



Channel Islands funds update: January 2025

Newsletters - 14/01/2025

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

[View our newsletter online.](#)

| EU developments

The Digital Operational Resilience Act

The Digital Operational Resilience Act (**DORA**) was enacted on 16 January 2023 and will come into force on 17 January 2025. DORA sets out requirements for EU financial entities to manage IT and cyber security risks and to create a register of key data regarding information and communication technology (**ICT**) services providers. One of the obligations on financial entities under DORA is to report on contractual arrangements with critical ICT third party service providers (**TPPs**), wherever they are located, to member state regulators who must hold this information on a Register of Information.

DORA has a broad application to EU authorised financial entities, including MiFID investment firms, crypto-asset service providers (**CASPs**) authorised under the Markets in Crypto-Assets Regulation (**MiCAR**) as well as issuers of asset-referenced tokens, UCITS managers, alternative investment fund managers (**AIFMs**) (although there is an exemption for subthreshold AIFMs), banks and insurance companies as set out in Article 2 of DORA.

DORA does not clearly specify its territorial scope for financial entities. Therefore, for each type of entity, it is necessary to refer to the EU regulations / directives setting out the harmonised rules for that type of financial entity in order to determine the territorial application. For example, UCITS management companies are required to be established in the EU, whereas an AIFM may be established in the EU or outside the EU. For a third country AIFM, to date, the European supervisory authorities (**ESAs**) have not clarified what EU nexus triggers the application of DORA and whether the nature of that nexus impacts how DORA applies. For now, based on a strict

reading of DORA, non-EU AIFMs managing EU AIFs may be in scope for DORA, but non-EU financial entities with EU investors will likely not be unless they are EU financial entities within the meaning of Article 2 of DORA.

Additionally, in respect of TPPs, the question remains as to whether financial entities already regulated (or not) under DORA may be classified as TPPs and be regulated accordingly under DORA. For instance, non-EU fund managers with EU investors or those that are delegates of an EU AIFM, could be considered TPPs for the purpose of DORA. This question is currently being considered by the joint ESAs and it is expected that clarity will emerge via the joint ESAs DORA Q&A.

Do note that DORA is an excellent resource for Jersey and Guernsey financial entities to use as a benchmark for effective practice, framework and source of information, which can support any financial entity looking to manage its information and communication technology risks as best it can, for the benefit of itself and its clients.

Pan-island developments

Jersey investment statistics

The Jersey Financial Services Commission (**JFSC**) has published its investment statistics for the third quarter of 2024.

The latest statistics indicate that the value of total funds under investment management increased from £35.8 billion during the third quarter to £36.1 billion.

The total net asset value of regulated funds under administration fell from £457.6 billion to £440.9 billion at the end of the quarter.

In the same period, the total number of regulated collective investment funds increased from 620 to 630 and the number of registered Jersey Private Funds (**JPFs**) increased from 699 to 719.

Read the statistics in full:

[Jersey Finance Quarterly Report](#)

Guernsey investment statistics

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

While total net asset value of Guernsey funds decreased by £100 million in 2024, with a net asset value of £288.8 billion recorded at the end of the third quarter, the net asset value of open-ended funds saw an increase of £500 million (+1.1%) in the past year.

Within these totals:

- Guernsey closed-ended funds decreased over the quarter by £5.2 billion (-2.1%) to £238.8 billion, representing a decrease of £600 million (-0.3%) in the past year
- Guernsey-domiciled open-ended sector decreased over the quarter by £1.7 billion (-3.5%) to £50 billion, representing an increase of £500 million (+1.1%) in the past year
- Guernsey Green Funds held a total net asset value of £5 billion at the end of the quarter

Read the statistics in full:

[GFSC third quarter 2024 investment statistics](#)

Jersey developments

JFSC MONEYVAL action plan published

In our [October 2024 update](#), we highlighted the release of MONEYVAL's latest report on Jersey's compliance with international standards for combatting money laundering and terrorist financing, as well as the Government of Jersey's high-level action plan to address the report's outcomes.

In November 2024, the JFSC published its own action plan in response to MONEYVAL's recommendations. This plan was developed with input from industry bodies and the Government of Jersey's Financial Services Unit. It includes a detailed list of priority actions solely for the JFSC to complete and does not cover any actions where the JFSC works with other Jersey authorities.

The plan anticipates a review and or enhancement of a number of JFSC guidance notes, such as guidance on customer due diligence exemptions, complex structure arrangements, control over legal entities by means other than ownership, politically exposed persons and sanctions. The JFSC will also release a consultation paper on proposed enhancements to criminal background checks for "principal" and "key person" applicants.

The action plan will be reviewed and updated by the JFSC as it is implemented and the JFSC will provide further updates on the plan's progress.

Read the action plan in full:

[JFSC MONEYVAL action plan](#)

Companies Law amendments

Following a period of engagement with industry, the government has issued a consultation on proposed amendments to the Companies (Jersey) Law 1991 (**Companies Law**) and the introduction

of a new administration-based insolvency procedure in Jersey.

The reforms aim to clarify the current framework and ensure that Jersey companies remain the vehicle of choice internationally. The changes are of a technical nature and address various areas, including company formation and registration, share capital and distributions, company registers and certificates, directors, meetings and resolutions, accounts and audits, takeovers and winding up and mergers and continuance.

The consultation closed on 13 December 2024. View the consultation paper in full:

[Consultation: Amendments to Companies \(Jersey\) Law 1991 and a Proposed Administration Procedure](#)

Corporate income tax for multinationals

In our [October 2024](#) update, we reported on the legislative reform of Jersey's taxation regime for multinational groups of enterprises (MNEs).

On 1 January 2025, the new taxation requirements for MNEs came into effect, requiring:

- a 15% minimum corporate income tax on MNEs that exceed €750 million in global revenue for accounting periods on or after 1 January 2025
- a top-up tax on non-Jersey profits for Jersey companies and branches of in-scope MNEs under certain conditions

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

Limited Partnership Law amendments

In December 2024, minor amendments to the Limited Partnership (Jersey) Law 1994 were adopted by the government to clarify that the cash flow insolvency of a general partner will no longer trigger the automatic winding up of a limited partnership. Instead, a limited partnership will only be wound up on the dissolution, termination, bankruptcy or withdrawal from the limited partnership of its sole general partner.

Read the amending law:

[Draft Limited Partnerships \(Jersey\) Amendment Law 202-](#)

Consultation on JFSC fees for 2025

The JFSC appointed KPMG in February 2024 to provide independent review and advice on the JFSC funding model and structure.

In December 2024, the JFSC issued a feedback paper regarding its 2025 fees for applicants, controlled persons and recognised funds. The feedback paper confirms that a below-inflation 2% increase for the majority of fees is effective from 1 January 2025. The fee increase will enable the JFSC to raise sufficient income to meet its liabilities and maintain adequate reserves.

While those consulted generally supported the small fee increase, there were requests for greater transparency to be provided through wider fees reform. The feedback paper confirms that the JFSC will engage with industry during 2025 in relation to its wider fee reform project. It also confirms that the JFSC intends to finalise its 2026 fees by November 2025 and that KPMG's report on the fee structure will be made publicly available.

View the JFSC feedback paper:

[Fee Consultation Paper No. 5 2024](#)

Feedback on the Registry's supervision inspection programme

The JFSC has released a feedback paper on the Registry's supervision visit programme for 2024 which assessed the adequacy and accuracy of beneficial ownership information recorded with the Registrar of Companies.

The paper highlights the importance of entities maintaining a register with accurate and reliable information in relation to beneficial owners, controllers and significant persons and that changes to the registers must be made within a 21 day period of knowledge of the change.

The findings were generally positive with examples of best practice provided, such as preparing a comprehensive pre-inspection readiness plan. The report also outlines that the three-tier test must be used to identify control of entities and that submissions should be made via the myParties feature within the JFSC's [myRegistry](#) platform.

A small number of inaccuracies were detected but there were no systematic areas of concern. Some examples of infractions include issues with recording joint ownership of shares, lack of understanding of the three-tier test, inadequate structure charts and outdated information contained within statutory registers.

Entities are encouraged to read the report in full and consider the JFSC's findings:

[Q2 2024 Registry Supervision inspect programme feedback paper](#)

Feedback on countering terrorist financing and proliferation financing examination

The JFSC has also released its feedback on its examination on the implementation of measures to counter terrorist financing and proliferation financing (TF / PF). This assessment took place during

2023, involving the completion of a questionnaire by 43 supervised persons. A sample of the supervised persons were then selected for an onsite examination.

While direct feedback has already been provided to those involved, the report outlines some areas requiring improvement, such as business and customer risk assessments, ongoing customer due diligence measures, suspicious activity / sanctions reporting and employee training and awareness.

The report also highlighted a number of findings of good practice, including:

- adopting a holistic approach to evaluating TF / PF risks within business risk assessments and documentation of such assessments
- establishing a formal counter anti-money laundering / PF / TF strategy with board oversight and clearly defined board responsibilities in relation to TF / PF risks
- ensuring customer risk assessments adequately capture TF / PF risks and that sanctions alerts are comprehensive
- performing ongoing monitoring of customer due diligence measures, including escalation of backlogs to senior management where required
- regular reviews of policies / procedures and employee training to ensure compliance with the latest counter TF / PF requirements

Supervised persons may wish to review the findings in the report against their current arrangements:

[2023 countering the financing of terrorism and proliferation financing examination feedback](#)

Sustainable Finance Action Plan launched

The government released its Sustainable Finance Action Plan following the launch of an industry-led strategy for sustainability in March 2021 and a public consultation on sustainable finance earlier this year.

The plan sets out strategic priorities for 2025 to 2027 focusing on risk and governance, market incentives and international engagement. The plan includes numerous action points, such as:

- enhancement of financial crime risk frameworks
- adopting robust sustainability disclosures
- managing sustainability risks
- expanding the existing anti-greenwashing measures

- upskilling the financial services industry in relation to sustainable finance
- developing innovative financial products

Next year, the JFSC will consult with stakeholders on the impact of sustainability disclosure regimes on businesses, sustainability risks facing businesses and a proposed expansion of the existing principles-based anti-green washing measures.

Read the plan in full:

[Sustainable Finance Action Plan 2024](#)

Virtual asset service providers (VASPs) and the "travel rule"

In our [July 2024 update](#) we reported on the guidance issued by the JFSC regarding implementation of the Financial Action Task Force's "travel rule". The JFSC has issued bitesize feedback on its assessment of the progress of VASPs in implementing systems and controls, on the adoption of systems solutions and on the measures taken when sending assets to a jurisdiction without the travel rule.

Good practices noted in the feedback include maintenance of the following:

- detailed policies to ensure compliance with the travel rule
- records of decision-making in relation to solutions for complying with the travel rule
- procedures to monitor the travel rule's implementation globally to ensure VASPs send and receive assets to jurisdictions subject to the travel rule and can obtain beneficiary / originator information

Read the JFSC's bitesize feedback:

[Virtual asset service providers - Travel Rule](#)

Bitesize feedback for fund services business on unregulated funds

The JFSC has issued bitesize feedback following thematic assessment visits of unregulated funds' compliance with statutory and regulatory requirements in relation to fund investors.

The feedback contains some examples of best practice including

- maintaining detailed and accessible investor business and risk profiles which provide for ongoing monitoring
- ensuring that systems and controls enable investor risk assessments to be reassessed as

required

- clear documentation and understanding of the fund's ownership / control structure, involving consideration of the three-tier test and a risk-based approach to customer due diligence

The feedback highlights some deficiencies, such as a lack of business and risk profiles for investors or outdated profiles, inadequate investor risk assessments and the failure to perform period reviews of investors in a timely manner.

This feedback is relevant to both public and private funds, as well as fund services businesses or trust company businesses acting on behalf of funds in relation to financial crime requirements.

View the JFSC's bitesize feedback:

[Fund services business - unregulated funds](#)

Guernsey developments

Updates to the AML / CFT / CPF Handbook - Appendices C & I

The GFSC updated two appendices in the Handbook on Countering Financial Crime (Anti-Money Laundering / Countering the Financing of Terrorism / Countering the Financing of Proliferation of Weapons of Mass Destruction) (the **Handbook**) on 19 November 2024.

The first update included adding Gibraltar to the Appendix C list of equivalent jurisdictions, meaning that in certain circumstances (specified in the Handbook), specific customer due diligence concessions may be applied to businesses connected with Gibraltar, only where the risk is deemed to be low. Firms must ensure that, in determining the application of such measures, their customer risk assessments consider all relevant risk factors and not solely by reference to the jurisdiction's inclusion on Appendix C.

The second update to the Handbook removed Barbados, Chile and Senegal from the Appendix I list of higher risk jurisdictions under increased monitoring. Appendix I has also been amended to reflect the addition of Belize and the Financial Action Task Force's listing of Algeria, Angola, Cote d'Ivoire (Ivory Coast) and Lebanon, which are already on the appendix.

The clean and tracked version of the Handbook (including Appendices C and I) can be accessed via the [Handbook page](#), with Appendix I available on the [Notices, Instructions & Warnings page](#).

Read the FATF page on [High-Risk and Other Monitored Jurisdictions](#).

GFSC fees for 2025

In our [October 2024 update](#), we covered the GFSC's plans to increase licence fees by 5.3% from 1

January 2025.

Further updates to fees include:

- an increase in fees for retail general insurers to recognise the additional supervisory effort required to mitigate the risks, including reputational, that they pose to the Bailiwick
- the creation of a specific authorisation fee for an entity that is looking to apply to operate an investment exchange
- a rationalisation of the fee regulations

In early January, the GFSC distributed 2025 annual fee invoices using the generic email addresses that they hold on record for each licensee and registrant. If you did not receive an email, you should reach out to annualfees@gfsc.gg.

If you wish to check which email address the GFSC holds for your firm, you should contact annualfees@gfsc.gg quoting the entity name and GFSC reference number, which can be found on the GFSC website (under [Regulated Entities](#) and [Registered Entities](#)).

Further information on the annual fee process can be found on the GFSC's [FAQs page](#).

Amended explanatory note on the surrender of the authorisation or registration of a collective investment schemes

On 2 December 2024, one year after the publication of its original explanatory note on the subject, the GFSC issued an amended version of its explanatory note regarding the surrender of the authorisation or registration of collective investment schemes.

The amendments reflect feedback received from industry and provide for a more flexible approach to the GFSC's consideration of the granting of consent to the surrender of a scheme's authorisation or registration, as required under the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (POI Law).

A key takeaway is that the surrender of authorisation or registration is not effective unless prior written consent has been issued by the GFSC.

The GFSC will exercise its discretion in considering such surrender requests having regard to the overriding objectives of the protection of investors, the protection of the reputation of the Bailiwick and the protection of the interests of the public. The amended note also updates some of the factors to be taken into account on assessment.

It is also worth noting that where a collective investment scheme remains authorised or registered under the POI Law as at 1 January 2025 (including where such authorisation or registration is

suspended), the GFSC's (non-refundable) annual fee for 2025 will apply.

Read the GFSC's amended explanatory note in full:

[Explanatory Note regarding the surrender of the authorisation or registration of a collective investment scheme](#)

Managers and administrators seeking to surrender authorisation or registration are encouraged to seek legal advice as to their specific position and circumstances. For more information, contact a member of our [Guernsey Investment Funds team](#).

Regulations on protected cell companies as pension service providers

On 17 December 2024, the GFSC issued regulations expanding the scope of the types of company permitted to use a protected cell company (PCC) structure under the Companies (Guernsey) Law, 2008 (the **Companies Law**). As per the consultation process referenced in our [October 2024 update](#), licensed pension service providers are now included. Until now, this was prohibited under section 437(1) of the Companies Law.

[The Companies \(Protected Cell Companies\) \(Prescribed Classes\) Regulations, 2024](#) came into operation on 20 December 2024.

Regulated Investment Exchange Operator Rules

On 17 December 2024 the GFSC issued the Regulated Investment Exchange Operator Rules and Guidance, 2024 (the **RIEO Rules**) following a consultation process. The RIEO Rules will replace the current Investment Exchange (Notification) Rules 1998 (the **IEN Rules**) as part of the revision of the Guernsey supervisory laws conducted over recent years.

The EIN Rules will be revoked upon the RIEO Rules becoming operative on 31 January 2025.

The RIEO Rules will apply to any firm licensed under the POI Law to operate an investment exchange. The consolidated rules are tailored for licensed operators of an investment exchange, by repealing the EIN Rules and disapplying the Licensees (Conduct of Business) Rules and Guidance, 2021 and Licensees (Capital Adequacy) Rules and Guidance, 2021 for licensed operators of investment exchanges.

Read the RIEO Rules and related guidance:

[The Regulated Investment Exchange Operator Rules and Guidance, 2024](#)

Unclaimed Investor Money Guidance and amendments to existing rules

On 17 December 2024 the GFSC issued its Unclaimed Investor Money Guidance under the POI Law. Taking forward proposals consulted upon earlier in the year, the new guidance addresses the need

for funds to have a policy for unclaimed investor money, to identify a responsible entity for overseeing this policy and to make appropriate disclosure to investors.

The new guidance takes a proportionate, principles-based approach, allowing scheme management flexibility.

It has also been decided to take forward the consultation proposal to remove the unclaimed money provisions in the Authorised Collective Investment Scheme (Class B) Rules (the **Class B Rules**). This change came into effect on 20 December 2024 but will apply only to schemes authorised after this date.

Read the new guidance and amended Class B Rules:

[Guidance on Unclaimed Investor Money under the Protection of Investors \(Bailiwick of Guernsey\)](#)

[The Authorised Collective Investment Schemes \(Class B\) \(Amendment\) Rules, 2024](#)

Consultation Paper on Equity Release and amendments to the Lending, Credit and Finance Rules

On 18 December 2024 the GFSC published a consultation paper setting out its proposed rules and approach to regulating equity release products. The aim is to introduce the proposed equity release regime in January 2026 via amendments to The Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022.

Equity release allows homeowners to release some of the value tied up in their home. It is a financial product available to people in later life who may have limited incomes and considerable housing equity. Customers can obtain cash releases while continuing to live in their home, until they die or permanently move into long-term care.

The purpose of the proposed regulatory regime is to provide a framework that safeguards the interests of customers who enter into equity release arrangements; encourages providers of home finance or later life lending to offer such services in the Bailiwick; and to ensure that equity release providers can lend with certainty.

The GFSC will be meeting with stakeholders in early 2025, and anyone who would like to discuss the consultation paper can email ER@gfsc.gg. The consultation will close on 28 February 2025.

Consultation Paper on the Prospectus Rules

On 6 January 2025, the GFSC published a consultation paper seeking views on a proposed revised set of rules and guidance to be made under the POI Law which are intended to update and improve upon the current Prospectus Rules and Guidance, 2021 (the **Prospectus Rules**).

This consultation paper forms part of a programme of work for the GFSC in 2025 aiming to simplify rules where possible and reduce administrative burdens for businesses to ensure that the Bailiwick's investment and funds proposition is as accessible and simple to use as possible while continuing to accord with international standards on investor protection. While the proposed rules are intended to replace the existing Prospectus Rules, they would not fundamentally change the regulatory framework or the GFSC's approach in relation to prospectuses and other offering documents.

Registered funds in Guernsey, whether open or closed-ended, are currently subject to the Registered Collective Investment Scheme Rules and Guidance, 2021 and the Prospectus Rules, which set out information for inclusion in the prospectus of any Guernsey registered fund.

In producing the proposed Prospectus Rules and Guidance, 2025, the GFSC has taken account of industry feedback. In particular, the revised rules seek to broaden the exemptions contained within them, making them comparable with peer jurisdictions.

The consultation is open until 3 March 2025 and respondents are encouraged to submit their comments using the Commission's Consultation Hub, where a copy of the consultation paper and a draft of the Prospectus Rules and Guidance, 2025 can also be found:

Read the new Prospectus Rules and Guidance, 2025:

[Guernsey Financial Services Commission - Consultation Hub](#)

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Regulatory information can be found under [Legal Notice](#)

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