do that, you won't be regulated, but broadly, knock yourself out and get on with it industry, it's nothing to do with us until government tells us otherwise. It has to be a case by case assessment of what is the appropriate policy response from the regulatory based on the weight of evidence.

If you look at **virtual currency regulation**, then there is a role for us in that field as it is a global standard that is emerging. In that way, we're involved in development of that standard with bodies such as IOSCO. Let me mention here that Jersey already has a Bitcoin fund, we are one of the first jurisdictions in the world to have a Bitcoin fund authorized.

We have consulted on some legislation to how you regulate virtual currencies, and the conclusion that we have reached was to regulate the interface between normal traditional currency and virtual currency. That regulation is going to come into force later this year.

We are also working on **blockchain technology**, another major FinTech topic, with our company registry, this technology offers huge opportunities for registries and financial services generally. If we need to get involved, we will get involved, but our signal to the industry is that we are open to business in this space. We are having lots of conversations with industry, a lot of presentations to let people know that we are active and we broadly understand what we are talking about. We are by no means experts in this new evolving domain of FinTech, but we are investing quite a bit of our resources in it. We produce an annual business plan, and this year, for the first time, FinTech was in to our top 10 items. There's a lot more we do than the top 10, but it just shows you the level of importance we are placing on it.



**Richard Corrigan:** First of all, to give you some context, the government here in Jersey sets tax policy, it sets wider policies around engagement with neighbours, like having a good neighbour policy towards the UK, France and so on. We fully respect their tax models, their legal and regulatory systems, and we expect the same in return from Europe and from the UK.

Broadly speaking, this works very well. Jersey has a strong and ever-improving identity in Europe, and very a constructive relationship with the UK government. In terms of taking that down to financial services, there is a symbiotic relationship between Jersey and the City of London, and I include Mayfair here with the City of London. Generally, if the financial services economy in London is doing well, Jersey is also doing well.

The UK has, over very many years, carved a great reputation for itself in terms of tax certainty, in terms of its prudential outlook, in terms of being a settled place to live, work, and to do business. I think there are some signs amongst the asset management community that they feel that certainty is beginning to evaporate a little - not fully, but beginning to weaken. So, when they've seen changes to the non-domiciled residents regime; ever increasing charges on buying UK property; taxation of carried interest, which came in very suddenly – under the Chancellor's last statement he dropped capital gains tax down to the 28% except for carried interest which remained at the higher rate – I think that left some managers feeling they were actually in the spotlight rather than benefiting from a general change towards a lower personal tax and corporate tax burden in the UK economy.



**Stephen Hedgecock**

So no matter if you are a good manager or a bad manager, you will be affected. You'll get a higher income tax if you're bad, and capital gains if you're good, right?

**Richard Corrigan:** In a sense, yes. So all of that has contributed to managers starting to think again and say something like, "We value being in London, but we value it up to a point. We place an evaluation on it, and when we get to a crossover point, we will consider alternatives". That may be down to the personal tax situation of principals that are behind these asset management businesses. It may be down to the impact on staffing, their ability to hire, retain and pay the right talent within their wider business, and so they may start to evaluate their alternatives. Jersey's position is really to make sure that we are one of the alternatives that people will consider.

Let's look at some of the parameters as they present themselves here. Our **tax regime** is a certain one. We have a 20% income tax rate for the general population of the island, for high net worth residents looking to come in, there's a tax rate of 20% on the first £625,000 of income, and 1% thereafter, so it's a very attractive regime. We don't have capital gains tax and no inheritance tax, and that's been a very settled tax position for many years. So if someone is looking at fiscal aspects, Jersey is an attractive place to come to. And on top you have those wider lifestyle benefits like a beautiful environment, short commute to work, and therefore a better work-life balance than probably living or working in Central London.

A number of the Swiss Cantons had also started competing quite aggressively to draw managers from London into Switzerland. A number of sweet tax deals were given at that time in Switzerland for people to move in, and some did. As those deals have started to come to an end, some of the managers who had



moved for reasons of tax have started to look at their position and consider moving again. Some have gone back to London, some have migrated in this direction, but my point here is really that we haven't done anything to change our tax model but just simply to better publicize and let people know about that broad balance that we offer as a low tax economy, but also a very attractive place to live, work, and to build your business.

**Matthias Knab**

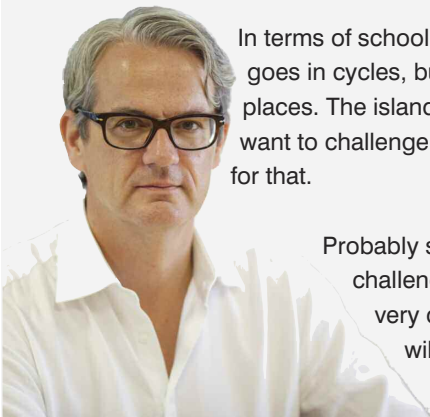
So we mentioned all the good things and benefits of Jersey, what are some of the challenges if you'd like to operate from here? Things like staffing, infrastructure, housing and office space?

**Stephen Hedgecock:** If there is a challenge here for a larger shop like ours operating from Jersey, it would probably be recruitment in sectors like IT or compliance. Jersey is a relatively small island. You don't necessarily get carte blanche to employ who you want. If you want to bring that skill in from outside of the island, that often ends up in a negotiation with the population office here. I think the situation is getting a little better now.

Jersey is quite an affluent island, even though there is also a lower class here as well, which maybe for an island of its size is a little of a shame. But the reality is that they are also quite well supported by the state, but with a strengthening economy and further growth of the financial sector, more and more people will also have the opportunity to move up to more middle class.

Housing is of course an issue, like anywhere else. When you look at your house and you see the price tag, you kind of gasp. And the reason being is, it's kind of attracting the different groups or bands here so, for example, as a top tax band, you're only allowed to have a KCAP house. Quite a few houses sell in the island for over ten million pounds, and quite a lot of them, which is quite surprising when you can probably buy that lovely country retreat down in Sussex with about a hundred acres for that money. So, prepare for a big surprise when you rise up to top end housing.

It's still relatively pricey, but then you probably have to consider that when you're paying off your mortgage, you haven't been in a 40% tax band or something like that, so there is some relief coming from that side.



In terms of schooling obviously, you've got to make sure your children put down for places. It comes and goes in cycles, but sometimes the schools do get relatively full, and you probably have to wait for dropout places. The island does have a university, it has a business center and a legal center, but obviously if you want to challenge the children with sort of high-end universities, your child would have to leave the island for that.

Probably since ten years ago Jersey has upgraded all its communications. Before it was quite a challenge, but we do have quite a reactive state telephone company that has become used to very demanding managers such as ourselves now. If you do need a certain bandwidth, they will make special exceptions for that. Oh, and fishing is good here too..!

**Richard Corrigan:** Yes, and the seafood is excellent. Maybe to pick up on a few of Stephen's points there, particularly the ability to bring people in. We are keen to make sure firms can bring in the right talent that they need. Financial services operate in a regulated environment and, in a way we would want to see firms trading with sufficient personnel to adequately resource the tremendous growth that we have seen in the industry.

Jersey Finance will work with firms to help them get the necessary permissions if they are coming in to the island in terms of the balance of staffing between those that are coming in from London or Europe, or wherever it may be, versus those

that they can hire from the local labor pool. We'll work with them on that balance.

Housing is by some measures expensive, that's of course because we are an island environment and have a confined space, and also because we've experienced a growth of population. We've seen a significant growth again in our financial services community since the global financial crisis and are actually back up at pre-crisis levels of employment in that sector. I don't imagine as many of our competitors can make that same claim and back it up. Demographics here do fuel growth and things like house prices. But Stephen is absolutely right, the lower tax environment maybe makes a more expensive house more affordable than it might otherwise be in somewhere like the UK.

Referring to the IT infrastructure here, we are rolling out one gigabit line speed of fiber to every household in the island, and in terms of the data requirements of specialist firms, the telecoms provider will work with you to make sure that you get the level of connectivity that you need.

At the moment we have office space available. To promote better supply in the market, we actually have the **Jersey International Finance Center** being developed, and that will bring first class grade A space onto the market with the first buildings ready to be occupied in early 2017.

Our government has been quite farsighted on some of this. They have looked to make sure that we have the right infrastructure in terms of travel on and off the island, and the right office space. In terms of talent pool, it is interesting to know that we have an annual cohort of about a thousand people coming out of our local education system, and 420 of those came into the finance sector in 2014. So we are building our own conveyor belt of talent within the island, and offer the option to bring in the talent that you need to enable you to grow your firm.



**Alistair Rothwell:** Building the international finance center has knock-on effects in the local market, because its development also frees up a lot of other space nearby as firms move into the new 'grade A' primary office space. We ourselves have been looking at the opportunities in the local market and have had wide-ranging options available to us in the secondary market suitable for our business.

So in the office space things are evolving positively with some landlords reacting well and refurbishing 'tired' offices to be fit for the future. The space we are looking to move in to has been completely refurbished to almost grade A standard, but not with a grade A price tag.



On the recruitment side, we sometimes find ourselves competing for talent against the hedge funds who sometimes can pay a salary level that we cannot. So that is the biggest challenge on the recruitment side, trying to get decent graduates coming back to the island at a price that we can reasonably afford. Overall firms are improving the graduate 'offer' to entice Jersey graduates back to the island and we are seeing increasing amount of graduate focused programmes on offer by employers.

On the logistical side Jersey's good travel links across the UK and especially to London have made us a very convenient place to do business, and the fact that Guernsey's air links to the UK are less convenient I think has made a difference in recent years – we have had a couple of wins where one factor was jurisdictional travel convenience over Guernsey.

**Matthias Knab**

Richard, could you please elaborate more on the scope of services Jersey Finance provides if a firm is interested in moving here?



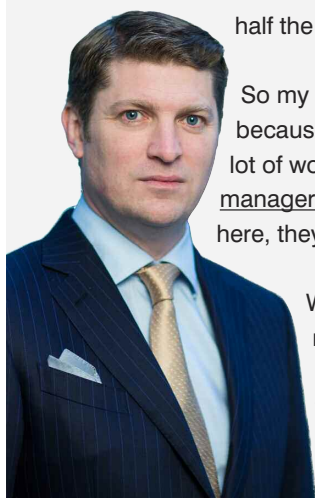
**Richard Corrigan:** For any business looking to relocate into the island, we would try to understand their needs, what sector are they in, what talent do they need to bring into the island, versus what they need locally. We can make recommendations to them for the various legal services, tax advisory, fund administration, from amongst our members. We can help them through the various agencies of government to access the necessary commissions they need to operate their business. We can make introductions to the regulator, so that they are talking to the right people. I think the regulator themselves have recognized the need to organize their resources in a way that is more client-friendly than ever before.

So, if you need multiple licenses, you only need to deal with one person at the regulator to achieve that. You don't need to have several contacts in different departments in the regulator. So really, we have combined and streamlined ourselves to be more business friendly. There's also a key access point in government called Locate Jersey. So you have a single point of contact at the regulator and within Jersey Finance as your gateway to the industry here.



**Robert Milner:** To Stephen's points regarding the challenges here on Jersey, the more I think about it, it's actually almost a compliment to Jersey, because he's basically judging Jersey by London's standards. And so, if you compare us to comparators in terms of the offshore financial world, international financial centers, many of those problems are actually still there. You look at Singapore, housing is the problem. Schooling could be a problem. When you look at Hong Kong – are you going to get a house with a nice garden in Hong Kong? No! So these are problems which are common to international financial centers. I think the fact that we're being compared with people like that on a straight basis could be taken as a compliment.

As far as internet infrastructure is concerned, Richard already mentioned that a **1-gigabit capacity fiber system has been implemented throughout the island**. I happen to live in a far corner of the island, and I get faster broadband than anyone else I know in the world. I've got 962 megabytes per second coming down my pipe, and when I tell other people, half the time I have to send them screenshots of the speed test before they'll believe me.



So my point here is that there is genuine expenditure on infrastructure to bring us up to global standards, because those are ultimately what are going to be compared to. We need to survive at a global level, and a lot of work is being put in to get us there. I am definitely not saying that the island is perfect, but by and large, managers who come here tend to stay. This is one of the biggest tests, in fact. So when people do come over here, they love it.

We had a potential manager considering relocation who come over last week. We had a suite of meetings lined up, so they met with all the organizations which are mentioned. They met Richard in Jersey Finance. They met Locate Jersey, and they met the JFSC. When they came out, they just thought that they'd stumbled upon this amazing secret. They thought, "Wow! That went so well." Everything was joined up.

#### **Mike Jones**

You referred to the internet and our connectivity here, Jersey is actually one of the preeminent places with offshore data storage. We have tremendous facilities here, and in fact it was sort of pleasing to note a lot of the offshore centers such as Barbados and Bermuda use Jersey as a backup facility. There was a hurricane a number of years ago where all had to revert to Jersey for their data storage needs. So, if you want isolated data storage, it is pretty first class here.

#### **Matthias Knab**

Any other final observations?

**Robert Milner:** One of the key messages that we are trying to explain to people is that you cannot dodge a basic level of compliance in the current regulatory environment. There are many national issues regarding offshore financial centers. The Panama Papers in particular caused a lot of media interest. But what I feel what we and the sort of funds industry in this jurisdiction have is a very strong message. We are about neutrality and transparency, and those two things are absolute cornerstones of our offering. We have alternative investment vehicles which are completely tax transparent structures that will fit in very well within the new world of BEPS, and that will enable a much clearer international pictures to be drawn of where tax should be paid and by whom.

These structures are loved by institutional investors who have their own complex tax situations in multiple jurisdictions, and those Jersey structures are incredibly popular as a result. And as far as neutrality, Jersey sits between the UK and the EU. Irrespective of what happens in the Brexit vote, Jersey has been and still will be a third country from an EU perspective and will be able to continue its policy of constructive negotiation and continuing to secure market access in a way that's been very effective in the last five to six years in particular. Meanwhile, nothing will change between Jersey and the UK – our unique constitutional relationship will persist.

**It should be very reassuring for any manager thinking where to move if there's an exit vote.**

I don't think that many other international finance centers can give you the level of comfort that Jersey can in that regard.



**Mike Jones**

The levels of equivalence that we've been able to demonstrate to the EU, not just in financial services, but in other areas across our economy are very important, and should stand us in good stead should a Brexit decision come from the referendums. Jersey is already a third country, negotiates access to Europe and can offer political and economic certainty at a time where it might be needed.

**Alistair Rothwell**

When we were talking earlier about substance, one of the things as an administrator we find easier in the real estate and private equity side is finding decent non-executive directors to go on the boards. There seems to be plenty of private equity and real estate non-execs. Now, whilst we have not been in the hedge funds sector for very long, and have not had a particular need so far to involve non-executive directors; I was wondering whether you think there are enough appropriate non-executive hedge fund directors available in Jersey?



**Oliver Morris:** This is a valid concern, but I think there are an increasing number of hedge fund focused non-executive directors that are already on the island and new residents as well. There is a significant number of individuals that have had very different experiences from banking to risk and to wider asset management. And there are a number of other service providers and individuals that can provide the expertise necessary, meanwhile the lawyers, accountants and other professionals are available to continue to service that market. So yes, I think the pool of non-executive directors is growing. We could do with more, but we are also seeing more moving here.

**Stephen Hedgecock**

Yeah, that's a good point, because those Jersey fund directors aren't the type that represent 100 or 200 different companies. The regulators themselves try to limit to a very sensible number the amount of companies that they can represent across the board.

**Mike Jones**

Usually if someone has more than six directorships, then they may need a specific regulatory licence.

**Stephen Hedgecock**

So six is a level where you start having to talk to the regulator, which increases the quality and the amount of interaction, and I think it's considered best practice now even at a fund manager level.

**Mike Jones**

It's a standard test that applies to that individual's capability, qualifications, competence, financial standing as well, so these tests are imposed, it's not just data or rent a non-executive director, but you know that they are that they are fit and proper.

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