



Jersey investment funds market update – November 2021

Service area / [Investment Funds](#)

Legal jurisdictions / [Jersey](#)

Date / [November 2021](#)

Economic substance for partnerships

Jersey's Taxation (Partnerships – Economic Substance) (Jersey) Law 2021 came into force on 8 October 2021 (having been approved in June this year). In line with EU global commitments, this law now extends Jersey's economic substance regime to Jersey resident partnerships generating income from relevant activities, with effect from 1 July 2021 (albeit partnerships established before 1 July 2021 have a 6-month transition period to 1 January 2022). Certain resident partnerships, including funds, are outside of the scope of the law. The definition of "relevant activities" includes (amongst other activities) fund management business and holding partnership business (albeit holding partnership business has a narrow definition). The economic substance test itself follows a similar format to the test for companies and includes requirements that the resident partnership:

- is managed in Jersey in relation to the relevant activity;
- maintains adequate levels of people, expenditure and assets in Jersey; and
- carries out all core-income generating activities in Jersey.

Please see our full briefing for further information: [Incoming Jersey economic substance for partnerships](#).

Disclosure requirements related to sustainable investments

The JFSC has recently introduced ESG related amendments to its Codes of Practice for Jersey funds and fund service providers, designed to combat the risk of "greenwashing".

The JFSC has stated that it has taken this action (i) in response to growing international concern about firms marketing investments that appear more environmentally and socially focussed than they really are, and (ii) in view of similar changes to international regulation. When a Jersey fund is marketed on the basis of investing in a sustainable investment as part of its investment objective, it must disclose all material information in relation to the sustainable investment strategy and objectives. It should be noted that the updated Codes of Practice are intended to sit alongside (and not replicate or replace) any other applicable ESG rules or requirements, such as (for example) any requirements that are applicable to a fund under the EU Sustainable Finance Disclosure Regulation (SFDR). Further details are set out in our full briefing: [New ESG Disclosure Rules – a 'need to know' for Jersey funds, service providers and investment businesses](#).

Alignment of prospectus rules with familiar UK/EU exemptions

On 19 October 2021, changes to the definition of "prospectus" in the Jersey companies legislation came into force. These changes exclude certain categories of debt and equity invitations from being a prospectus for Jersey law purposes with the effect that such invitations will no longer require approval from the Jersey Registrar of Companies and will not give rise to a public prospectus "filing" obligation for Takeover Code purposes. The new amendment aligns Jersey's prospectus exemptions much more closely with those in the UK and the EU. Please see our full briefing for further information: [New exemptions align Jersey's prospectus rules with familiar UK/EU exemptions](#).

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Beneficial ownership guidance updated

The JFSC has updated its beneficial ownership guidance. The updated guidance is intended to assist entities in complying with their obligations to provide and update beneficial owner information under the Financial Services (Disclosure and Provision of Information) (Jersey) Law 2020 (see our previous [briefing note](#) on the law). In the updated guidance the JFSC confirms that the definition of “beneficial owner” in the law includes both beneficial owners and “controllers” and clarifies how this information is recorded by the Jersey Registrar of Companies. The other key update relates to companies owned by a trust. There is no longer a requirement to record a settlor as a controller unless the settlor has retained powers of control (for example the right to appoint or remove a trustee to amend the trust deed or to revoke the trust).

Amendment to electronic communications law

The Electronic Communications (Amendment No.2)(Jersey) Law 202- was adopted on 8 October 2021 and will come into force after approval in the Privy Council. This law modernises the existing Electronic Communications (Jersey) Law 2000 and enables the witnessing of signatures to be effected by electronic means among other things. Further details can be found in our [June investment funds update](#).



FIND US

Carey Olsen Jersey LLP
47 Esplanade
St Helier
Jersey JE1 0BD
Channel Islands

T +44 (0)1534 888900

E jerseyco@careyolsen.com



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Visit our investment funds team at careyolsen.com



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