

Jersey Finance Update

For international investors and their advisers

Spring/Summer 2005



Jersey ranked as top jurisdiction for specialist funds business

Jersey has been recognised in a recent UK survey as the domicile of choice for many fund professionals and the funds industry has recorded significant growth in the level of specialist funds business attracted to the Island.

In a recent independent survey of specialist funds advisers at the UK's top law firms and in-house funds teams, Jersey was placed first, ahead of all other jurisdictions, for the administration of specialist funds such as private equity and property funds, and second in the world for hedge funds. These results are a huge endorsement for the Island and its Expert Fund regime.

The survey, published by Legal Week magazine and sponsored by law firm, Bedell Cristin, was designed to assess the

key factors which guided these advisers in their choice of jurisdiction for three specific types of specialist offshore funds and determine which jurisdiction they would recommend for each one. Some 68% of respondents ranked Jersey as the leading jurisdiction for private equity funds and 64% said that they would recommend the Island as the best location for property funds. Legal Week, a leading weekly magazine for UK lawyers, described the findings as putting Jersey in "an elite group of offshore jurisdictions with the right qualities to attract funds work."

'The survey clearly demonstrates Jersey's credibility as a top jurisdiction,' Martin Paul, head of the investment funds and private equity team at Bedell Cristin said. 'Respondents named the top three influences on their decision in terms of choice of

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jurisdiction as a mature legal system; political stability; and the high quality of both professional services and the local regulatory regime – it is no wonder Jersey came to the top of the pile.'

The survey also indicated that respondents believe that business in all three main categories, private equity, hedge funds and property funds, is destined to increase in the next twelve months.

For the funds industry in Jersey, already enjoying a renaissance following the introduction last year of streamlined regulatory measures, the findings are an important barometer which clearly demonstrate that the Island is making major commercial strides as a centre for alternative funds business.

Since the turn of the year the latest statistics also show that new Expert Funds are being approved in Jersey at the rate of two to three a week.

The revised regulations have provided promoters and other professionals with clear, pragmatic and workable criteria to help them establish funds in Jersey. More widely, the Guide has helped in the promotion of Jersey as a centre of excellence for funds business at a time of intense competition and rapid growth within the alternative investment funds industry. As the Legal Week survey showed Jersey has already built up a formidable reputation for hedge funds, coming second only to the Cayman Islands as the jurisdiction of

open or closed ended funds and they provide significant flexibility for investor needs. There have also been enhancements to the Island's existing company law which have delivered further innovative features and even greater flexibility for funds structured as companies.

The Island is adding to this range of legal structures with the implementation of Protected Cell Company Legislation which provides for a single issuing vehicle where the assets and liabilities in each class of share are ring fenced.



The introduction of the Expert Fund Guide in Jersey by the Jersey Financial Services Commission (JFSC) in early 2004 has ushered in a range of specialist funds business and generated a significant level of interest amongst the international fund management community.

The latest figures from the Jersey Financial Services Commission (www.jerseyfsc.org) show that during the twelve months ending December 2004, the net asset value of specialist type funds administered in Jersey as a proportion of the value of the entire funds sector in Jersey had nearly doubled from 26% to 45%, with the asset value of specialist funds approaching £50 bn, close to half of the total value of funds administered in the Island. All the indications are that this trend will continue upwards.

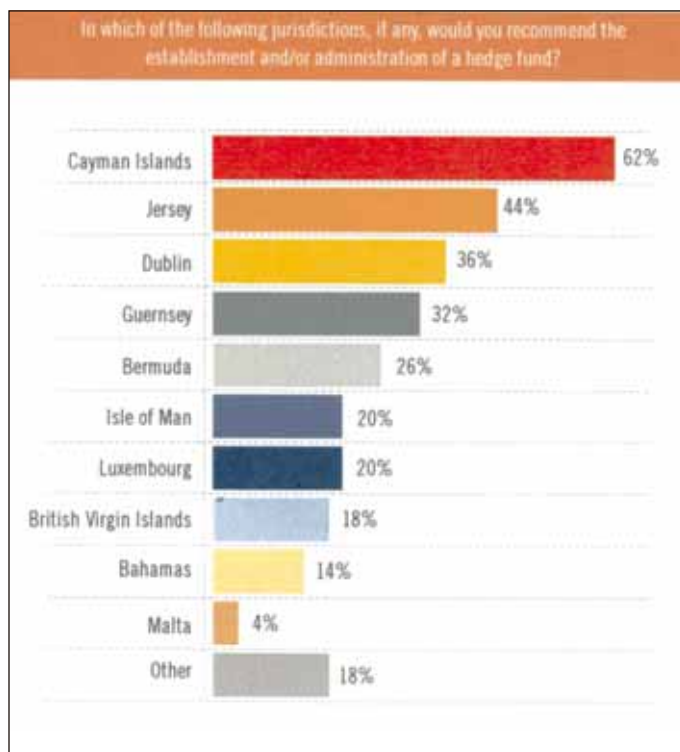
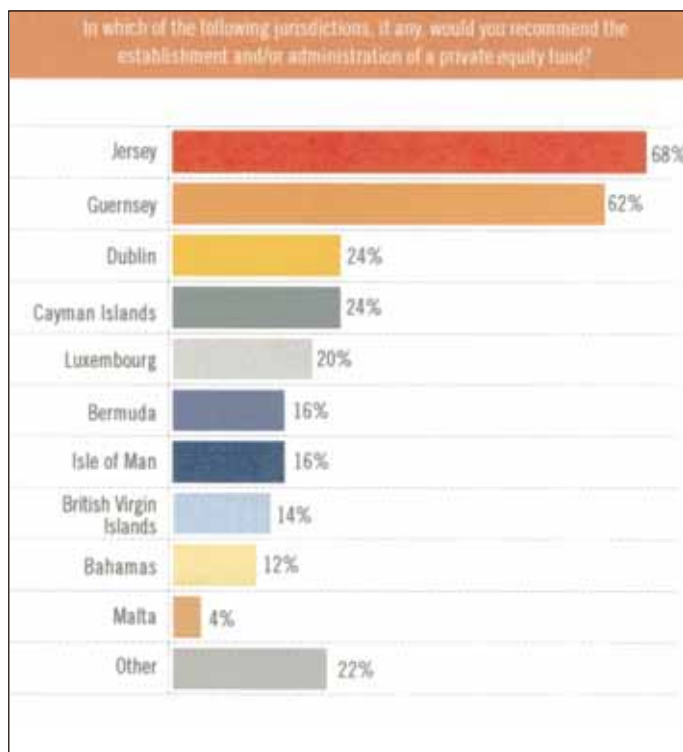
choice. Mr Paul from Bedell Cristin said: 'This is particularly gratifying as Jersey regulation was only changed last year to make it easier for hedge funds to be set up in the Island. The Cayman Islands on the other hand are an established hedge funds jurisdiction.'

In a further regulatory development during 2004, the JFSC launched the Non-Domiciled Fund Guide, which introduced a streamlined authorisation process for Jersey functionaries acting for non-Jersey domiciled funds. This move enables fund promoters to tap into the expertise on the Island, even if the fund itself is not domiciled in Jersey.

Jersey funds may be established as companies, limited partnerships or unit trusts. They may be

Another law firm, Bailhache Labesse, has launched a new specialist website at www.jerseyfunds.com as a resource area for hedge fund managers. The site explains the procedures for setting up a business presence in Jersey, the taxation options which are available and includes statistics and assets under management data for alternative investment funds serviced out of the Island.

Legal Week Survey Results – March 2004



Base for Specialist Fund Business



Whilst the introduction of the new funds regime is proving to be a springboard for growth, it also gives the industry renewed confidence to compete for new business. During 2005, the industry has taken this initiative a stage further.

Local administrators and other fund and trust professionals have received numerous enquiries from fund promoters and managers currently located outside the Island who, encouraged by the attractiveness of the funds regime, are now considering using Jersey as a physical base for their international fund management activities.

The Jersey Funds Association, together with the Finance Industry's promotional arm, Jersey Finance Limited, have produced a brochure designed to appeal to firms willing to consider setting up a Fund Management or Family Office operation in the Island. It sets out some of the key considerations for such firms including current financial and business regulations, an outline of immigration and housing laws and a summary of the fiscal rules that apply in Jersey.

The move is in support of the States of Jersey's agreed Strategic Plan to stimulate the economy by two per cent per annum in order to generate real economic growth.

The brochure emphasises that Jersey will appeal only to those leading finance professionals that meet a number of defined criteria. These include a proven track record in a specialist field and the ability to make a significant contribution to the economy of the Island whilst relocating a small number of principals and their families to Jersey.

The Island is already home to some of the world's leading names in world financial services. The JFSC has a long standing policy of authorising only banks in the global top 500 that wish to establish a presence in the

Island. Jersey currently has more than 50 such banks from across Europe, the United States and Canada, South Africa and the Gulf region. It has also approximately 200 licensed trust companies and company administrators, more than 100 investment managers, stockbrokers, advisers, custodians and fund administrators. The "Big Four" accountancy firms are well represented and there are a number of highly regarded Jersey law firms with close links to major international firms.

To this diverse and highly sophisticated network of leading Finance Industry providers, Jersey believes that it can add a small number of leading fund promoters and Family Office professionals who would consider using Jersey as a base for their international fund management activities.

Jersey has strict regulations regarding residency but in order to meet the strategic objective of planned growth, the Island authorities have shifted their policy guidelines and are demonstrating an increased willingness to grant the necessary consents to employees of new businesses which meet the criteria for establishing a presence in the Island.

Any niche fund management or Family Office operation seeking to re-locate in Jersey would need to meet a number of criteria broadly outlined as follows:

- The principals behind the operation have to readily demonstrate that they are highly reputable and, in the case of a fund management operation, that they are fit and proper and have a proven track record in their field of expertise.
- The planned operation has to be a high value business expected to generate significant wealth, whether in the form of business profits or personal income for the principals resident in the Island.

- The business should not involve the need for a significant number of principals and families to re-locate to the Island.

The brochure also brings together a number of the social and environment factors pertaining to Jersey that such individuals would need to consider if they were to re-locate.

Copies will be at international events where the Association is represented and Jersey Finance will also be highlighting the brochure during its overseas marketing programme.

Much of the current momentum in the funds industry is the result of the successful implementation of the revised regulations more than a year ago. It sent a clear signal to the global funds industry that the Island was willing to adapt its regulatory environment to accommodate the changing needs of lawyers, fund promoters, administrators and, indeed, the marketplace.

The Expert Fund regime delivers a streamlined regulatory approach whilst maintaining the high standards associated with Jersey. It has encouraged a number of new promoters with strong track records to look afresh at Jersey and has enabled practitioners in Jersey to provide innovative solutions for new types of fund vehicles. It has proved to be an ideal combination in meeting the world-wide growth in alternative investment funds business and Jersey's funds industry now has both a platform and a momentum for further significant growth.

Jersey welcomes new business...

The message from Jersey's most senior politician to international clients is 'come to Jersey – we're open for business'. Understandably there has been some concern about the impact of international developments, particularly in the EU, on international offshore finance centres such as Jersey.

This has resulted in changes to Jersey's tax structure but in a way which seeks to retain the Island's traditional tax advantages for international investors. The president of Jersey's Policy and Resources Committee, Senator Frank Walker, says that international clients using Jersey therefore do not have to worry.

'Those clients who currently benefit from a zero rate of tax for certain structures in Jersey, will not be affected. This benefit will remain fully intact.'

This graphically illustrates the determination of Jersey's Government to protect and enhance the Island's Finance Industry, which produces most of the Island's wealth and which has helped give it the second highest GNP per capita in Europe.

is one of the cornerstones of the Island's first Strategic Plan which was recently adopted by the States of Jersey.

This blueprint for the future lays down the framework for continuing economic expansion, based largely on continuing growth in the finance sector. This has meant encouraging innovation particularly through the introduction of new laws designed to make Jersey a better place in which to do business. The Government has even agreed to refine the immigration and housing policies to allow more individuals who will make a significant contribution to tax revenues and economic growth. The aim is to allow skilled workers in specific niche areas, such as hedge funds, to choose to move to Jersey.

Senator Walker says that the Island is already proving that they can translate fine words into real substance. 'Jersey now has a more welcoming, supportive, business-friendly environment than ever before,' he said.

This is already bringing in results, both through the expansion of existing activities, most of which are at record levels, and in the development of new

and the Strategic Plan emphasises the need to grow all areas of the economy and promote diversification.

The tourism industry, which has a history in Jersey even longer than that of financial services, is undergoing a rejuvenation, with many millions of pounds worth of investment being put into new and existing hotels.

One new international hotel is being built on the St Helier Waterfront, as part of a £200m programme of private sector investment designed to create one of the most exciting waterfront developments in Europe.

Another significant development has been the agreement with Cass Business School in the City of London to develop a top flight management training programme, hopefully leading to the creation of an international management school in Jersey.

This is all part of the 'new look' Jersey which will not only be good for Islanders but good for investors and clients.



While keen to adopt international standards, Jersey has always done things slightly differently. This has helped it to stand out in a very crowded, competitive marketplace. For example, it is inevitable that financial centres of the standing of Jersey would wholeheartedly embrace the need to constantly improve the regulation of the finance sector. However Jersey also understands the needs of business, and there has been an increasing emphasis on adopting a more pragmatic approach to regulation, while at the same time retaining its effectiveness. This is all part of a business friendly environment which

areas of business where Jersey can apply its particular strengths. Significant hedge fund activity, Family Offices being re-located to Jersey and increased interest from wealthy immigrants are all examples of how the Island's aspirations are being turned into concrete results. This growth is in addition to the continuing expansion of the more traditional areas of the finance sector where Jersey has had 40 years experience, including banking, fund management and trust and company administration.

Growth has not been at the expense of other areas of economic activity in Jersey,

...and businesses respond



CASE STUDY: ALTIS PARTNERS

When Zbigniew Hermaszewski was looking for a new location from which to manage his \$114m hedge fund, he was rather spoiled for choice. There were plenty of other welcoming jurisdictions, but after careful thought he and his four partners plumped for Jersey. Zbigniew and the other principles of Altis Partners, will now move from London to Jersey and manage their Global Futures Portfolio from there. The alternative jurisdictions looked at, all had their attractions. Jersey was not the most lowly taxed, for example, but when all the factors were added up Jersey came out on top.

'There are still significant tax advantages in moving to Jersey and the commuting time to London is very similar to what we experience now,' Zbigniew said. Most importantly, Altis was impressed by the enthusiasm and the help offered by the Island authorities who did everything they could to smooth the path. This included finding accommodation and obtaining the necessary approvals, which in the past could prove quite difficult. 'Not any more. They were obviously keen to help,' he said.

Now Zbigniew expects their hedge fund to grow significantly, and he is already looking at the opportunities that the move offers. For example, at the moment the fund concentrates on currencies, but he thinks that now they will become more involved in equities. The fund invests in over 140 global futures markets.



Zbigniew Hermaszewski

CASE STUDY: LIBERTY ERMITAGE

Setting up its first hedge fund in Jersey in 1984, Liberty Ermitage is no newcomer to this increasingly popular alternative investment. During that time, Liberty Ermitage has become one of the top 70 out of 1,800 Hedge Fund of Fund managers in the world, managing about \$4 billion of assets. But now the Island as a whole is also taking off as a quality hedge fund location, chief executive officer, Ian Cadby, said.

'Jersey is well placed to capitalise on global hedge fund expansion,' he said. Apart from all of the qualities that make Jersey an attractive international offshore finance centre, there are important lifestyle issues as well. Hedge fund managers can enjoy all of the advantages of an Island lifestyle and still be within easy travelling distance of London, which is second only to New York as a hedge fund centre.

Apart from proximity to their clients, Jersey also offers a simple and efficient tax system, and all the specialist ancillary support services required by hedge fund managers. 'In particular the Jersey authorities have a vision of the future and want to encourage hedge funds,' Mr Cadby said.

He believes that Jersey could become the Connecticut of Europe, referring to the US state that has attracted a large number of hedge fund managers by offering a range of incentives.



Ian Cadby

Law revision

benefits financial services

A complete revision of Jersey laws dating back to 1771 is expected to give the Island a significant advantage over competing offshore jurisdictions.

Law revision experts have been working for the two years removing outdated laws, incorporating all amendments into the relevant laws and generally tidying up the statute book to make it more accessible. Most importantly the complete revised version of Jersey's laws is posted on a website so that anyone interested in doing business in the Island can access the relevant laws at the click of a button.

A Law Revisions Board was established in 2003 to oversee the project and ensure that the revision did not substantively alter the law. Australian law revision expert, Neil Adsett, employed up to 20 lawyers at a time to sift through the laws.

The Law Revision (Jersey) Law 2003 has the effect that the authorised version of the revised edition in booklet form is the 'sole authentic edition of the laws of Jersey' and is the only version that can be relied on in court. The website version is unauthorised, but can be relied on for normal business purposes.

The law revision powers under the law have been used to ensure that all laws are gender neutral, that frequently amended text has been renumbered to make it easier to find,

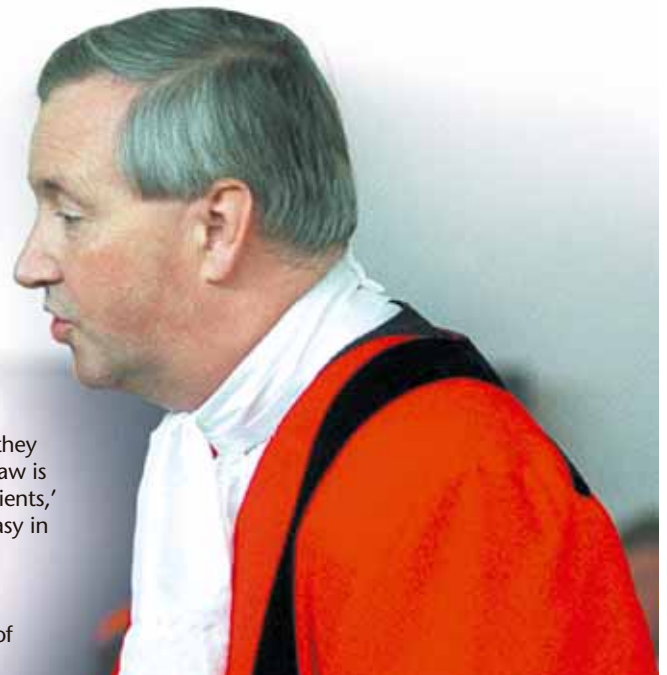
HM Attorney General, William Bailhache QC, said that the revision should 'save an enormous amount of time for both those inside and outside of government'. The project has been warmly welcomed by Jersey's legal community. Ian James, Partner at Mourant, said that the law revision will be 'of terrific benefit for financial services work'.

'It puts us in a unique position with competing jurisdictions,' he said. While it is sometimes very difficult to find out what the current law says in some offshore jurisdictions, anyone wanting to know what the law in Jersey is can find out speedily and simply.

'This is important because a lot of our business comes through lawyers and the accounting profession. They will have to make their comparisons with competing jurisdictions and they will need to know what the law is so that they can brief their clients,' Mr James said. This will be easy in Jersey and should prove a competitive advantage. Mr James said that Jersey is ahead of the game because of

Alex Ohlsson, Partner of Carey Olsen, said that access to the laws on the website would be very useful for overseas advisers who frequently need to determine whether the laws of one jurisdiction or another meet their requirements.

'We hope this initiative will help to attract further business to the Island,' Mr Ohlsson said. 'It will also make the laws of Jersey much more accessible to the public of Jersey.'



that cross-references have been updated and that typographical and other similar errors have been corrected. The revised version has been arranged in 26 chapters by topic ranging from 'Courts and Legal Services' to 'Financial Services'.

Law revision is different to law consolidation. A consolidation of the law merely reproduces the text of a law as amended. Typographical and grammatical errors cannot be corrected, and even if the title of an official has changed that cannot be amended. Such changes can be made with a revision.

the work of the Jersey Legal Information Board, which was set up in 1998 to make the Island's laws more readable, comprehensible and accessible, including making them available on the Internet.

A busy 2005 / 2006 Legislative Agenda for Jersey

By David Wild, Technical Director, Jersey Finance Limited



Over the past several years, it is true to say that the primary focus for the Jersey Government and regulatory authorities has been on defending and explaining Jersey's position as a leading international finance centre in response to a range of international initiatives on harmful tax competition, anti-money laundering and global financial services regulation. As part of that process, Jersey, in line with many other countries and territories, has taken the opportunity to review and enhance its regulatory regime in line with developing international standards such as those promulgated by the Financial Action Task Force (FATF), the International Organisation of Securities Commissions (IOSCO) and others.

As a result of those efforts, Jersey's commitment to developing and maintaining international standards is now widely recognised by supranational agencies such as the OECD, International Monetary Fund (IMF) and the European Union. The most recent IMF inspection in 2003 concluded that "The financial regulatory and supervisory system of Jersey complies well with international standards". Jersey has a comprehensive and robust regulatory framework of which it is justifiably proud, and which in many respects (for example, the regulation of trust and company service providers) is ahead of many OECD and EU Member States.

The fact that Jersey now boasts one of the finest regulatory regimes of any international finance centre allows the Jersey authorities, in partnership with the Island's Financial Services Industry, to focus efforts increasingly on new legislative and product development, in support of the recently-announced States' Economic Growth Plan. This commitment to support and promote the growth of the Financial

Services Industry is clearly reflected in the 2005 / 2006 legislative agenda:

- Amendment No. 8 to the Companies (Jersey) Law 1991 is expected to be on the statute books by the end of 2005. The amendment, which has been developed following extensive consultation with Industry, will introduce innovative cell company provisions and simplify the rules relating to the ability of a company to make distributions of assets.
- A comprehensive reform of the Trusts (Jersey) Law 1984 is now well underway, following completion of a wide-ranging consultation with leading Industry practitioners. The reform, which is due to be completed by the end of 2005, is expected to introduce, inter alia, statutory provision for settlor-reserved powers, greater certainty concerning the validity of Jersey trusts established by non-resident settlors, and enhanced provisions designed to make the Jersey trust a more attractive vehicle for use in private family trust arrangements and unit trust structures.
- Proposals for a new Foundations Law have been warmly received by practitioners both on and off the Island. In particular, it is anticipated that the Jersey Foundation will appeal to potential clients in civil law jurisdictions, where the trust concept may be less well understood. Following completion in February 2005 of the initial consultation period, it is expected that the draft Law will now be developed during the course of 2005, with the objective of it being passed by the States by the end of the year.
- Building on the successful introduction of the Expert Fund and Non-Domiciled

Fund Guides during 2004, the Jersey Financial Services Commission has recently committed to a further review of the way in which it regulates the provision of third party administration services to non-domiciled funds. It is expected that further changes to the Non-Domiciled Fund Guide will be brought in before the end of 2005 which will open up this market significantly for Jersey-based service providers, particularly in view of the growing popularity of the Channel Islands Stock Exchange (CISX) as an alternative to certain EU-based exchanges.

- A comprehensive reform of the Security Interests (Jersey) Law 1983 is planned for 2006. It is anticipated that the revised law, which is being developed in consultation with leading UK Counsel, will provide a modern framework for the registration of security interests over intangible property.
- The Government will shortly be consulting on a number of proposed amendments to the Limited Partnerships (Jersey) Law 1994, designed to provide greater flexibility and opportunity for the use of such vehicles in private equity and alternative investment structures.
- An amendment to the Income Tax (Jersey) Law 1961 has been put forward which will allow non-residents to establish international personal pension plans under trust rather than under a retirement annuity contract, as is currently the case. The proposed amendment has arisen as part of a wider review of pensions regulation recently initiated by Jersey Finance in conjunction with the Jersey Financial Services Commission.

Jersey

expands business in the Gulf

Whilst Jersey has proved consistently successful in attracting business to its shores, the Island's Finance Industry travels far and wide to showcase its services and secure new business. One such location is the Gulf region where regular visits help the Island explore commercial opportunities with other finance centres:

Volaw Trust Company was granted consent by the Jersey Financial Services Commission for a newly incorporated Jersey company to issue \$US 26 million of Sukuk. Sukuk are Islamic asset-backed investment certificates that have been certified as complying with the requirement of Shari'a principles, such as the prohibition of the paying or receiving of interest.

Commenting on the new Sukuk, Trevor Norman, Director of Volaw Trust Company, said:

"Whilst there have been many Sukuk issues originated by government agencies, this transaction is unusual in that the underlying asset is in the commercial sector. The structure increases still further our business in the Gulf

The Jersey Finance delegation visited Bahrain, Abu Dhabi and Dubai and met high-ranking Government officials, central bankers and regulators in a non-stop series of meetings, receptions and presentations. The Jersey delegation was joined by Senator Frank Walker, President of the Policy & Resources Committee; Deputy Gerald Voisin, President of the Economic Development Committee; and John Harris, Director of Financial Services for the States of Jersey.

One of the more high profile meetings was with His Excellency Mohammed Al Gergawi, CEO of the Executive Office (the office of His Highness Sheikh Mohamed Al Maktoum, Dubai's Crown Prince). Mr Al Gergawi is also



Islamic Finance Deal Illustrates Success of Jersey Finance Gulf Visits

Jersey's Finance Industry anticipates increasing levels of specialist business from the Gulf region following the completion of another productive visit organised by Jersey Finance.

A newly incorporated Islamic investment vehicle was created by one Jersey trust company that participated in the 10-day visit to the region in March, one of a number of new business initiatives under discussion between Jersey firms and Gulf professionals.

region and reinforces the value to us of the Jersey Finance visits in developing our business."

An earlier Sukuk structure arranged by Volaw and issued in February 2004, was awarded the most innovative product at the Kuala Lumpur Islamic Financial Forum in December last year.

Pierre Horsfall CBE, Chairman of Jersey Finance, said that the Volaw structure was an excellent example of how Jersey finance professionals could demonstrate the skills and innovation necessary to win Shari'a compliant business, an emerging area of global finance which offered huge potential for the Island.

CEO of Dubai Holding and Secretary General of the Dubai Executive Council for the Government of Dubai, and is one of the leading figures in the region.

In addition to the high level meetings, Jersey Finance hosted a presentation and reception in each location attracting more than 300 senior legal and finance professionals. Senator Walker delivered the keynote speech in which he told delegates that Jersey offered a more welcoming, supportive, business friendly environment than ever before. He drew attention to the enhanced legislative and regulatory measures that had been introduced

to make the Island a more favourable location for business and highlighted the multi-million pound Waterfront development as an illustration of Jersey's commitment to its own commercial future.

Phil Austin, Chief Executive of Jersey Finance, commented:

'We were accompanied by some 40 members of the Finance Industry from Jersey and we have received extremely encouraging feedback from the organisations and businesses that were represented. For many, the visit exceeded their expectations and the signs are

that significant levels of new business will result. In the current climate in which the Island is looking for high value new business to help to grow the economy, this is welcome news.

'In addition to our formal presentations, industry firms were themselves engaged in between 350 and 400 meetings with local professionals. Whilst I am confident that business will result from some of the traditional sectors of the Finance Industry such as trusts, this latest visit was also helpful in exploring the opportunities in some related industries such as tourism and business contingency planning.'

A private visit to Qatar was also undertaken by Jersey Finance at the invitation of the Qatar Minister for Economy and Commerce. Meetings were held with senior representatives of the Qatar National Bank, which recently acquired Ansbacher (which has a significant presence in Jersey); with the Central Bank of Qatar and the British Embassy. Pierre Horsfall added: 'This was an extremely encouraging visit for Jersey and I am sure Qatar also offers commercial potential for us in the longer term. We were impressed by their plans for growth and desire to diversify the economy and we took the opportunity to discuss areas of mutual interest and co-operation.'



...as more companies establish offices

International financial services businesses are establishing offices in the Middle East in increasing numbers. James Crill, CEO of Mourant Private Wealth, analyses why a Jersey based service provider would consider establishing such a presence.

It should come as no surprise to anyone watching the economic development of Dubai, Abu Dhabi and the other Gulf states that the Middle East is of growing importance to those offering services to high net worth individuals. High oil prices, imaginative leadership and an abundance of confidence are driving rapid growth and creating significant additional wealth. Greater liquidity and the changing requirements of private clients based in the region are causing advisers to reappraise the products and services that are suited to the region.

At Mourant, like a number of Jersey based firms, we are expanding our international reach. Part of our expansion has been in the Middle East, focusing primarily on the private client market. We have observed a trend towards more sophisticated requirements which suit the involvement of an independent adviser like Mourant. In the past, whilst there might have been a sophisticated use of investment products, many offshore-based structures established for Middle Eastern clients were fairly simple entities holding, for example, a property in the UK. More recently, a need with a longer-term focus has been emerging as a high priority for wealthy families: that the family wealth is preserved and handed down to succeeding generations in a structured way. Thus clients are now establishing trusts and company

structures to effect the desired planned succession. Ensuring that the structure is tax efficient is important, but this no longer appears to be the primary consideration for most clients. Other matters, such as the degree of compliance with Shari'a principles on both investments and inheritance, are also important.

Opportunities for Jersey in the Gulf region are not limited to the private wealth market. As the region has developed its own financial services infrastructure, other positive prospects have emerged for Jersey. There has been an increasing interest, for example, in the use of Jersey structures for the establishment of investment funds. A number of new laws being developed in the region bear similarities to Jersey legislation, raising the prospect of business opportunities based on transferring Jersey skills to the Gulf.

The ever-improving high level relationship between Jersey and the Middle East is reflected by the substantial increase in the number of local industry representatives joining recent Jersey Finance Limited promotional visits to the region. The region is becoming a major financial hub and of significant importance to the Island.

We believe that in order to offer the increasingly sophisticated services demanded in the Middle East it is important for us to have a presence in the region. In our view, the initial success enjoyed by a number of Jersey service providers will be hard to sustain without a local presence, or certainly, without repeated and regular visits to the region. Our experience is that clients expect to see a representative "on the ground", both to facilitate client service and as a sign of commitment to the region.

Mourant's presence in Dubai is a representative office to act as a conduit for business that will be carried out in Jersey, supporting economic growth for the Island and continuing the Jersey tradition of looking to distant horizons to ensure our future prosperity.



James Crill

Wealth management services evolve

Banking, investment, and trust and estate planning services, which were a major feature of Jersey's financial services industry more than 40 years ago, are still important and growing areas of business for the Island.

The nature of those services has changed as the needs of clients have changed, but Jersey's highly regarded finance sector has evolved and continues to adapt to meet client demands in something like 200 countries.

The trust is still at the heart of a confidential, tax efficient vehicle for protecting and passing on wealth, but clients now also place as much emphasis on investment matters as they do on safety and confidentiality.

The same principles of security, confidentiality and tax efficiency are as important today as they were 40 years ago, but clients now require a great deal more besides. One of the emerging trends is a move towards tailoring or re-packaging 'traditional' corporate and institutional-type investment products to meet the requirements of these ever more sophisticated private clients. A 2004 survey by Cap Gemini, for example, showed that some 30 per cent of assets of the wealthiest families are now allocated to

anywhere in the world. Jersey is among the leaders because of its long-standing reputation, its close links with the City of London and other major finance centres and the expertise that has been built up over more than four decades. But while Jersey competes effectively with other offshore centres, there is also a greater degree of co-operation between jurisdictions. This is partly driven by the needs of clients where often one jurisdiction is not sufficient to meet their complex requirements. Jersey is therefore developing relationships with different regions around the world to explore mutually beneficial commercial links.

International co-operation

This co-operation between jurisdictions on commercial matters may well bring benefits to international investors. For example, Jersey has been developing closer ties with the Gulf States, in particular Bahrain. The finance industries of Jersey and Bahrain see opportunities in working together to deliver financial services, including Shari'a-compliant products, which benefit from the respective skills and areas of expertise of each jurisdiction.

Discussions have also extended to other financial centres, such as Luxembourg. A group of leading professionals from

In that regard, the States of Jersey, has consistently indicated that one of its key priorities is to invest in the infrastructure of the Island and help to create the right environment in which the financial services industry can flourish. This commitment is evidenced by the changes to company and financial services legislation in recent years.

Company Law

Incorporation of a company in Jersey is a straightforward process and can be undertaken by any financial services business holding the appropriate regulatory licence. 'Standard' incorporations typically take 1-2 days although for a small additional fee a 'fast track' service is also available for incorporations to be completed within two hours if required.

It is also possible to re-domicile companies both in and out of Jersey, subject to appropriate regulatory approvals, thereby allowing continuance of existence from one jurisdiction to another.

Par value, no par value, unlimited liability companies and companies limited by guarantee have also been introduced, greatly increasing the range of options for Jersey based structures.

alternative investments. There is a growing appetite for sophisticated investment solutions and Jersey based practitioners are devising ever more complex strategies and products to meet this demand.

This trend is not unique to Jersey, of course. Financial services providers in all of the leading global jurisdictions are competing to provide an increasingly diverse and sophisticated range of products and services to cater for the needs of private clients who are now truly international and who, with the benefit of technology, can literally be serviced from

Luxembourg visited the Island last year to discuss areas of mutual interest, a follow up to a visit by Jersey practitioners to Luxembourg in 2003.

Developing legislation

These developments reflect the desire in Jersey to remain at the forefront of international financial services by remaining competitive, developing innovative solutions for clients, and supporting the financial services industry with a responsive legislative and regulatory framework.

A Legal Week survey in 2004 sponsored by Jersey law firm Bailhache Labesse, reinforced the belief that the Island remains a destination of choice for trust business. When 100 City lawyers were asked to select their preferred destination for trust business, Jersey was chosen by 87 per cent of respondents, ahead of every other location.



The CISX

The Exchange of Choice

By Tamara Menteshvili, Chief Executive, Channel Islands Stock Exchange



The Channel Islands Stock Exchange (CISX) completes the range of services offered by the financial services sectors in the Channel Islands. The CISX has come to play a significant role in attracting new business to the Islands. Although possessing many unique qualities and certainly having some distinct advantages over other exchanges in the same time zone, the CISX is a stock exchange like any other, with responsibility for setting standards of public disclosure of information for the securities it lists and regulating the marketplace.

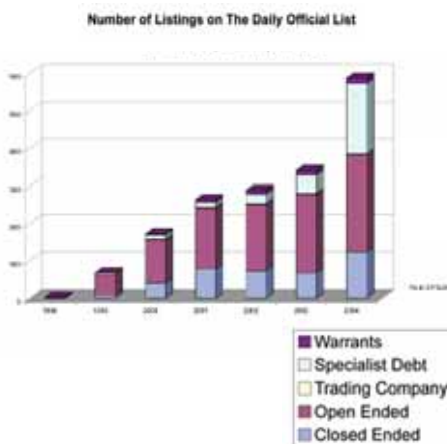
CISX Listing Members, who represent some of the most prestigious international organisations, have a key role to play and bring the full breadth of their knowledge and experience to bear upon the listing process. The ongoing success of the CISX is directly attributable to its Members. It is the CISX Members who provide the client network, the innovative thinking and first-class services, which in turn attract international businesses to the Islands.

The facilities of the CISX are a natural adjunct to the services that its Members provide. Members who sponsor listing applications include Channel Islands based investment banks, fund managers, fund administrators, law firms, stockbrokers and insurance brokers. Issuers have the added benefit of potential cost savings because the unique membership structure of the CISX means that a provider of other professional and financial services (i.e. trust or fund administration or legal services) may also provide the issuer with CISX listing services.

The CISX market continues to develop, with trading volumes and turnover steadily increasing. The shares traded are in closed-ended investment companies and trading companies, with transactions having the added benefit of full CREST settlement. There were 650 securities on the

CISX Official List as at 31st March 2005, having a market capitalisation in excess of US\$28 billion (excluding capital markets products). The graph below illustrates the growth of business.

The CISX's high standards and credible track record goes some way towards explaining the growing acceptance and international recognition of the CISX. The CISX has been proactive in promoting its facilities and the advantages of the Channel Islands, attracting world-wide coverage with every milestone achieved and raising the profile of the Channel Islands in the process.



ADVANTAGES OF LISTING ON CISX

- * speedy turnaround time & consistency of response;
- * competitive pricing & cost effectiveness;
- * international standards of issuer regulation;
- * responsive and approachable Market Authority;
- * pragmatic approach to disclosure requirements;
- * enhanced marketability and added value service; and
- * premier location.

List of Members

Bailhache Labesse Securities Limited
Bedell Channel Islands Ltd
Bordeaux Services Guernsey Ltd
Butterfield Fund Managers (Guernsey) Ltd
Capita Financial (CI) Limited
Carey Commercial Ltd
Channel House Capital Markets Ltd
Close Fund Services Ltd
Collas Day Corporate Finance Ltd
Collins Stewart (CI) Ltd
Credit Suisse Fund Administration Ltd
Deutsche Bank International Ltd
Dresdner Kleinwort Wasserstein Securities Ltd
Guernsey International Fund Managers Ltd
HSBC Fund Administration (Guernsey) Ltd
HSBC Management (Guernsey) Ltd
HSBC Securities Services (Guernsey) Ltd
Insight Investment Management (CI) Ltd
Investec Administration Services Limited
Kleinwort Benson (Channel Islands) Ltd
LCF Edmond de Rothschild (C.I.) Ltd
Man Fund Management (Guernsey) Ltd
Maples Finance Jersey Ltd
Moore Management Services Ltd
Mourant Capital Markets Services Ltd
Ogier Corporate Finance Ltd
Olsens Corporate Finance Ltd
Ozannes Securities Ltd
Prism Insurance Management Ltd
Rathbone Trust Company Jersey Ltd
RBSI Securities Services (Holdings) Ltd
Volaw Corporate Finance Ltd
Winterflood Securities Ltd

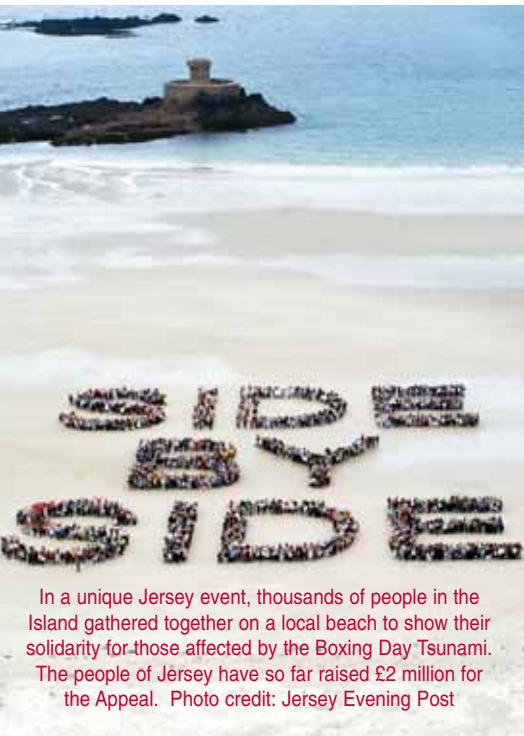
For further information on the advantages of listing on the Channel Islands Stock Exchange, please contact:
The Listing Department
The Channel Islands Stock Exchange, LBG
P O Box 623, One Lefebvre Street, St Peter Port, Guernsey GY1 4PJ

Tel: +44 (0)1481 713831 (Guernsey)
Tel: +44 (0)1534 737151 (Jersey)
Fax: +44 (0)1481 714856
Web: www.cisx.com

NEW LOOK JERSEY

EXCELLENCE ... EXPERTISE ... CHOICE

What do YOU think is important when choosing an international offshore finance centre? Obviously different finance and legal professionals are looking for different things, but Jersey Finance Limited is confident that Jersey offers a complete



In a unique Jersey event, thousands of people in the Island gathered together on a local beach to show their solidarity for those affected by the Boxing Day Tsunami. The people of Jersey have so far raised £2 million for the Appeal. Photo credit: Jersey Evening Post

package that meets all of the most important requirements for corporate and private international investors. This confidence stems from the Island's long history as a finance centre and its ability to constantly re-invent itself to meet changing needs.

attracted business all those years ago. Now it also has 40 years of experience and a depth of expertise which few other offshore finance centres can match.

Growth has sometimes been spectacular, and never less than steady, and although the Island has had to constantly adapt to a changing international environment and the differing needs of clients, it has always developed first class products and services.

Observers who believed that the need to introduce ever-stricter rules would result in a flight of capital, have been proved wrong. Jersey has been at the forefront of regulatory developments and is keen to maintain high standards if for no other reason than it has been proved to be good for business. However while the Island has a full arsenal of weapons against money laundering, terrorist funding and international crime, the regulations are applied pragmatically and with a sympathetic touch. The Jersey Financial Services Commission has shown that it is possible to create a business-friendly environment while maintaining international standards of regulation.

Unlike some other offshore centres, Jersey's finance sector is broad-based and includes banking, fund management, trust and company administration, legal and accountancy services, and insurance. Within those broad categories the Island has established particular niches where the Island is the preferred location. For example, the majority of FTSE 100 companies use Jersey as the tax neutral location for administering their global employee share option schemes.

This has all produced what the Chief Executive of Jersey Finance, Phil Austin calls 'a new look Jersey that is large and sophisticated enough to have the respect of the international finance community, but small enough to be nimble in the evolution of its product'.

Here's a checklist of features you might be looking for:

Political stability

Jersey is a self governing British Crown Dependency under the protection of the UK, but not part of the UK. Its unique constitutional position stems from an 800-year old allegiance to the British Crown, an allegiance which over the centuries has been rewarded with a number of special charters and privileges, including the most important one of Islanders being able to set their own taxes.

International standards

Jersey is not within the European Union, except for the purposes of the free movement of goods, so does not have to comply with EU directives. However it has adopted a 'good neighbour policy' and voluntarily follows many European standards.

International co-operation

Similarly, Jersey is recognised for its willingness to co-operate with international law enforcement agencies and other regulators in the fight against



That history started more than 40 years ago and was founded on providing legitimate tax advantages to businesses and individuals. A tax neutral environment remains, and the Island still has the fiscal and political stability, good communications, a flexible, independently endorsed regulatory framework, and a comprehensive legal system that first

Similarly, Jersey is often the preferred offshore partner to the City of London or to New York, for the establishment of securitisation programmes, capital market transactions and other complex corporate financial planning. The latest renaissance of Jersey's finance sector is being built on private equity, hedge funds and family offices.

crime, including fiscal crime. This co-operation has been recognised on a number of occasions, including the tracing of misappropriated funds from Nigeria and the investigation of the Enron case in the US. The Island's reputation for probity has resulted in a close links with international bodies such as the OECD, where Jersey is represented on a working

party trying to achieve a level playing field in tax matters.

High standards of regulation

Jersey's regulatory regime has been reviewed by a number of international organisations who have found the Island to be in the forefront of regulatory

Suisse and ING Barings established businesses in the Island in 2004. One of the largest financial institutions in the world, Northern Trust, arrived this year.

Range of expertise

The diversity in financial services has been one of Jersey's strengths. Institutional and

Educated workforce

The Finance Industry employs about 12,000 people, or more than a quarter of the local workforce. There is a wide range of schools on the Island and educational standards are very high.



developments. The latest investigation, by a team from the IMF, concluded that 'the financial regulatory and supervisory system of Jersey complies well with international standards'.

Established track record

Jersey has been an international offshore financial centre for more than 40 years and during that time has always had a reputation for high standards and product and service innovation.

An Industry of substance

The Island has more than 50 banks, all of which are among the top 500 banks in the world. There are also 50 accountancy firms, 25 law firms, 71 fund managers or administrators, and 144 investment managers, stockbrokers and IFAs. Total bank deposits are in excess of £160 billion.

Tax neutrality

Jersey's government has announced a zero rate of corporate tax to be introduced from 1st January, 2009, and thereby ensures continuing tax neutrality for international clients.

Innovation

A streamlining of investment fund regulations in 2004 has resulted in an influx of new business, particularly alternative investment funds. Company law was also recently amended to make company formation in Jersey more attractive to international investors. Protected cell company legislation is also being drawn up and Jersey's pioneering trust law is being reviewed and a Foundations Law is planned.

Keeping good company

Major financial institutions continue to show an interest in Jersey. Both Credit

corporate activity has been a sector of spectacular growth in recent years and the Island's skilled lawyers and other administrators continue to build business in this area.

Business friendly

Migration rules are being relaxed to enable new businesses to be created, particularly Family Offices. There is close co-operation between the Government, Regulators and the Finance Industry.

Good communications

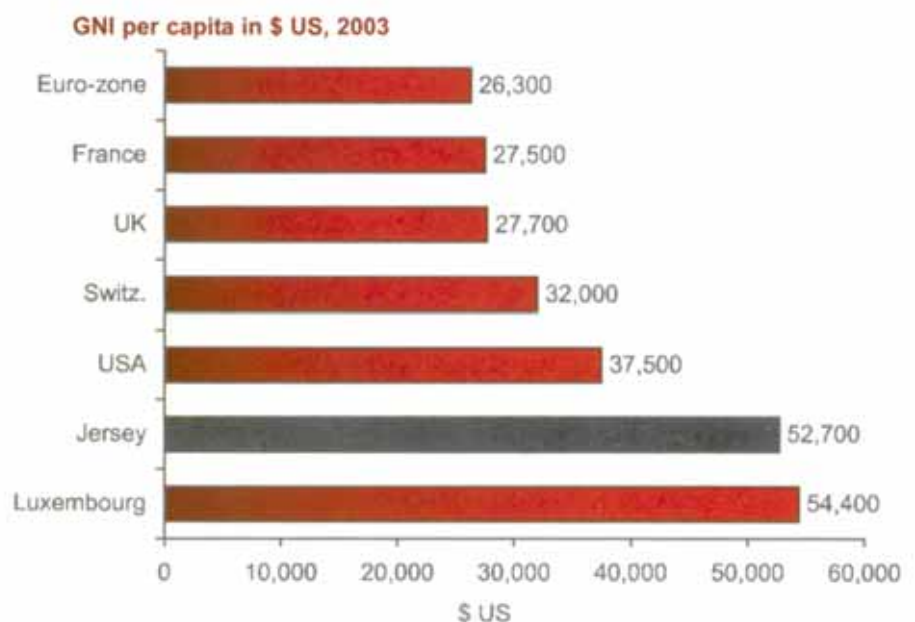
There are flights to the Island from three London airports taking about 45 minutes, plus connections from most regional airports. It is in a central time zone between North America and the Far East.

Attractive, safe environment

The Island, with its spectacular cliffs, extensive countryside and interesting town, attracts nearly three quarters of a million visitors a year. Crime is low.

Confidence in the future

The Government has adopted a Strategic Plan which calls for further economic growth and the maintenance of a competitive fiscal regime. Part of the growth will come from private sector investment of over £200m in the St Helier Waterfront, making it one of the most exciting waterfront developments in Europe.



The Business Continuity Industry in the Channel Islands

By Paul Patterson MBE., MBCI.
Chairman, The BCI Channel Islands Forum

At a recent business continuity conference in London I overheard a delegate say "The Channel Islands are too small to have any meaningful business continuity". Well, how far from the truth can a statement be?

Over the past 15 years the Channel Islands have developed what I consider to be a world class business continuity industry, offering services to both locally based organisations as well as companies from other jurisdictions around the globe. One of the many reasons so many organisations decide to choose the Channel Islands as their preferred relocation area is the compact nature of our geographical position. In other words, small is beautiful!

The Channel Islands have very stable governments who are highly supportive

invests in our industry and to act as a central point of focus for any local or overseas organisation interested in purchasing services from our industry providers. Therefore any new development that is reported to me that is likely to have a positive effect on the industry gets a mention.

To this end I am delighted to see that two local commercial organisations have invested considerable capital in extending their information technology hosting facilities, a major local telecommunications player is just about to open its doors on a new fully serviced relocation area and one of our local Institute members has developed a new and exciting product which I believe is unique. It is really business continuity in a box to go!

financial services commissions granted temporary banking permits for several of them, the income tax authorities were prepared to waive double taxation issues and very importantly, the local community welcomed and supported the people who had to relocate from the terrible damage caused to their homes by the hurricane. Several families were forced to temporarily relocate to our shores and the children were given places in our local schools.

The role the Channel Islands business continuity industry played in the above example has been widely reported, including an article in the Financial Times. Business continuity must cover the whole business and the most important part of any organisation is surely the people who run it. I am certain that a key consideration in any relocation of



towards the business continuity industry, a sophisticated and resilient technical infrastructure, well regulated financial services and considerable expertise in all areas of business continuity.

As Chairman of the Business Continuity Institute Channel Islands Forum, I am in a unique position to see most of the commercial and government activity relating to business continuity management within our Islands and I take a totally agnostic approach when commenting on local developments. My role is to support any company who

As you will by now have realised, I am very proud of the Channel Islands business continuity industry and hope to have demonstrated that our services are second to none. It is however very easy to talk the talk. Can we prove our claim to be a world class industry offering?

In 2004 Hurricane Ivan ripped through the Cayman Islands. Due to excellent 'before the event' planning no less than 23 Cayman Islands companies relocated to the Channel Islands and switched on their business continuity plans. The local

business must be the 'people in crisis' aspect. Our industry in the Channel Islands understands, better than most I suggest, how important a consideration this is.

Please do contact us if you wish to know more about business continuity in the Channel Islands and the Business Continuity Institute. Our details can be found at www.thebci.org.

On the Jersey Waterfront

by David Margason, Managing Director of Waterfront Enterprise Board Limited

Developing the Jersey Waterfront is not just a matter of putting buildings in the public

The regeneration of the waterfront is consistent with the States' Strategic Plan

choice of accommodation, ranging from traditional hotel-style facilities through to



domain, it is about delivering to the public a mix that is appropriate to the community.

The vision that the Waterfront Enterprise Board Limited is working towards is the creation of an internationally renowned Waterfront for St Helier. It is our intention to deliver a premier business district for Jersey that has international recognition as one of the top 10 Offshore financial centres in the world. A corollary to this vision is the leisure attractions that will be introduced, which will act as a catalyst for reinvigorating Jersey's tourism industry and which will enhance the quality of life of local residents.

The redevelopment of the Waterfront will also address the concerns of business by linking the waterfront with the prime central business district with the creation of new housing, hotel and leisure facilities.

The project is one of huge significance to the Island and, as such, we have assembled architects and planners with a brief to make the site a compelling and well-integrated waterfront, which will be a major boost to tourism, finance and the Island as a whole.

Having the opportunity to redesign the waterfront is an opportunity available to very few places, and by ensuring that we have picked the best mix of professional and internationally accredited architects, town planners, landscape architects and designers, we can guarantee that the completed development has a strong and integral core.

Our vision is to link the town and the waterfront, both visually and intellectually. This will increase the value of the land and means that the local population will reap the benefits – not just in terms of the facilities offered but also in terms of employment opportunities and overall economic rejuvenation.

that calls for controlled development since it is sustainable and all risks and investment are being undertaken by the private sector. Waterfront regeneration has proven itself capable of rejuvenating economies around the world.

Through Public/Private partnership we will bring substantial investment to the development of the Island's Tourism, Finance, Hospitality and Construction Industries creating new and diverse training and employment opportunities and opening the door to new economic growth across various business sectors.

Moreover the new development will be landscaped to world class standards. The integration of public art, lighting, sculpture and signage will reflect Jersey's heritage and future. This will be combined with an exciting new mix of retail and leisure facilities. A hallmark will be the superb water features, which will link the Waterfront with the development and provide an enhanced experience for the local community and tourists.

It is proposed that the Waterfront will also offer year-round entertainment within a covered orangery. This will include musical performances and seasonal skating facilities, as well as an exciting mix of international cuisine, a vibrant range of retail outlets and a state of the art visitor centre. The entire development will be landscaped in a complementary and themed manner.

There will be a comprehensive mix of accommodation with new residential apartments being built in recognition of the desire for waterfront living. Apartment living offers an ease of lifestyle as well as offering residents security and peace of mind.

These new accommodation developments will provide international visitors with a

new 'apart-hotels', which are the new European favourite accommodation style for high-spending family groups and international business travellers. Instead of living in traditional hotel style accommodation, this type of quartering offers greater floor space and self-catering. They are ideal for short-stay visitors who do not fit the traditional mould.

A key intention is to offer local people a new experience in Jersey. By redeveloping the Waterfront, we will be able to offer residents an exciting and innovative place to spend their leisure time. We will create a vibrant new maritime quarter in St. Helier which will help transform the town for Islanders, from all walks of life, into the place of choice in which to live and work and this will help preserve the rural areas of the Island, reducing travel by car and creating a new, ingrained civic pride which will endure into the future. Residents will be close to all the facilities that they want – from shops, to restaurants, to accommodation. The entire place will have a buzz about it as well as a strong "wow" factor!



David Margason

The Waterfront's staged development will be managed in association with the Island's planning authorities and the States, work has already started and this exciting journey has begun!

For a list of Jersey Finance Members and details of their areas of expertise please log onto
www.jerseyfinance.je

The Board of Jersey Finance is under the Chairmanship of Pierre Horsfall CBE and includes four representatives of the Finance Industry - Ian Moore, Managing Director, Moore Management; Clive Barton, Chairman, Moore Stephens Europe; Jonathan White, Chairman, Ogier Group; and Robert Christensen, Managing Director, Volaw Trust; two senior members of the business community - John Henwood, MBE, who is Vice Chairman - and Geoffrey Grime; and a Member of the Island's Government, the States of Jersey - Deputy Patrick Ryan.

The Chief Executive is Phil Austin, the Marketing and Communications Director is Beverley Le Cuirot and the Technical Director is David Wild.

Eight of the eleven board members hold or have held senior positions in Jersey's Finance Industry.



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