



Channel Islands funds update: October 2024

Newsletters - 16/10/2024

In our latest Channel Islands funds update, we round up recent legal and regulatory developments in Jersey and Guernsey.

| Jersey developments

Jersey investment statistics

The Jersey Financial Services Commission (JFSC) latest statistics indicate that the value of total funds under investment management increased by £1 billion during the second quarter to £35.8 billion on 30 June 2024.

The total net asset value of regulated funds under administration also increased during this period, rising from £451.9 billion on 31 March 2024 to £457.6 billion as of 30 June 2024.

In the same period, the number of registered Jersey Private Funds (JPFs) slightly decreased from 718 to 699.

View the full statistics in the [Jersey Finance Quarterly Report](#).

MONEYVAL report published

MONEYVAL released its latest report on Jersey's compliance with international standards for combatting money laundering and terrorist financing. The report followed the island's fifth assessment by the MONEYVAL team which took place in 2023.

The report found that Jersey had achieved one of the highest standards globally for its effectiveness in preventing financial crime.

Key findings recognised:

- Jersey being among the top three jurisdictions worldwide with a rating of "high" for risk

understanding and national co-operation and co-ordination

- the strength of the island's beneficial ownership regime and range of measures in place to mitigate risk
- the importance and effectiveness of Jersey's international cooperation, including its role in mutual legal assistance
- there were no structural or fundamental issues that hinder the anti-money laundering regime

Certain recommendations for improvements were outlined in the report, including in relation to supervision, preventative measures, financial intelligence/investigation and prosecution.

The Government of Jersey has subsequently announced that it will lead a strategic review of financial and professional services regulation with the relevant financial crime agencies to modernise and simplify the regulatory framework. The government intends to manage the implementation of a high level action plan designed to address the report's priority actions.

Read the action plan in full:

[Post MONEYVAL Ministerial Priorities and High-Level Action Plan](#)

The JFSC has also announced that it will implement its own MONEYVAL action plan and will work closely with industry to develop this plan.

We await further information on the next phases of the plans and details of industry engagement, which is expected later this year.

View the [MONEYVAL report](#) in full and watch the [JFSC's Chief Financial Crime Adviser's update](#).

Obligated entity access to information

Our [July 2024 update](#) covered the Government of Jersey's consultation on legislation to amend the Financial Services (Disclosure and Provision of Information) (Jersey) Law 2020 to align with international standards for transparency in beneficial ownership information.

The new legislation will provide access to registers of beneficial ownership and control for obliged entities conducting customer due diligence pursuant to the Money Laundering (Jersey) Order 2008 (the Money Laundering Order). The JFSC will also be able to request proof that beneficial ownership information is being sought for the purposes of fulfilling obligations under the Money Laundering Order and that such information has not been used for any other purpose.

The [Financial Services \(Disclosure and Provision of Information\) \(Jersey\) Amendment Law 202-](#) was adopted by the States of Jersey on 11 September and we await confirmation as to when it will come into force.

JFSC funding model and fees consultation

We reported in our [July 2024 update](#) on the JFSC's various consultations relating to the calculation of its fees for regulatory applications and processes.

The JFSC has issued a feedback paper on its third consultation of the year which closed in May 2024. The feedback paper confirms that the JFSC's fees are reduced to a rate of 6% (a reduction from the initially proposed 10.1% rate) and that their fee cycle will now align with the calendar year.

The reduced rates are effective from the dates stated in the fees notices (contained in the feedback paper) and will run until 31 December 2024. As previously reported, the revisions to fees have been welcomed by industry.

Read the [JFSC fees consultation feedback paper](#).

Compliance key persons regime consultation

Consultation closes: 6 December

The JFSC has launched a new consultation on the resourcing of key persons to address ongoing recruitment challenges in the sector.

Jersey's regime for key persons was established to align with the Financial Action Task Force (FATF) recommendations to ensure effective compliance management systems and provide the JFSC with powers to regulate, supervise and enforce compliance functions within institutions.

The new consultation seeks to identify and explore the multifaceted factors contributing to the resourcing difficulties. Three possible solutions are outlined in the report:

- the first option is to maintain the current employment and residency requirements for key persons
- the second option is to remove the residency requirement for key persons but maintain the employment requirement
- the third option is to remove the employment requirement for key persons but maintain the residency requirement

Stakeholders are invited to submit responses in an online survey by 6 December. The JFSC will issue a feedback paper on the consultation early next year.

Read the [compliance function: key persons regime consultation](#). [Submit your responses](#).

Add event to calendar: [Apple](#) [Google](#) [Office 365](#) [Outlook](#) [Outlook.com](#) [Yahoo](#)

Low risk financial services

Certain amendments have been made to the island's anti-money laundering regime to create exemptions from the requirements of the Money Laundering Order for certain "low risk" activities, including directors of companies that do not provide services as "Class G" directors under the Financial Services (Jersey) Law 1998.

While the activities are exempt from the Money Laundering Order's requirements, they remain subject to other regulatory requirements, such as registration with the JFSC and the submission of suspicious activity reports.

The amendments came into effect on 10 September 2024. View the [Proceed of Crime \(low risk financial services business\) \(Jersey\) Order 2024](#), which introduced the changes. Find out more about [legislation connected to financial crime prevention](#).

New forms for anti-money laundering service providers (AMLSPs)

On 26 September, the JFSC added five new online forms to the myJFSC Portal. Four of the forms are application and revocation forms for AMLSPs. The JFSC will aim to process the application forms within five days, unless the application is for a JPF, in which case which they will aim to process the form within 48 hours. The revocation form is designed as a straight through process and an email acknowledgement will be sent by the JFSC on receipt.

In addition to these forms, please be aware of the additional "paper" notification forms required in connection with Schedule 2 activities:

- A notification form to be completed by a regulated business (for example, holding a permit/certificate under the Collective Investment Funds (Jersey) Law 1988 or registered under the Financial Services (Jersey) Law 1991) which intends to carry on Schedule 2 business. This form will need to be completed in addition to any application for registration / certification under the applicable conduct of business or prudential regulatory law.

[Notification of schedule 2 regulated business \(jerseyfsc.org\)](#)

- Note that this form does not need to be completed if the individual is ceasing to act as a principal person / key person for a role for which a letter of no objection was provided by the JFSC. In such case, the business will need to complete the new online form on the myJFSC Portal: [Notification for ceasing to act as a key / principal person](#). It is the fifth form added on 26 September and replaces a previous "paper" version of this form.
- A notification form to be completed by a business conducting Schedule 2 activities in the event of a change of principal person, money laundering compliance officer or money laundering

reporting officer of that business. Again, as an online revocation form this is designed as a straight through process and an email acknowledgement will be sent by the JFSC on receipt. [Notification of change of principal person money laundering reporting officer and money laundering compliance officer \(jerseyfsc.org\)](https://www.jerseyfsc.org)

Corporate income tax for multinationals

The reform of Jersey's taxation regime for multinational groups of enterprises (MNEs) has been under development for a number of years.

A package of legislation has been proposed to align Jersey's taxation of MNEs with the OECD's new framework for a minimum 15% corporate income tax, Global Anti-Base Erosion rule (Pillar Two), while continuing to ensure that the island provides an attractive business environment.

If the proposed laws are passed later this year, Jersey companies and branches of MNEs with a global annual revenue of over €750 million will be charged a rate of 15% corporate income tax for accounting periods starting on or after 1 January 2025. Businesses who do not meet that income threshold will not be subject to the new taxation requirement. Jersey based ultimate parent entities and intermediate parent entities will be required to comply with a top-up tax on their non-Jersey profits in certain circumstances.

The government has announced that it will not implement an undertaxed profits rule at this time.

A review of the legislative proposals has been launched by a sub-panel of the Corporate Services Scrutiny Panel. Targeted stakeholders will be invited to make submissions and public hearings will be held with the Minister for External Relations and the Minister for Treasury and Resources. A scrutiny report of the panel's findings and key recommendations will be issued in late 2024.

Read the [Draft Multinational Corporate Income Tax \(Jersey\) Law](#) and [Draft Multinational Taxation \(Global Anti-Base Erosion - IIR Tax\) \(Jersey\) Law](#) in full.

Guidance notes on digital initiatives

New guidance on asset tokenisation and updated guidance on initial coin/token offerings has been issued by the JFSC, in response to the growing trend of tokenisation and integration of digital assets into the island's financial system.

The guidance clarifies the expectations of issuers and sets out the JFSC's principles based approach to applications. The JFSC will work together with industry to continue to develop the respective guidance notes to reflect the evolving landscape of digital assets.

Read our briefing for an [overview of the new and updated guidance](#). Listen to Jersey Finance's [podcast on Real-World Assets: A Digital Transformation](#).

Thematic examination on conflicts of interest

The JFSC plans to conduct a cross-sector thematic examination on conflicts of interests. This assessment areas will focus on the identification, recording and management of conflicts. Key areas of assessment will be disclosure to clients, the application of internal confidentiality rules and declining to act where the risk level is deemed unacceptably high.

Following the release of the questionnaire to certain entities, on site examinations will be carried out in early 2025. Further instructions on completing the questionnaire will be provided to the selected entities in due course.

A detailed feedback paper on current practices and good practices will be published by the JFSC once the assessment is complete.

Jersey entities may wish to review their conflicts of interests procedures to ensure compliance with the Codes of Practice for their sector.

Updates to the annual supervisory risk data collection

The JFSC has announced that it will launch its supervisory risk data collection (SRDC) in January 2025. In advance of this date, the JFSC have released a paper outlining new areas of data collection, including:

- Schedule 2 business serviced by anti-money laundering service providers
- entities carrying activities listed in Table 2 of the Sound Business Practice Policy
- the number of complaints recorded across specified categories
- designated non-financial businesses and professions (as part of a two phased data collection exercise)
- trust company businesses (TCB) administered through non-profit organisations (NPOs) and prescribed NPOs

Other changes include improvements in data validation, the introduction of late filing fees for non-submission of SRDC requests and the withdrawal of the TCB private trust company workbook.

The report identifies future changes to the SRDC, such as the introduction of prudential questions, two further conflict of interest categories and new questions reflecting recommendations from MONEYVAL.

Supervised business and individuals may wish to familiarise themselves with the [updates for the 2024 SRDC](#) prior to its launch. View [updates to supervisory risk data collection](#).

Guernsey developments

GFSC investment statistics for Q2 2024

The Guernsey Financial Services Commission (GFSC) has published its investment statistics for the second quarter of 2024.

The total net asset value of Guernsey funds at the end of the quarter was £295.7 billion, an increase over the quarter of £3.2 billion (+1.1%). Over the past year, total net asset values have increased by £9.7 billion (+3.4%). Within these totals:

- Guernsey green funds held a total net asset value of £5.1 billion at the end of the quarter.
- Guernsey closed-ended funds increased over the quarter by £2.5 billion (+1.0%) to £244.0 billion. This represents an increase of £6.9 billion (+2.9%) in the past year.
- The Guernsey-domiciled open-ended sector increased over the quarter by £0.7 billion (+1.4%) to £51.7 billion. This represents an increase of £2.8 billion (+5.7%) in the past year

Increase in regulatory fees for 2025

The GFSC issued a consultation paper regarding proposals for increasing licence fee rates and administrative penalties, effective from 1 January 2025. An overall increase of 5.3% for all fees is proposed, which coincides with Guernsey's current inflation rate. Other specific proposals relating to fees are:

- increasing fees by way of a staged approach up and until 2026 for Retail General Insurers (RGIs), recognising the additional supervisory effort required to mitigate the risks, including reputational, they pose to the Bailiwick
- applications to operate an investment exchange in the Bailiwick of Guernsey (proposing a £30,000 fee)

The consultation closed on 4 October 2024. Read the [full 2025 fee consultation paper](#) and the [draft fee regulations](#).

PCCs as pension providers

The GFSC has issued a consultation paper seeking views on a proposal to allow pension service providers licensed under the Regulation of Fiduciaries, Administration Businesses, and Company Directors, etc (Bailiwick of Guernsey) Law, 2020 to be formed as protected cell companies. The proposal includes expanding the scope of companies permitted to be formed as protected cell companies under the Companies (Guernsey) Law, 2008 to include licensed fiduciaries that carry out pension activity.

Read the [PCC as PSP consultation paper](#).

Regulated Investment Exchange Operator Rules

The GFSC issued a consultation paper on the creation of a new set of rules and associated guidance to be made under the Protection of Investors (Bailiwick of Guernsey) Law 2020 (the **POI Law**) in respect of licensed operators of investment exchanges, which is proposed to replace the existing framework of rules applying to such licensees.

The Regulated Investment Exchange Operator Rules and Guidance (**REIO Rules**) are intended to replace the current Investment Exchange (Notification) Rules 1998 (**IEN Rules**) and will apply to any firm licensed under the POI Law to operate an investment exchange.

The REIO Rules will provide one consolidated and transparent point of reference for an operator of an investment exchange, incorporating relevant elements of the IEN Rules and other applicable rules made under the POI Law. The closing date for responses is 12 November 2024.

Read the [consultation paper on REIO Rules](#) and the [draft REIO Rules](#).

The future of sustainability reporting in Guernsey

The GFSC issued a discussion paper seeking views on international sustainability reporting in the Bailiwick. The paper intended to enable the GFSC, in discussion with the finance industry, to explore the next steps that the Bailiwick can take to meet the challenges presented by sustainability and climate change risk. The paper seeks to gather information and views from the finance sector on the potential impact the introduction of international reporting standards could have. The paper also seeks views on additional steps which might be taken to enhance licensees' sustainability risk governance and management. Responses are sought by 25 October 2024.

Read [The Future of Sustainability Reporting Discussion Paper](#).

OECD Pillar 2 Global Tax Framework

In July 2021, the Organisation for Economic Co-operation and Development (**OECD**) announced the international tax reform framework of a two-pillar solution to address the Base Erosion and Profit Shifting (**BEPS**) risks arising from digitalisation of the economy.

Pillar 1 focuses on reallocating taxing rights for large multinational companies (with a global turnover above €20 billion and profitability (pre-tax profits/revenue) above 10%), ensuring they pay taxes in countries where they generate revenues, even if they do not have a physical presence in those countries (mainly targeting digital services).

Pillar 2, which comprises the Global Anti-Base Erosion rules (the **Globe Rules**), establishes the framework for a global 15% minimum effective tax rate for large multinational groups, calculated

at a jurisdictional level, with a top-up charge imposed on any low-taxed profits.

The States of Guernsey Policy and Resources Committee has published a policy letter proposing that the Globe Rules will be introduced as an international tax measure under the Income Tax (Guernsey) Law, 1975 which will enable the Policy and Resources Committee to make regulations implementing the Globe Rules, commentary and guidance in domestic law and thereby introducing an income inclusion rule and domestic minimum top-up tax for large in-scope multinational enterprises from 1 January 2025.

Changes to the publication of official notices

As of 1 November 2024, it will no longer be a legal requirement for notices, documents or information to be published in La Gazette Officielles - but they will still be required to be published anywhere that is appropriate to best reach the public affected, including within the online Gazette.

Filing of consolidated articles of incorporation

The Companies (Guernsey) Law, 2008 (Amendment) Ordinance, 2023 has amended section 42 of the Companies Law which now requires that, where a company's articles of incorporation (the **Articles**) is amended by way of special resolution, the consolidated version of the Articles must be filed with the Guernsey Registry of Companies. Before this amendment, a Guernsey company was only required to file the special resolution containing the proposed amendment(s) to its Articles.

ODPAs Annual Report 2023

The Office of the Data Protection Authority (the **ODPA**) has published its Annual Report for 2023 which details its activities under the Data Protection (Bailiwick of Guernsey) Law, 2017 (the **DP Law**).

Key highlights include:

- 12 new guidance notes published to help organisations understand and comply with the DP Law
- 56 new data protection complaints received
- 151 breaches reported
- 16 new investigations opened (key investigations include the data room service outages that affected the States of Guernsey's IT systems and HSC releasing a safeguarding report to a vulnerable adult's family following an ODPa Enforcement Order)
- seven new inquiries opened and nine sanctions imposed

Updates to the AML / CFT / CPF Handbook

The GFSC has issued an amendment to the country list in Appendix I of the Handbook on Countering Financial Crime (**AML / CFT / CPF**), reflecting the updated list of jurisdictions under increased monitoring by the Financial Action Task Force (**FATF**), which added Monaco and Venezuela.

[Read the AML / CFT /CPF handbook in full.](#)

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