Jersey Financial Services Commission

Financial Services (Jersey) Law 1998

Code of Practice

For Fund Services Business

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Contents

Page

Glossary 4

Introduction 9

Principles:

1. A registered person must conduct its business with integrity. 13

2. A registered person must have due regard for the interests of the Fund. 14

3. A registered person must organise and control its affairs effectively for the proper performance of its business activities and be able to demonstrate the existence of adequate risk management systems.

- Corporate Governance (3.1) 17
- Internal systems and controls (3.2) 19
- Integrity and competence (3.3) 21
- Continuing Professional Development (**CPD**) (3.4) 21
- Compliance Officer and Money Laundering Reporting Officer (3.5) 23
- Complaints (3.6) 25
- Record Keeping (3.7) 26
- Payment of financial penalties (3.8) 27

4. A registered person must be transparent in its business arrangements with the Fund. 28

5. A registered person must maintain, and be able to demonstrate the existence of, both adequate financial resources and adequate insurance. 29

6. A registered person must deal with the JFSC in an open and co-operative manner. 31

7. A registered person must not make statements that are misleading, false or deceptive. 39

8. A registered person must, where relevant, comply with the applicable sections of the AIF Code 41

Schedules

First Schedule - Financial Resource Requirements 42

Second Schedule - Table of Consents 47

Glossary

Unless otherwise defined, the following terms when used in the Code shall have the meanings set out below. If not defined below or elsewhere in the Code, terms, where relevant, have the same meanings as are ascribed to them in the FS(J)L.

Guidance to the Code in the form of "Notes" has been placed in a box to highlight its status.

Advertisement(s)	Means financial service advertisement (which is defined in Article 1 of the FS(J)L.
AIF	Means Alternative Investment Fund within the meaning of Regulation 3 of the AIF Regulations.
AIF Code	Means the Code of Practice for Alternative Investment Funds and AIF Services Business
AIF Order	Means the Alternative Investment Funds (Jersey) Order 2013, as amended from time to time.
AIF Regulations	Means the Alternative Investment Funds (Jersey) Regulations 2012, as amended from time to time.
AIF services business	Has the same meaning as in Article 2(11) of the FS(J)L.
AIFM Directive	Means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010, as amended from time to time.
ANLA	Means Adjusted Net Liquid Assets.
Anti-money laundering legislation	Includes the Proceeds of Crime (Jersey) Law 1999, the Money Laundering (Jersey) Order 2008 and the Terrorism (Jersey) Law 2002, as well as any other applicable laws, all as amended from time to time. It also includes the international sanctions regimes implemented through the Sanctions and Asset-Freezing (Implementation of EU Regulations) (Jersey) Order 2020 and equivalent legislation relating to the implementation of UK sanctions. The legislation must be observed in conjunction with the requirements of the relevant Handbook for the Prevention and Detection of Money Laundering and the Financing of Terrorism, issued by the JFSC.

Applicable Rules	In relation to a registered person, means the following: › The FS(J)L, any Orders made under it and the Code; › Other legislation relevant to the functions the registered person performs; › The principles contained in the Guide relevant to each specific Fund; › Policy statements issued by the JFSC from time to time; › The Fund's Constitutive Documents and prospectuses; and › Its Fund Services Business Agreement.
Certified fund	Has the same meaning as in Article 1 of the Collective Investment Funds (Jersey) Law 1988 as amended.
Certified Fund Code	Means the Code of Practice for Certified Funds.
Closed Fund	Means a Fund which is not an Open Fund.
COBP	Means Cessation of Business Plan.
Code	Means the Code of Practice for Fund Services Business.
Collective Investment Fund	Has the same meaning as in Article 3 of the Collective Investment Funds (Jersey) Law 1988 as amended.
Complaint	Means any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a person about the provision of, or failure to provide, a service that relates to fund services business carried on by the registered person, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience.
Constitutive Documents	Means the principal documents governing the formation of a Fund, including: › The trust deed in the case of a Fund which is a unit trust; › The memorandum and articles of association of a Fund which is a company; › The limited partnership agreement where the Fund is a limited partnership; › The Fund rules (if any); › The management agreement; and › Any agreement appointing a custodian, But excludes Fund Services Business Agreements other than those listed above.
CPD	Means Continuing Professional Development.

EEA State	Means a State which is a Member State or any other State which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2 May, 1992 as adjusted by the Protocol signed at Brussels on 17 March 1993 (currently Iceland, Liechtenstein and Norway) or a State which becomes a contracting party to these arrangements in the future, to which the AIFM Directive applies.
European Union/EU	Means 27 sovereign Member States (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden), to which the AIFM Directive applies.
Exceptions Regulations	Means the Rehabilitation of Offenders (Exceptions) (Jersey) Regulations 2002, as amended.
Expert Fund	Means a Fund meeting the characteristics set out in the Jersey Expert Fund Guide and holds a certificate of registration under Article 8B of the Collective Investment Funds (Jersey) Law 1988, as amended.
FS(J)L	Means the Financial Services (Jersey) Law 1998, as amended.
Fund	Means a Collective Investment Fund or an Unregulated Fund.
Fund Assets	Means assets of any description belonging to the Fund or made available by or due to an investor.
Fund Money	Means fund assets which are money.
Fund Services Business Agreement	Means the agreement or equivalent document by which a registered person is appointed as a provider of fund services business to a Fund.
Fund Services Business Employee	In respect of a registered person, means a person employed, either under a contract of service or a contract for services, by the registered person in pursuance of fund services business.
Guide	Means any guide published by the JFSC from time to time, and as applicable to each individual Fund, including, but without limitation: › The Jersey Expert Fund Guide; › The Jersey Eligible Investor Fund Guide; › The Jersey Listed Fund Guide; and › The Guide to Open-Ended Unclassified Collective Investment Funds Offered to the General Public.
Jersey Eligible Investor Fund	Means a Fund meeting the characteristics set out in and authorised under the Jersey Eligible Investor Fund Guide as published by the JFSC, except insofar as derogations from that Guide have been consented to by the JFSC.
JFSC	Means the Jersey Financial Services Commission.
Key person	Has the same meaning as provided in Article 1 of the FS(J)L.

Managed entity	Means a registered person that relies upon the services of a registered person with a Class ZK registration (manager of a managed entity) to satisfy any parts of its regulatory obligations.
Manager of a managed entity	Means a person registered to carry on Class ZK financial service business.
Materially Equivalent Fund	Means a Collective Investment Fund that is either: (a) A certified fund that pre-dates the Jersey Expert Fund regime; or (b) Is an unclassified fund for which no certificate is required under the Collective Investment Funds (Jersey) Law 1988, In both (a) and (b) the registered person has certified to the JFSC that the relevant Fund has the following characteristics: › Is clearly not aimed at retail investors and describes itself as being suitable for a specific class of investors (being expert, experienced, institutional, sophisticated or similar); › Imposes a minimum initial investment requirement of at least US$100,000 (or currency equivalent); and › The Offer Document contains a clear investment warning, indicating that the Fund is not suitable for all investors; is commensurate with the risks involved with investing in the Fund; and provides investors with a true understanding of the total potential loss.
Member State	Means a Member State of the European Union or other EEA State.
Money Laundering Order	Means the Money Laundering (Jersey) Order 2008, as amended.
Net assets	Means total assets less total liabilities.
Non-Jersey domiciled Fund	Means a Fund where the Fund vehicle(s) (the company issuing units, limited partnership, unit trust or other similar vehicle) is established in a jurisdiction other than Jersey.
Open Fund	Means a Fund which is normally open for both subscriptions and redemptions.
PII	Means Professional Indemnity Insurance.
Principal person	Has the same meaning as in the FS(J)L.
Qualifying Funds	Means, (a) An Expert Fund; or (b) A Jersey Eligible Investor Fund; or (c) Materially Equivalent Fund; or (d) An Unregulated Fund; or (e) A related Expert Fund; or (f) A related Jersey Eligible Investor Fund; or

	(g) A related Materially Equivalent Fund; or (h) A related Unregulated Fund. In the context of Expert Funds, Jersey Eligible Investor Funds, Materially Equivalent Funds and Unregulated Funds, "related" means two or more such Funds established by the same promoter and sharing significant common attributes such as the same type of Fund (Expert, Eligible, or Unregulated), reference to the promoter in the name of the Fund, having the same investor market, and adopting the same style of marketing.
Registered person	Means a person registered by the JFSC to carry on fund services business as defined by Article 2(10) of the FS(J)L.
Regulatory framework	Means the legislative and regulatory requirements established in a jurisdiction that are relevant to a registered person's class(es) of fund services business.
Relevant AML/CFT Handbook	Means the relevant Handbook for the Prevention and Detection of Money Laundering and the financing of Terrorism.
Sustainable Investment	An investment or investments which contribute to either an environmental or social objective.
UK AIFM Regulations	Means the Alternative Investment Fund Managers Regulations 2013 of the United Kingdom (S.I. 2013/1773), as amended from time to time.
Unclassified fund	Has the same meaning as in Article 1 of the FS(J)L.
Unit	Has the same meaning as in the Collective Investment Funds (Jersey) Law 1988 as amended.
Unitholder	Any person who participates in the Fund or may participate in the Fund as the context dictates.
United Kingdom/UK	Means England, Scotland, Wales and Northern Ireland to which the UK AIFM Regulations apply.
Unregulated Fund	Means a Fund that has filed a notice in accordance with paragraph 3 of either Schedule 1 or Schedule 2 of the Collective Investment Funds (Unregulated Funds) (Jersey) Order 2008, as amended.

Introduction

Power exercised and scope

The Code of Practice for Fund Services Business (the **Code**) is issued by the Jersey Financial Services Commission (the **JFSC**) under powers given to it by Article 19 of the Financial Services (Jersey) Law 1998, as amended (the **FS(J)L)**. The Code has been prepared and issued for the purpose of setting out the principles and detailed requirements that must be complied with in the conduct of fund services business.

The Code applies to all persons registered by the JFSC under Article 9 of the FS(J)L to carry on fund services business as defined by Article 2(10) of the FS(J)L (a **registered person**).

Principle 8 of the Code is applicable only to certain registered persons, namely any that:

- Undertakes alternative investment fund services business (**AIF services business**) as defined by Article 2(11) of the FS(J)L, and which is exempt from the requirements of the FS(J)L in accordance with Part 5 to Schedule 2 of the FS(J)L; or
- Has been appointed as a depositary in accordance with Article 21 and/or Article 36 of the AIFM Directive and/or the equivalent provisions of the UK AIFM Regulations.

Article 9 of the FS(J)L establishes threshold conditions that apply on an on-going basis – the fit and proper assessment – to registered persons, principal persons and key persons[i]. This assessment process includes consideration of integrity, competence, financial standing, structure and organisation.

The JFSC has published a Policy Statement: Licensing Policy in respect of those that require registration under the FS(J)L, Part 2 of which provides further information on The JFSC's "fit and proper" assessment and paragraph 4.5 of which highlights the continuing nature of the fit and proper assessment. The Code assists the JFSC with its on-going consideration of the fitness and propriety of a registered person by setting out actions that a registered person must or must not undertake, which it can be assessed against.

Registered persons are reminded that the conduct of fund services business is the carrying on of business that involves the provision of fund services to a Fund and, in the course of providing those services, provides any of the services listed in Article 2(10) of the FS(J)L, by way of business in or from within Jersey or, if by a company incorporated in Jersey, in any part of the world.

Managed entities that have been established for the purpose of acting for Qualifying Funds shall be subject only to the core principles of the Code, to the extent described in the Guidance Note for a Manager of a Managed Entity and Certain Managed Entities issued by the JFSC, unless it elects to comply with the Code in full. Such election may be made in writing to the JFSC.

Where a registered person is a managed entity it is acknowledged that the registered person may enter into an arrangement with its manager for the provision of services relating to compliance with all or any part of the Code. However, responsibility for ensuring any such services meet the required standards as set out in the Code, and monitoring performance of those services, remains with the registered person.

Where the Code requires a registered person to provide information to the JFSC, such requirement is established in accordance with the powers provided by Article 8 of the Financial Services Commission (Jersey) Law 1998.

Registered persons are reminded of the provisions of Article 7 of the FS(J)L in respect of the prohibition of carrying out unauthorised fund services business.

Arrangement of the Code

The Code provides enforceable requirements in the form of high level principles supported by detailed rules in the areas of corporate governance, conduct of business and prudential matters and are arranged under eight principles which are further described, explained and delimited, as the case may be.

Those principles are:

1. A registered person must conduct its business with integrity.
2. A registered person must have due regard for the interests of the Fund.
3. A registered person must organise and control its affairs effectively for the proper performance of its business activities and be able to demonstrate the existence of adequate risk management systems.
4. A registered person must be transparent in its business arrangements with the Fund.
5. A registered person must maintain, and be able to demonstrate the existence of, both adequate financial resources and adequate insurance.
6. A registered person must deal with the JFSC in an open and co-operative manner.
7. A registered person must not make statements that are misleading, false or deceptive.
8. A registered person must, where relevant, comply with the applicable sections of the AIF Code

Each section of the Code is designed to be understood by reference to its full text, including any notes.

Compliance with the Code

The Code should be read by registered persons in conjunction with the FS(J)L and its subordinate legislation, together with any conditions attached to a registration held under the FS(J)L, and the relevant Handbook for the Prevention and Detection of Money Laundering and the Financing of Terrorism issued by the JFSC (the **relevant AML/CFT Handbook**).

It is the responsibility of a registered person, however, not only to comply with the Code, but also to implement such additional practices as it considers necessary for the proper management and control of its business. Where a registered person considers that it may not be able to achieve full compliance with the Code for a temporary period (for example, for a short period after first being licensed) it should, in advance, agree a plan of action (to include timescales) with the JFSC to bring itself into full compliance with the Code. In exceptional circumstances, where strict adherence to the Code would produce an anomalous result, registered persons may apply to the JFSC for a variation to the Code; this is in addition to those areas of the Code which specifically provide for a registered person to apply for a variance to the Code.

Methods of compliance with the provisions of the Code will vary depending on whether Jersey is the home or host jurisdiction of the registered person and the extent of the registered person's physical presence in the Island or elsewhere:

1. A registered person whose home jurisdiction is Jersey shall be subject to the Jersey regulatory framework, including the requirements of the Code. Where such a registered person has subsidiaries or branches outside Jersey, or makes services or products available outside Jersey through brokers or other intermediaries, it must ensure, as far as possible, that the Jersey regulatory framework is applied to those subsidiaries or branches or observed by the brokers and other intermediaries. Where significant differences exist between the host jurisdiction and that of Jersey which would result in non-compliance with the Code; they must be brought to the attention of the JFSC for discussion and resolution.
2. A registered person whose home jurisdiction is outside Jersey will be subject to the regulatory framework prescribed in its home jurisdiction and that of Jersey, including the Code. It must

therefore satisfy itself that its conduct, procedures, controls and risk management systems comply with the regulatory framework in its home jurisdiction and that of Jersey. Compliance with the home regulatory framework will usually be sufficient to meet a registered person's obligations in Jersey. Should any significant differences emerge between the regulatory framework of the home jurisdiction and that of Jersey, which would result in non-compliance with the Code; they must be brought to the attention of the JFSC for discussion and resolution.

Failure by a registered person to comply with the Code represents grounds for the JFSC to take regulatory action. Where the JFSC has reason to believe that at any time there has been a failure on the part of a registered person to comply with the Code, it may consider making use of its regulatory powers which, in serious cases, could include the revocation of the registration to conduct fund services business.

In addition, failure to comply with the Code may support a decision by the JFSC that, for example, continued non-compliance or other failure to remedy the circumstances giving rise to the breach may be addressed by the issue of a written direction under Article 23 of the FS(J)L. Such a direction might impose requirements on a registered person to do or not to do specified things, including the removal of specified individuals or the cessation of business. In appropriate circumstances that direction can be made public by virtue of Article 25(a) of the FS(J)L. The JFSC also has the power under Article 21A of the Financial Services Commission (Jersey) Law 1998 to impose financial penalties for significant and material contraventions of the Code. When considering a registered person's failure to comply with the Code the JFSC places emphasis on whether or not a registered person conducts its business with integrity and deals with the JFSC in an open and co-operative manner.

Whilst Article 19(3) of the FS(J)L provides that the contravention of the Code shall not of itself render any person liable to proceedings of any kind (excluding regulatory action that may be taken by the JFSC in response to a contravention) or invalidate any transaction, Article 19(4) provides that, subject to a condition of registration indicating that any part of parts of the Code are to be wholly or partly disregarded by a registered person, the Code shall be admissible in evidence if it appears to the court conducting proceedings to be relevant to any questions arising in the proceedings, and shall be taken into account in determining any such questions.

Where it appears to the JFSC that a person has failed to comply with the Code, it may issue a public statement under Article 25(b) of the FS(J)L.

In a number of places the Code requires the JFSC to be advised of a matter "in writing". For the avoidance of doubt, a notification given by email, or by means of the JFSC's online portal, will be considered by the JFSC to meet that requirement (unless the particular Code requirement specifies otherwise how a notification "in writing" must be given).

Revision of the Code

In accordance with Article 19(1)(b) of the FS(J)L, the JFSC may, after consultation with such persons or bodies as appear to be representative of the interests concerned, revise the Code by revoking, varying, amending or adding to its provisions.

In November 2018 the JFSC published Consultation Paper No. 10, proposing a number of amendments to the Code and, in March 2019, published a feedback paper summarising respondents' comments and the JFSC's responses.

Rather than detail the amendments here, the JFSC has published a version of the Code that highlights the amendments applied.

In December 2020 the JFSC published a Position Paper outlining consequential amendments to the the AIF Code, this Code and the Certified Funds Code (together, the **Codes**), to take account of the United Kingdom's exit from the European Union on 31 December 2020 and specifically, the amendments to the FS(J)L, the AIF Regulations and the AIF Order introduced by the European Union

(United Kingdom Exit – Alternative Investment Funds) (Jersey) Regulations 2019 and effective from 1 January 2021.

In the same way as the changes brought in by the European Union (United Kingdom Exit – Alternative Investment Funds) (Jersey) Regulations 2019 are designed to ensure the continued functioning of Jersey's AIF legislation beyond Brexit, the updated Codes are aimed at preserving the status quo and ensuring business as usual notwithstanding the UK's exit from the EU.

In June 2021 the JFSC published the feedback paper to Consultation Paper No.1 2021 regarding disclosure requirements related to Sustainable Investments, including the amendments made to this Code.

Effective Date

This revised Code is effective from 15 July 2021 for all Registered persons.

With reference to paragraphs 2.10, 2.11, 2.12 and 2.13, the effective date is 15 July 2021, however for Registered persons which provided services as defined in 2.10 in relation to an existing Fund prior to the 15 July 2021, a transitional period with an effective date of 17 January 2022 applies.

Any person that has made an application to the JFSC which is currently under consideration, should review the Code and contact the JFSC to discuss any areas where compliance on grant of registration may be an issue.

The Principles

1 A registered person must conduct its business with integrity.

1.1 **Without limiting the breadth of the above Principle, a registered person must not:**

1.1.1 Act or refrain from acting; or

1.1.2 Contract or have any other arrangement;

So as to avoid, or seek to avoid, any regulatory responsibilities it may have under the Code unless the Code expressly permits any such avoidance.

Notes

1. *Where a registered person is a managed entity under Article 2(10) of the FS(J)L it is acknowledged that the registered person may enter into an arrangement with the manager of that person for the provision of services relating to compliance with all or any part of the Code, however responsibility for ensuring any such services meet the required standards set out in the Code and monitoring performance of those services remains with the registered person.*

2 A registered person must have due regard for the interests of the Fund.

2.1 A registered person must act with due skill, care and diligence to fulfil the responsibilities that it has undertaken.

2.2 Where a registered person is authorised to exercise discretion in the execution of its function, it must exercise that discretion in a proper manner and maintain proper records of its actions and decisions.

2.3 A registered person must ensure that adequate procedures are implemented to either: avoid any conflict of interest arising or, where a conflict arises, keep adequate records of such conflicts and address them: through internal rules of confidentiality; by declining to act or otherwise as applicable which could include by disclosing the nature of the conflict to the Fund. Where appropriate, a registered person must seek written confirmation that it may continue to provide services to the Fund.

2.4 A registered person must transact its business in an expeditious manner.

2.5 When entering into financial, banking or other transactions on behalf of the Fund, a registered person must:

2.5.1 Always act in the best interests of the Fund; and

2.5.2 Not effect such transactions with inappropriate frequency or in excessive size.

2.6 If a registered person provides services in respect of more than one Fund, the registered person must ensure that all Funds are, as between each other, dealt with fairly and no Fund is given unfair advantage.

2.7 A registered person in its dealings with Unitholders must ensure that all Unitholders are treated fairly.

2.8 Subject to any mandatory legal restraints and duties of confidentiality, a registered person must, within a reasonable period of time, notify the Fund of any matters of which it becomes aware which might reasonably be expected to be in the material interests of the Fund to disclose.

2.9 If acting as or providing services that include the role of distributor, the registered person must have due regard for the interests of Unitholders and pay due regard to any relevant guidance issued by the JFSC.

Notes:

1. *When the Code refers to an obligation to provide information to the "Fund", the information should be provided to the Fund company itself, the general partner of a limited partnership or the trustee of a unit trust, or to the Fund manager, as appropriate.*
2. *The requirement in paragraph 2.7 does not apply to any discount that may be offered to or negotiated by an individual investor in relation to the fees charged upon his investment in a Fund, or require the registered person to offer a similar discount to any other investor. Furthermore, this requirement does not apply in respect of any arrangements set out in the constitutional documents of a Fund or its material contracts which provide for preferential rights or treatment or confer other priorities on certain persons or classes.*
3. *Paragraph 2.9 applies to regulated entities that distribute the offer in a Fund. Unitholder is defined in the glossary and includes prospective participants in a Fund. The JFSC considers paragraph 2.9 to address investor protection issues, including the appropriateness of the product for the investor.*

2.10 When a Registered person provides services as defined in paragraph 2.12, in relation to a Fund that is marketed on the basis of investing in a Sustainable Investment as part of its investment objective, the Registered person must disclose (via website, or pre-contractual document, prospectus, or documents in which the terms of investing in the Fund are contained such as a subscription agreement) all material information in relation to the sustainable investment strategy and objectives; including but not limited to:

2.10.1 alignment with any specific taxonomy, or where there is no alignment to a specific taxonomy a statement to that effect;

2.10.2 the proportion of investments that are sustainable;

2.10.3 the basis on which due diligence, benchmarking, and performance measurement and reporting, are likely to be conducted; and

2.10.4 any limitations to methodologies and data.

2.11 With reference to paragraph 2.10, where a Certified Fund is subject to the equivalent requirement contained in the Code of Practice for Certified Funds, the Registered person will need to comply with paragraph 2.10 only in the circumstance that Registered person cannot evidence that the Certified Fund has complied with the equivalent requirement in the Code of Practice for Certified Funds.

2.12 The requirement in paragraph 2.10 applies only to those Registered persons that are the governing body of the Fund or that otherwise accept responsibility or part thereof for the website, pre-contractual document, prospectus, or documents in which the terms of investing in the Fund are contained such as a subscription agreement.

2.13 Where a Registered person is not subject to the requirements of paragraph 2.10 the Registered person must still notify the JFSC, in writing, within five business days of the Registered person becoming aware of the Fund not disclosing such material information in relation to the sustainable investment strategy and objectives of the Fund.

Notes:

1. *With reference to paragraphs 2.10, 2.11, 2.12 and 2.13, the effective date is 15 July 2021, however for Registered persons which provided services as defined in paragraph 2.12 in relation to an existing Fund prior to the 15 July 2021, a transitional period with an effective date of 17 January 2022 applies.*

3 A registered person must organise and control its affairs effectively for the proper performance of its business activities and be able to demonstrate the existence of adequate risk management systems.

3.1 Corporate Governance

3.1.1 Registered persons must operate an effective corporate governance system that must include the following key elements:

3.1.1.1 An adequate regulatory span of control must exist that is appropriate to the nature of the business;

3.1.1.2 Except for temporary periods not exceeding two months (unless a longer period is agreed in writing by an officer of the JFSC), the board of the registered person shall include at least two directors who are resident in Jersey;

3.1.1.3 Responsibilities must be apportioned among a registered person's directors, key persons, and Fund Services Business Employees in such a way that their individual responsibilities and accountabilities are clear; and

3.1.1.4 The business of the registered person must be adequately monitored and controlled at senior management and board level, as appropriate.

3.1.2 Regulatory span of control: specifically with respect to 3.1.1.1:

3.1.2.1 A registered person who cannot control Fund Assets must be directed by at least two appropriately qualified and experienced people ('Four Eyes').

3.1.2.2 A registered person who is entitled to control Fund Assets must be directed by at least three such people ('Six Eyes').

3.1.2.3 The relationship of directors and managers within a registered person must be such as to ensure that they can all exercise independent judgement without duress or undue influence from one another in the best interests of the Fund, and so as to secure compliance with the Applicable Rules.

3.1.2.4 The regulatory span of control of a registered person must not comprise solely of close family and where close family are eligible to form part of the regulatory span of control, only one member may be counted.

3.1.2.5 As soon as a registered person becomes aware that the regulatory span of control requirement will not be maintained it must notify the JFSC in writing. In this respect where a registered person has the minimum individuals comprising regulatory span of control and one of those individuals is absent from the business for a substantial period of time, the registered person must contact the JFSC to discuss its proposed arrangements such that during this period, the business is managed and controlled by the appropriate number of individuals.

3.1.3 Clearly defined procedures must be in place so that there is appropriate oversight by the board of directors and senior management in order to address the principles of risk management:

3.1.3.1 An assessment of the risks present in the registered person's business must be made, and those risks must be documented, as must the ways in which they are monitored and controlled;

3.1.3.2 The registered person must maintain accurate and reliable information systems; and

3.1.3.3 The registered person must complete timely and appropriate management reporting.

3.1.4 Where the size of a registered person's business warrants it, a separate risk management committee must be established.

3.1.5 If providing management services to a managed entity under Article 2(10)(a) of the FS(J)L, the manager must:

3.1.5.1 Pay due regard to the risks that might arise from performing this role as part of its own corporate governance; and

3.1.5.2 Where the manager of a managed entity provides directors to the board of the managed entity, take reasonable steps to ensure that those acting understand and are able to meet their obligations in the performance of their directors' duties to the managed entity.

3.1.6 Prior written approval must be sought from an officer of the JFSC to a change in the manager of a managed entity.

3.1.7 If providing services defined in Article 2(10)(c) of the FS(J)L (namely acting as trustee, custodian or depositary), the registered person must ensure appropriate independence of its business arrangements with a Fund and other fund services business providers to that Fund.

3.1.8 All aspects of corporate governance arrangements must be subject to appropriately regular review to ensure their continuing adequacy in light of the registered person's business activities and risk profiles, and include a periodic self-assessment, or external assessment, of the board's effectiveness.

Notes:

1. *Corporate governance is the system by which an organisation is directed and controlled. A corporate governance framework specifies the distribution of rights and responsibilities among different participants in the organisation and sets out the rules and procedures for making decisions. Risk management is an integral part of the corporate governance framework. In the context of Principle 3, "risk" refers to* ***all*** *the risks that a registered person faces, or may face, as a business enterprise.*

2. *Article 74(1) of the Companies (Jersey) Law 1991 states:*

   "A director, in exercising the director's powers and discharging the director's duties, shall –

   a. *Act honestly and in good faith with a view to the best interests of the company; and*

   b. *Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances."*

3. *Depending on the activities of the Fund(s) to which a registered person is providing services, and the type of service being provided, the appropriate regulatory span of control structure may differ. In rare circumstances, and where a registered person requires "six-eyes", the JFSC may permit the inclusion of an individual who is actively*

involved in the day to day management of the business (a senior manager) when considering regulatory span of control. Notwithstanding this, paragraph 3.1.1.2 is relevant for all registered persons.

4. *With respect to 3.1.1.2, where the registered person operates in Jersey as a branch of a legal entity registered outside Jersey that holds a registration to undertake deposit-taking business (is a bank), the JFSC accepts that two directors may not be resident in Jersey. In this scenario the JFSC expects that at least two senior managers, involved in the day-to-day provision of fund services business are based in Jersey.*
5. *Where either note 3 or 4 is applicable, the JFSC will consider the fitness and propriety of senior managers using the procedure established for considering principal persons and key persons.*
6. *For the purpose of 3.1.1.3, all individuals having up to date job descriptions may best evidence apportionment of responsibilities. However, the terms of reference relating to particular offices or committees, or Board resolutions, may also demonstrate apportionment of responsibilities.*
7. *For the purposes of 3.1.2.4, "close family" comprises spouses (including co-habitees), civil partners, children, dependants, parents, brothers, and sisters.*
8. *With respect to 3.1.2.5, the JFSC considers a period in excess of four weeks to constitute a substantial absence from the registered person.*
9. *In paragraph 3.1.5.2, 'reasonable steps' may include the registered person (the manager of a managed entity) limiting the number of directorships that employees are expected to take-on having due regard to the experience and seniority of the individual, the demands of their executive role and other duties and the potential demands of the managed entity.*

3.2 Internal systems and controls

3.2.1 A registered person must:

3.2.1.1 Maintain and test a policy and procedures manual that covers the operations of the business;

3.2.1.2 Operate robust internal systems and controls to ensure compliance with the Applicable Rules. Such systems and controls must be reviewed periodically to ensure that they are working effectively;

3.2.1.3 Ensure that adequate business resumption, disaster recovery and contingency arrangements are in place and tested at appropriate intervals;

3.2.1.4 Ensure that its internal systems and controls enable management to guard properly against involvement in financial crime and ensure that the registered person is complying with the Code and with anti-money laundering legislation and the requirements of the relevant AML/CFT Handbook;

3.2.1.5 Ensure that all transactions and decisions are properly authorised by persons with the requisite knowledge and experience to effect such transactions or make such decisions;

3.2.1.6 Have due regard to the principles of the sound business practice policy[ii] document issued by the JFSC from time to time, irrespective of the jurisdiction in which the entity, that it is providing services to, was incorporated;

3.2.1.7 Comply with the JFSC's policy on outsourcing as may be updated from time to time;

3.2.1.8 Maintain a register of breaches of the Applicable Rules and regulatory requirements;

3.2.1.9 Keep adequate, orderly and up-to-date records which must include, but are not necessarily limited to:

3.2.1.9.1 Its business transactions,

3.2.1.9.2 Its financial position,

3.2.1.9.3 Its internal organisation,

3.2.1.9.4 Its risk management systems,

3.2.1.9.5 Its board or management minutes, and

3.2.1.9.6 The relationship between the legal persons/arrangements forming part of the group subject to registration under the FS(J)L.

3.2.2 Where a registered person controls fund money it should implement an independent review of the controls over fund money on, at least, an annual basis:

3.2.2.1 The review shall verify the effectiveness of the registered person's relevant controls over fund money with particular regard to those controls that prevent the:

3.2.2.1.1 Loss;

3.2.2.1.2 Misuse; and

3.2.2.1.3 Misappropriation of fund money.

3.2.2.2 The review should be performed by an appropriately qualified independent person who may be an internal or external party.

3.2.2.3 Where an internal party performs such review they must be operationally independent from the individuals or functions within the registered person responsible for the operation of the controls under review.

Notes:

1. *With respect to 3.2.1.7, the JFSC's policy on outsourcing is available from the JFSC's website.*
2. *Failure to comply with anti-money laundering legislation or the relevant AML/CFT Handbook may form the basis for regulatory action by the JFSC. This is in addition to any legal action that may be taken by the judicial authorities for failure to comply with anti-money laundering legislation.*
3. *With respect to the various risk management provisions under principle 3 of the Code, particularly 3.1, 3.2 and 3.7, it is expected that a registered person will have specifically considered, amongst other risks, the risk of a cyber security incident, and have in place a corresponding documented policy to identify assets and risks, to*

protect them, to quickly detect potential cyber security incidents, to respond to contain the impact of an incident and to recover from it.

3.3 Integrity and competence

3.3.1 A registered person must:

3.3.1.1 Ensure that its directors, partners, senior managers and all other Fund Services Business Employees are fit and proper for their roles;

3.3.1.2 Assess and monitor the working practices, competence and probity of their directors, partners, senior managers and other Fund Services Business Employees;

3.3.1.3 Have proper procedures in place to determine that its directors, partners, senior managers and all other Fund Services Business Employees at the time of appointment to a role are fit and proper;

3.3.1.4 Ensure that an individual who has been assessed as competent to engage in or oversee an activity maintains competence; and

3.3.1.5 Obtain and retain copies of documentary evidence of qualifications held by directors, partners, senior managers, and other Fund Services Business Employees which are to be used by the registered person to assess the initial and on-going competence of those individuals.

3.3.2 Where complex transactions are undertaken or complex structures are administered (either by the nature of the entity or the jurisdiction of the proper law or form of that entity), more specialised qualifications, experience or other competencies are likely to be required and where this occurs registered persons must ensure such additional requirements are met.

Notes:

1. *This section is subject to the restrictions imposed by the Rehabilitation of Offenders (Jersey) Law 2001, which prohibits an employer requesting information from its employees and prospective employees about convictions that are "spent". This general prohibition is subject to exceptions provided by the Rehabilitation of Offenders (Exceptions) (Jersey) Regulations 2002, as amended (the **Exceptions Regulations**). The exceptions are available to registered persons, applicants and those intending to apply for registration under the FS(J)L.*
2. *Regulation 21 of the Exceptions Regulations permits a registered person, applicants and those intending to apply for registration to request information about all 'relevant offences', whether "spent" or not, from employees holding certain positions and applicants for such positions as defined by the Rehabilitation of Offenders (Jersey) Law 2001. To be consistent with the Code, it is necessary for employers to make use of such exceptions when screening employees who are subject to these exceptions.*
3. *'Employees' as identified in this section includes not only direct employees, but also indirect employees such as temporary and contracted employees and other contracted service providers.*
4. *The JFSC may periodically request the registered person to provide records or such other means of demonstrating the competence of employees.*

3.4 Continuing Professional Development (CPD)

3.4.1 CPD is a compulsory requirement for:

3.4.1.1 Directors, such that they are able to demonstrate continued fitness and propriety to fulfil their role;

3.4.1.2 Any individual that forms part of the regulatory span of control;

3.4.1.3 The compliance officer; and

3.4.1.4 Any Fund Services Business Employee who has, or is working towards, or who wishes to begin studies for, a professional qualification that the registered person has agreed with the employee is necessary for that person's employment with the registered person.

3.4.2 The registered person is required to maintain CPD records for all individuals whose current role means they fall within the scope of 3.4.1, although it is permissible for the registered person to require individuals to keep their own records and to account to the registered person on a regular basis.

3.4.3 The registered person is responsible for ensuring that the CPD completed is appropriate, taking into account an individual's job description, current duties and future development needs.

3.4.4 The registered person is responsible for determining how much time is to be spent on CPD each year. The amount of CPD appropriate to each individual may vary according to the particular type of Fund and the class of business provided. As a general indication, it is expected that the majority of individuals must undertake not less than 25 hours per year, of which not more than five hours may be relevant reading. However, the JFSC acknowledges that such a level of CPD may not be appropriate in the context of a registered person carrying out limited or straightforward functions in relation to a Fund. In such circumstances a reduced level of CPD may be appropriate provided that it is determined in accordance with a reasoned, written policy setting out the registered person's approach to determining acceptable CPD levels among its relevant employees generally.

Notes:

1. *It is recognised that some individuals may be members of professional bodies that have their own CPD requirements as a condition of continued membership. In these circumstances it is a matter for the registered person first to ensure that the necessary opportunity is given to such individuals to enable them to comply with these professional requirements, and secondly to take a view on the extent to which such professional CPD is relevant to the registered person's business and may therefore be counted towards the individuals' work-related CPD.*

2. *It is also recognised that some individuals may be subject to CPD requirements as a result of other Codes of Practice issued from time to time by the JFSC. In these circumstances it may be impractical for such individuals to spend the amount of time determined in accordance with paragraph 3.4.4 above on CPD in relation to the registered person's activity under the FS(J)L and it is a matter for the registered person to determine a suitable level of CPD under the Code for such individuals.*

3. *Where the individual's professional body does not prescribe how CPD should be achieved, there are a number of acceptable ways to attain the minimum CPD requirement, including, but not restricted to:*

   a. Studying for further qualifications;

   b. In-house training, seminars, conferences and product presentations;

c. Computer-based training;

d. One-to-one tuition;

e. Reading relevant professional and trade magazines;

f. Personal structured study; and

g. Attending external training courses.

4. *If an individual is not involved in providing any of the functions the registered person provides under the FS(J)L then compliance with CPD requirements is not necessary for such an individual.*

3.5 Compliance function, Compliance Officer, Money Laundering Reporting Officer and Money Laundering Compliance Officer

3.5.1 The senior management (most often the board of directors) of the registered person is responsible for ensuring that it has robust arrangements for compliance with the regulatory framework and the Applicable Rules, these must include:

3.5.1.1 Approval of a compliance policy;

3.5.1.2 Establishment of a permanent and effective compliance function, whose responsibilities are formally documented;

3.5.1.3 Assessment, on at least an annual basis, of the extent to which compliance risk is managed effectively; and

3.5.1.4 Appointment of an appropriately skilled and experienced person as its Compliance Officer.

3.5.2 The compliance function must:

3.5.2.1 Have appropriate independence;

3.5.2.2 Have direct access to the registered person's senior management and Jersey board of directors or equivalent;

3.5.2.3 Have unfettered access to all business lines, support departments and information necessary to properly discharge their responsibilities;

3.5.2.4 Act as the principal point of contact for employees on day-to-day regulatory matters; and

3.5.2.5 Be able to devote sufficient time, and have sufficient resources to discharge properly the responsibilities of the function, including implementation of the compliance policy.

3.5.3 The registered person must ensure that the Compliance Officer is responsible for:

3.5.3.1 Ensuring appropriate monitoring of operational performance and managing regulatory and compliance issues, which includes:

3.5.3.1.1 Monitoring that the internal policies and procedures are being consistently and effectively adhered to, and

3.5.3.1.2 Assessing, and recommending amendments to, internal systems and controls as well as policies, and procedures to facilitate compliance with the regulatory framework; and where

appropriate, promptly instigating action to remedy any deficiencies in the compliance arrangements;

3.5.3.2 Providing senior management and the board of directors of the registered person with regular written reports in respect of the registered person's compliance with the requirements of the FS(J)L, Orders (issued under the FS(J)L) and the Code; and

3.5.3.3 Acting as the principal point of contact with the JFSC on day-to-day regulatory matters.

3.5.4 The Compliance Officer must:

3.5.4.1 Be an individual operating under a contract of employment directly with the registered person or another company within the same group;

3.5.4.2 Be based in Jersey;

3.5.4.3 Have sufficient experience and skills which includes, holding an appropriate (as determined by the registered person) compliance or other professional qualification or be studying towards such a qualification; and

3.5.4.4 Have appropriate status within the registered person to ensure that directors and senior management react to and determine whether to act upon his or her recommendations.

3.5.5 In the event that a Compliance Officer is temporarily unable to fulfil his or her responsibilities, the registered person must:

3.5.5.1 Notify the JFSC; **and**

3.5.5.2 Designate an appropriately skilled and experienced alternate.

3.5.6 With respect to 3.5.5, notification to the JFSC must be made, in writing, as soon as the registered person becomes aware that the compliance officer will be temporarily unable to fulfil their responsibilities.

Notes:

1. *Where a registered person has an inexperienced compliance resource, the JFSC would expect the registered person to support this area of operation where necessary, either internally or possibly through the use of consultancy services.*
2. *There is no specific requirement for a registered person to be subject to an internal audit review. However, the JFSC will recognise and take comfort from those registered persons that have effective internal audit controls, or where such functions are provided from elsewhere within a group.*
3. *It is a requirement of the Money Laundering Order that a registered person must appoint a Money Laundering Reporting Officer and a Money Laundering Compliance Officer. The relevant AML/CFT Handbook sets out additional requirements for the registered persons. The JFSC expects the Money Laundering Compliance Officer to form part of the compliance function.*
4. *The roles of Compliance Officer, Money Laundering Reporting Officer and Money Laundering Compliance Officer meet the definition of a key person as defined by Article 1 of the FS(J)L; consequently, Article 14 of the FS(J)L applies.*
5. *Where operating volumes are at a level for it to be appropriate, the Compliance Officer, the Money Laundering Reporting Officer and Money Laundering Compliance*

Officer may be the same person. It is also recognised that there may be registered persons where the compliance function is fulfilled solely by the Compliance Officer.

6. *Where a registered person is a managed entity, it is acceptable for the managed entity to enter into an agreement with its manager for the provision of a Compliance Officer, a Money Laundering Reporting Officer and a Money Laundering Compliance Officer.*

7. *With respect to 3.5.5, the JFSC considers a period in excess of four weeks to constitute being temporarily unable to fulfil their responsibilities.*

3.6 Complaints

3.6.1 A registered person must establish and maintain an effective complaint handling system and procedures and, in particular, must:

3.6.1.1 Maintain adequate records of complaints against the registered person, including a central register that contains details of any agreed compensation or compromise;

3.6.1.2 Inform the Fund of how complaints may be made and how they may expect these to be responded to;

3.6.1.3 Handle complaints transparently, competently, diligently, and impartially;

3.6.1.4 Provide, in writing, within five business days, unless expressly agreed by the complainant to the contrary, an acknowledgement that their complaint has been received, including confirmation that the complaint is being considered and providing the information referred to at 3.6.1.2;

3.6.1.5 Keep the complainant informed about the progress of their complaint, including details of any actions being taken to resolve their complaint;

3.6.1.6 Advise the complainant in writing when the complaint is considered closed and where the complaint is not upheld, clearly state the reasons(s) for rejecting the complaint;

3.6.1.7 Comply with the requirement of 5.2.9, in relation to determining whether a complaint gives rise to any notification requirement under its professional indemnity insurance policy; and

3.6.1.8 Consider the complaints data for patterns emerging.

3.6.2 As soon as it becomes aware, a registered person must notify the JFSC in writing, if:

3.6.2.1 A complaint is not satisfactorily resolved within 3 months of it being lodged;

3.6.2.2 A pattern to complaints is identified; or

3.6.2.3 Any complaint results in a claim under the registered person's professional indemnity insurance policy.

Note:

1. *With respect to 3.6.2, "as soon as it becomes aware" applies from the point at which the registered person knows, or has reasonable grounds for believing, that any of the matters stated has occurred or may be about to occur, even where it is outside the control of the registered person.*

3.7 Record Keeping

All records

3.7.1 A registered person must ensure that it has appropriate record keeping arrangements for compliance with the applicable Laws (including anti-money laundering legislation), Orders and regulatory requirements, set by the Code or the relevant AML/CFT Handbook.

3.7.2 A registered person is expected to maintain such books and records in a language understood by the employees of the business. These must be translated into English at the request of the JFSC. A registered person must be able to readily retrieve them in Jersey and, if kept otherwise than in legible form, maintain them so as to be readable at a computer terminal in Jersey so that they may be produced in legible form without delay.

3.7.3 A registered person must have a clearly documented policy and procedure regarding record retention that includes:

3.7.3.1 Periodic review of the accessibility and condition of paper and electronic records;

3.7.3.2 The adequacy of the safekeeping of records; and

3.7.3.3 Periodic testing of procedures relating to the retrieval of records.

Business records

3.7.4 A registered person must maintain an audit trail of material changes to the policies and procedures manual that covers the operation of the registered person, which is updated as required. When updates are made, the effective date of such updates must be recorded and the superseded records maintained.

3.7.5 The period for which business records must be kept is the later of:

3.7.5.1 The period required for any particular record by any law;

3.7.5.2 The relevant AML/CFT Handbook; or

3.7.5.3 Where records relate to significant corporate governance matters, such as management meeting minutes and risk assessment matters, or are records relating to requirements established by the Code - ten years from the date of the record.

Fund records

3.7.6 A registered person must keep adequate, orderly and up-to-date records, which are in line with:

3.7.6.1 The requirements, including retention period, set for any particular record by any law; and

3.7.6.2 The requirements established by Part 4 of the Money Laundering Order and as set out in the relevant AML/CFT Handbook.

3.7.7 Records must be kept not only of business transacted (including all transactions carried out on a Fund's behalf) but also of its internal organisation and risk management systems; and document systems and procedures intended to safeguard Fund Assets (where applicable).

3.7.8 A registered person must permit the Fund, manager, general partner, trustee, custodian, the Fund's auditors (as applicable) or any of its duly authorised agents at

all reasonable times to inspect the records of transactions carried out by that registered person on a Fund's behalf.

3.7.9 The period for which all records must be kept must be the later of:

3.7.9.1 The period required by the Applicable Rules;

3.7.9.2 Five years from the date the relationship ends; or

3.7.9.3 The period required by any law.

Notes:

1. *The Code does not establish any retention requirements for tape recordings of telephone conversations.*
2. *With respect to 3.7.4, a change to the policies and procedures manual that necessitates communication to impacted staff is a material change.*
3. *With respect to 3.7.5.1, the JFSC considers that laws relating to companies, tax, proceeds of crime, and data protection may be relevant.*

3.8 Payment of financial penalties

3.8.1 A registered person must not pay a financial penalty imposed by the JFSC on any other person.

4 A registered person must be transparent in its business arrangements with the Fund.

4.1 A registered person must disclose on its stationery and advertising material that it is regulated by the Jersey Financial Services Commission.

4.2 A registered person must communicate with the Fund in a way that is adequate, fair and not misleading.

4.3 A registered person must be open and transparent with the Fund about the fees, charges and any other remuneration (both initial and recurring) or expenses it is due in respect of the functions performed under the FS(J)L, and the arrangements to amend them that exist.

4.4 In the case of any amounts payable directly out of a Fund's property, the JFSC will regard the obligation in paragraph 4.3 as adequately discharged if such amounts, or the basis for their calculation, are fully disclosed in that Fund's prospectus.

4.5 A registered person must provide to the Fund, on demand, adequate information about the registered person including its business address and the identity and status of persons acting on its behalf with whom the Fund may have contact.

Note:

1. *For the purpose of 4.1, the JFSC considers that, at a minimum, "stationery" includes: headed letter paper; emails sent in lieu of a letter; and facsimiles. The JFSC does not consider the following to be stationery unless they are quite clearly being utilised in lieu of a letter or as advertising material: text messages; account statements; business cards; and compliment slips.*

5 A registered person must maintain, and be able to demonstrate the existence of, both adequate financial resources and adequate insurance.

5.1 Financial Resources

5.1.1 Where a registered person is a Jersey registered company that holds a registration to undertake deposit-taking business, and consequently provides the JFSC with a quarterly prudential report, the Adjusted Net Liquid Assets (**ANLA**) requirements set by the Code do not apply.

5.1.2 Where the registered person operates in Jersey as a branch of a legal entity registered outside Jersey that holds a registration to undertake deposit-taking business and its immediate home regulator applies Basel II prudential requirements or has implemented the 1997 Market Risk Accord then the ANLA requirements set by the Code do not apply. Registered persons to whom this paragraph applies must notify the JFSC, in writing.

5.1.3 Where the registered person is a managed entity providing services to Qualifying Funds, a registered person must have and maintain, financial resources which are, in the opinion of its directors, sufficient to meet its commitments.

5.1.4 All other registered persons must have and maintain both of the following:

5.1.4.1 Paid up share capital and non-distributable reserves, and a minimum net assets position, of not less than the amount shown below:

Registered person	Sterling equivalent amount
Trustee, custodian, depositary to an Open Fund for retail/non-expert investors	500,000
Trustee, custodian, depositary to an Open Expert Fund or open Jersey Eligible Investor Fund	250,000
Trustee, custodian, depositary to a Closed Fund	250,000
Manager, manager of managed entity, administrator, investment manager, investment advisor, member of a partnership (other than a limited partner)	25,000
All other fund services business	10,000

5.1.4.2 A surplus of Adjusted Net Liquid Assets over Expenditure Requirements in the ratio of 110% - in accordance with the calculation set out in the First Schedule and a net assets position evidenced in the registered person's accounts.

5.1.5 The requirement in respect of custodians, depositaries or trustees to maintain share capital at the level set out in 5.1.4 shall not apply to registered persons that

are the subsidiaries of top 500 banks or are guaranteed by an entity with a minimum paid up share capital of at least £ 5 million.

5.1.6 A registered person, except where the registered person is a managed entity providing services to Qualifying Funds, must perform the calculation set out in the First Schedule as appropriate to the business, but at least once every three months. In addition, the frequency of the calculation shall increase to monthly or other such period as the JFSC may determine, if either:

5.1.6.1 A registered person's ANLA falls below 130% of its Expenditure Requirement; or

5.1.6.2 An event occurs which has a material adverse effect on the registered person's financial resources.

5.1.7 A registered person, not including a managed entity providing services to Qualifying Funds, is required to notify the JFSC immediately in writing if:

5.1.7.1 Its ANLA fall below 130% of its Expenditure Requirements;

5.1.7.2 Any single significant contingency, financial commitment or large exposure exceeds 25% of its ANLA; or

5.1.7.3 Any instrument, transaction or situation appears not to be catered for in the First Schedule, or if the application of the First Schedule might give a misleading impression of the adequacy of the financial resources.

5.1.8 Where a registered person has a position risk, counterparty risk, or foreign currency risk then the registered person must approach the JFSC for guidance. Whilst each case will be considered on its own merits the JFSC anticipates that the registered person will need to complete the financial resource calculation on a monthly basis.

5.1.9 A registered person may seek guidance from the JFSC in circumstances where the direct interdependence of its income and its expenditure produces an anomalous result when performing the ANLA calculation.

Subordinated Loans

5.1.10 On submission of a written request, by a registered person, the JFSC will consider granting consent to exclude a long term subordinated loan as a liability within the ANLA calculation. Any request must be accompanied by a signed consent request checklist and such consent is only likely to be granted where:

5.1.10.1 The subordinated loan is drawn up in accordance with the JFSC's proforma Subordinated Loan Agreement; and

5.1.10.2 The subordinated loan is made by an approved lender.

5.1.11 The Subordinated Loan Agreement must be signed by authorised signatories of all parties to the agreement, and:

5.1.11.1 Be for a fixed period of not less than two years; or

5.1.11.2 Where no fixed term is cited, be subject to a minimum notice period of repayment of at least two years.

5.1.12 Where the JFSC has considered and granted a variance in respect of the treatment of a subordinated loan within the ANLA calculation, the amount deducted may not exceed the lower of:

5.1.12.1 The drawn down amount of the subordinated loan; and

5.1.12.2 Four times the net assets position of the registered person, calculated using the registered person's latest audited financial statements.

5.1.13 The variance treatment for the subordinated loan will automatically fall away if either:

5.1.13.1 The registered person fails to comply with any of the requirements of the subordinated loan agreement, including the notification requirements; or

5.1.13.2 The subordinated loan repayment date falls due within one year.

5.1.14 In addition to being a signatory to the Subordinated Loan Agreement, the JFSC will place a condition on the registered person's registration, utilising Article 10 of the FS(J)L, requiring that it complies in full with the terms of the Subordinated Loan Agreement.

Notes:

1. *With respect to 5.1.4 and 5.1.12, "net assets" is defined as total assets less total liabilities.*
2. *The JFSC has published a guidance note on the ANLA calculation which is available from the policy statements and guidance notes section of the JFSC website.*
3. *The proforma Subordinated Loan Agreement and consent request checklist are available from the JFSC website.*
4. *For the purposes of 5.1.10.2, an approved lender is:*
   a. *A financial service business as defined by Article 2 of the FS(J)L;*
   b. *A financial service business regulated by a "relevant supervisory authority", as defined by Article 1 of the FS(J)L;*
   c. *A person that is registered by the JFSC to carry on deposit-taking business under Article 9 of the Banking business (Jersey) Law 1991;*
   d. *A principal person of the registered person; or*
   e. *A person that does not meet any of the above criteria but has been specifically approved by the JFSC.*

5.2 Insurance Arrangements

5.2.1 A registered person must have and maintain adequate insurance cover at all times, commensurate with its business activities. Such cover must include professional indemnity insurance (**PII**) extended to include fidelity guarantee (employee dishonesty or fraud) insurance and director's and officer's insurance.

5.2.2 PII cover and extensions must include negligence and errors and omissions by a registered person and employee dishonesty and must, where possible, extend to all territories from which a registered person conducts business.

5.2.3 A registered person must not enter into, arrange, claim on or make a payment under a contract of insurance that is intended to have, or has or would have, the effect of indemnifying any person against all or part of a financial penalty imposed by the JFSC.

5.2.4 PII cover must be written on a "claims made" basis including costs and expenses and, so far as lawful, must include:

5.2.4.1 Legal defence costs;

5.2.4.2 Loss or theft of documents (liability and costs of replacement, reinstatement, restoration or reconstruction of data);

5.2.4.3 Self-employed or contract hire persons engaged in a registered person's business; and

5.2.4.4 Indemnity to current or former employees, partners and consultants.

5.2.5 In the event that a registered person's aggregate level of PII cover is depleted as a result of a claim on its policy, such that it is no longer sufficient to meet the requirements set out in 5.2.1, a registered person must obtain reinstated cover that meets the requirements set out under paragraph 5.2.1.

5.2.6 Any excess (or deductible) per claim on the policy must not reduce the limit of indemnity payable under the policy such that it is insufficient to meet the requirements under 5.2.1.

5.2.7 As soon as it becomes aware, a registered person must notify the JFSC in writing of any material limitations in its PII policy, including the basis on which the limitation has been applied, in respect of matters such as:

5.2.7.1 An inability to obtain PII cover in line with the requirements of 5.2.1;

5.2.7.2 Any territory from which a registered person conducts business or may reasonably be expected to conduct business;

5.2.7.3 Any exclusion applied by way of endorsements;

5.2.7.4 Any retroactive date applied to the PII policy;

5.2.7.5 The cancellation of the PII policy;

5.2.7.6 If a registered person becomes aware that it has conducted any activity that is not covered by the PII policy; and

5.2.7.7 If a registered person's aggregate level of PII cover is depleted as described at 5.2.5.

5.2.8 A registered person that is ceasing to conduct a class of financial service business is required to arrange for appropriate "run off" PII cover in respect of claims arising from past acts or omissions. The level of such cover will require the JFSC's consent as part of a cessation of business plan.

5.2.9 A registered person must have adequate procedures in place to ensure compliance with all terms and conditions set out in its PII policy, particularly in relation to the timely notification of events by a registered person to its insurer, which may lead to a claim on the policy by a registered person.

5.2.10 Where a registered person is a managed entity providing services to Qualifying Funds, then PII cover is required which, in the opinion of its directors, is sufficient to withstand the risks to which its business is subject.

5.2.11 Where a registered person may be subject to an Eligible complaint as defined at Article 7 of the Financial Services Ombudsman (Jersey) Law 2014, in addition to the requirements at 5.2.4, a registered person must ensure that its PII cover is adequate in the event that a Determination is made against a registered person by the Channel Islands Financial Ombudsman.

Notes:

1. *With respect to 5.2.1, a registered person may consider allocating responsibility to a named principal person to ensure that adequate insurance cover is maintained at all times (5.2.1) and that a registered person is in compliance with all terms and conditions set out in its PII policy (5.2.9).*
2. *Paragraph 5.2.3 is not intended to prevent a registered person from entering into, arranging, claiming on or making a payment under a contract of insurance which indemnifies any person against all or part of the costs of defending JFSC enforcement action or any costs the person may be ordered to pay to the JFSC.*
3. *With respect to 5.2.6 "as soon as it becomes aware" applies from the point at which a registered person knows, or has reasonable grounds for believing, that any of the matters stated has occurred or may be about to occur, even where it is outside the control of a registered person.*
4. *The JFSC has issued a guidance note on professional indemnity insurance, available from the policy statements and guidance notes page of the JFSC website, which a registered person may find helpful when considering the PII requirements. Specifically,*
   a. *With respect to the material limitations notification required by paragraph 5.2.6, paragraph 3.1 of the guidance note provides a list of exclusions and limitations that the JFSC considers standard and therefore fall outside of the notification requirement; and*
   b. *Paragraph 6.3.2 of the guidance note highlights the information to be submitted to the JFSC when requesting a variance to enter into a self-insurance arrangement.*
5. *With respect to 5.2.8, the JFSC will generally expect to see "run off" PII cover covering a period of at least three years.*
6. *The requirements of paragraph 5.2.1 may be satisfied by a registered person being covered under the provisions of a group PII policy if such cover is sufficient to satisfy the requirements under paragraph 5.2.1.*

6 A registered person must deal with the JFSC in an open and co-operative manner.

Notes:

1. *There is a need for candour and co-operation in a registered person's relationship with the JFSC and other authorities in Jersey. Article 28(3) of the FS(J)L provides that a registered person or formerly registered person shall be guilty of an offence if he or she fails to provide the JFSC with any information in his or her possession, knowing or having reasonable cause to believe that or being reckless as to whether –*

   a. The information is relevant to the exercise by the JFSC of its functions under the FS(J)L in relation to the registered person or formerly registered person; and

   b. The withholding of the information is likely to result in the JFSC being misled as to any matter which is relevant to and of material significance for the exercise of those functions in relation to the registered person or formerly registered person.

2. *The scope of Principle 6 is extended to the provision of information and the notification of events concerning non-regulated activities and other members of the corporate group, to the extent that such information or events might reasonably be expected to have a material impact on the registered person in Jersey.*
3. *Notification to the Companies Registry does not constitute notification to the JFSC for the purposes of this Principle.*
4. *The JFSC considers that the obligations of a registered person under this Principle include the timely provision of data required in connection with a registered person's regulatory fees and the timely payment of fees due.*

General Notifications

6.1 A registered person must advise the JFSC in writing as soon as it becomes aware of any matter that might reasonably be expected to affect its registration or be in the interests of the Fund to disclose. Wherever possible this notification must include details of the steps the registered person has taken, or intends to take, to mitigate the matter.

6.2 A registered person must provide the JFSC with such information regarding itself, any of its associates and the Funds to which it provides services, as an officer of the JFSC may reasonably request.

6.3 In addition to the requirements of the relevant law, a registered person must allow, and shall procure that any agent or subcontractor of the registered person also allows, inspections by or on behalf of the JFSC of any part of the activities in relation to which the registered person has been granted registration under the FS(J)L. The registered person must provide all reasonable assistance in connection with any such inspection and shall procure that any such agents or subcontractors also provide all reasonable assistance.

Note:

1. *With respect to 6.1, "as soon as it becomes aware" applies from the point at which the registered person knows, or has reasonable grounds for believing, that any of the*

matters referred to have occurred or may be about to occur, even where it is outside the control of the registered person. The JFSC considers the following indicative that notification is necessary. Any matter which:

a. Is material to the JFSC's ability to undertake its function of supervision of financial services provided in or from within Jersey;

b. The registered person considers is material to, or may make it impractical for it to comply with, one or more of:

(i) The provisions of the FS(J)L or any Regulation or Order made under it;

(ii) Compliance with a registration condition;

(iii) Compliance with a direction issued by the JFSC;

(iv) The Code;

(v) The fitness and propriety of their principal persons, key persons and fund services business employees, especially where the registered person has imposed a formal disciplinary measure or sanction.

Specific Notifications

6.4 In addition to its obligations under the Applicable Rules, and notwithstanding the generality of paragraph 6.1 above, the following must be notified to the JFSC, in writing, not less than ten business days before the change is implemented:

6.4.1 A change of name of the registered person;

6.4.2 The adoption of, or a change in, any business name or trading name under which the registered person carries on business;

6.4.3 A change to:

6.4.3.1 The address of the registered office of the registered person,

6.4.3.2 The address of the principal office of the registered person, and

6.4.3.3 Any address which is treated as the proper address of the registered person by Article 40(6) of the FS(J)L; and

6.4.4 Details of the summary winding up or voluntary dissolution of a registered person.

6.5 A registered person must notify the JFSC, in writing, within a reasonable time of becoming aware of, or having resolved to undertake, any of the following:

6.5.1 The decision to voluntarily cease a business activity, whether temporarily or permanently, where this decision involves the revocation of a registration in accordance with Article 9(4)(a) of the FS(J)L, in this case a registered person must complete a Cessation of Business Plan (**COBP**), as prescribed by the JFSC, which must include details of arrangements for the protection of the Funds to which the registered person is a fund service provider, creditors and other stakeholders. Before implementing a COBP a registered person must obtain written confirmation from the JFSC that it has no objection to it;

6.5.2 The presentation of any application to the court for a declaration of désastre, or the winding up of the registered person or a company which is a subsidiary or holding

company of the registered person, or the summoning of any meeting to consider a resolution to wind-up the registered person or a company which is a subsidiary or holding company of the registered person;

6.5.3 The application by any person for the commencement of any insolvency proceedings, appointment of any receiver, administrator or provisional liquidator under the law of any country in respect of the registered person;

6.5.4 The making or any proposals for the making of a composition or arrangement with creditors of the registered person;

6.5.5 Where the registered person is a partnership, an incorporated limited partnership, a limited partnership, a limited liability partnership or a separate limited partnership (collectively known as partnership), an application to wind up or dissolve the partnership;

6.5.6 The imposition of disciplinary measures or disciplinary sanctions on the registered person, or any parent, subsidiary or associated company of the registered person, in relation to its regulated business by any relevant supervisory authority, or professional body, including any disciplinary action taken against any principal person or key person;

6.5.7 The conviction of the registered person or any employee of the registered person for any offence:

6.5.7.1 Under the legislation of any country relating to the conduct of financial services business (includes legislation relating to: banking, building societies, Collective Investment Funds, companies, credit unions, consumer credit, friendly societies, insolvency, insurance, industrial and provident societies and trust companies), or

6.5.7.2 Involving fraud or dishonesty;

6.5.8 The imposition of any penalties for deliberate tax evasion on the registered person or any employee of the registered person;

6.5.9 The conviction of any parent, subsidiary or associated company of the registered person for any offence under the legislation of any country relating to the conduct of financial services business;

6.5.10 The re-registration of a registered person incorporated with unlimited liability as a limited liability company or the issue of limited shares by a registered person whose issued share capital consists entirely of unlimited shares;

6.5.11 A general partner in a registered person becoming a limited partner;

6.5.12 The granting, withdrawal or refusal of any application for authorisation to carry on any regulated business in Jersey, or any jurisdiction outside Jersey, or the revocation of such authorisation;

6.5.13 The withdrawal of any application for membership of any professional body by the registered person, or principal person or key person of the registered person, in any jurisdiction, or refusal or revocation of such a membership;

6.5.14 The appointment of inspectors (howsoever named) by a statutory or other regulatory authority to investigate the affairs of:

6.5.14.1 The registered person, or

6.5.14.2 An associate of the registered person;

6.5.15 Where the registered person, subject to any mandatory legal restraints and duties of confidentiality, considers that another registered person is not acting in the best interests of a Fund;

6.5.16 Any litigation following the institution of proceedings before a Court of Law either:

6.5.16.1 Instigated by the registered person (or a subsidiary of the registered person),

6.5.16.2 Instigated against the registered person, or

6.5.16.3 Where the registered person is a party cited;

6.5.17 Where the registered person becomes aware or has reason to suspect that a Fund is to some material degree being operated other than in accordance with the Applicable Rules or the registered person is requested to act other than in accordance with the Applicable Rules;

6.5.18 Any matter which the registered person considers on reasonable grounds to be unauthorised by the constitution of the Fund or its material contracts or not disclosed in its offer document and which is likely to cause material harm to the interests of the Fund;

6.5.19 A decision by the registered person's auditor to qualify its audit report or to raise an emphasis of matter therein.

6.5.20 Any material deficiencies in the effectiveness of controls over fund money identified during an independent review as required by paragraph 3.2.2.

Non-Jersey Domiciled Fund

6.6 With respect to a non-Jersey domiciled Fund where a registered person intends to accept an appointment to act for a non-Jersey domiciled Fund:

6.6.1 Where consent is required in accordance with the Control of Borrowing (Jersey) Order 1958, it must notify the JFSC, in writing, of the details of the non-Jersey domiciled Fund at least five business days prior to taking up the appointment;

6.6.2 Where no consent is required under the Control of Borrowing (Jersey) Order 1958, it must provide the JFSC with written details of the non-Jersey domiciled Fund within 28 calendar days of accepting an appointment to act.

6.7 A registered person must notify the JFSC, in writing, within ten business days of ceasing to act for a non-Jersey domiciled Fund.

Notes:

1. *With respect to 6.5 the JFSC considers:*

   a. "a reasonable time" to be five business days; and

   b. That " becoming aware" applies from the point at which the registered person knows, or has reasonable grounds for believing, that any of the matters stated has occurred or may be about to occur, even where it is outside of the control of the registered person.

   These provisions are subject to the Applicable Rules and, if not covered by the Applicable Rules, by any duty of confidentiality owed by a registered person to any third party.

2. *With respect to 6.5.1, a full outline of the matters that must be addressed within the COBP is available from the JFSC upon request.*

3. *With respect to 6.6, any registration conditions may also be relevant. There are circumstances where the JFSC has conditioned a registration such that prior approval is required before a registered person may act for a Fund, including those where no consent is required under the Control of Borrowing (Jersey) Order 1958. This is especially true for registered persons that are established for a single/limited business purpose or are managed entities – see also Guidance Note for a Manager of a Managed Entity and Certain managed Entities, available from the JFSC website.*

Notifications arising in other parts of the Code

6.8 A registered person is required to comply with notification requirements established in other parts of the Code:

6.8.1 3.1.2.5 sets a requirement to contact the JFSC as soon as a registered person becomes aware that the regulatory span of control requirements will not be maintained, including where regulatory span of control is maintained with the minimum number of individuals of which one is absent for a substantial period of time;

6.8.2 3.5.5 sets a notification requirement in respect of a compliance officer being temporarily unable to fulfil his/her responsibilities;

6.8.3 3.6.2 sets notification requirements in respect of complaints;

6.8.4 5.1.2 sets a notification requirement where a registered person meets the criteria which permits them to disapply the ANLA requirement of the Code;

6.8.5 5.1.7 sets notification requirements in respect of ANLA requirements except for those registered persons that are managed entities providing services to Qualifying Funds;

6.8.6 5.2.7 sets notification requirements in respect of PII; and

6.8.7 8.2 sets a notification requirement where a registered person has been appointed as a depositary in accordance with Article 21 and/or Article 36 of the AIFM Directive and/or the equivalent provisions of the UK AIFM Regulations.

6.8.8 2.13 sets a notification requirement to notify the JFSC where a Registered person is not subject to the requirements of paragraph 2.10 and becomes aware of the Fund not disclosing such material information in relation to the sustainable investment strategy and objectives of the Fund.

Notifying or providing information via the JFSC's online portal

6.9 Where the JFSC so specifies (whether in the Code or otherwise) a registered person must notify or provide information by means of the JFSC's online portal.

6.10 If, because of a systems failure of any kind, a registered person is unable to access the online portal to make a relevant notification or provide required information it must notify the JFSC in writing within one business day of the systems failure being identified.

7 A registered person must not make statements that are misleading, false or deceptive.

7.1 A registered person must have taken reasonable steps to ensure that its financial service advertisements (advertisements) are not misleading, false or deceptive.

7.2 An advertisement must not contain:

7.2.1 A statement, promise or forecast, unless at the time the advertisement is made, the registered person has reasonable grounds for believing that it is not misleading, false or deceptive;

7.2.2 A statement of opinion held by any person, unless at the time the advertisement is made, the registered person has reasonable grounds for believing that it is the honestly held opinion of that person at that time;

7.2.3 A statement of fact, unless at the time the advertisement is made, the registered person has reasonable grounds for believing it will continue to be true for so long as the advertisement continues to be made in current publications;

7.2.4 A statement about the scale of activities of, or any of the activities of, or the resources of or available to, the registered person or that person's group or affiliation unless the registered person, at the time the advertisement is made, has reasonable grounds for believing it is not misleading, false or deceptive;

7.2.5 A statement relating to taxation benefits unless it is properly qualified to show what it means in practice and to whom such benefits apply;

7.2.6 A statement relating to Unitholder confidentiality unless it is properly qualified to show the limits of any confidentiality assurance made;

7.2.7 A statement of comparison with other entities carrying out fund services business unless the basis of comparison is clearly stated and the comparison is fair; or

7.2.8 A statement implying that the service is only available for a limited period or in limited form, if such is not the case.

7.3 An advertisement made in a written or broadcast form must not contain:

7.3.1 A statement of fact which the registered person does not at the time the advertisement is made have reasonable grounds, supported by documentary evidence, for believing to be true; or

7.3.2 A statement of opinion held by any person which the registered person does not at the time the advertisement is made have reasonable grounds, supported by documentary evidence, for believing to be honestly held opinion of that person at that time.

7.4 The content and format of any advertisement must not:

7.4.1 Be designed so as to be likely to be misunderstood;

7.4.2 Be designed so as to disguise the significance of any warning, statement or information which is required to be included under the Code; or

7.4.3 Signify in any way that the advertisement is approved by the JFSC.

7.5 An advertisement may include a quotation from a statement made by any person commending any service provided that:

7.5.1 Where the person is an employee or associate of the registered person, that fact is disclosed in the advertisement;

7.5.2 The quotation is included with that person's written consent;

7.5.3 The statement is relevant to the service which is the subject of the advertisement;

7.5.4 Where the whole of the statement is not quoted, what is quoted represents fairly the message contained in the whole of the statement; and

7.5.5 The statement has not become inaccurate or misleading subsequent to it being made.

7.6 The registered person must be able to demonstrate that adequate disclosure of the key risks and the relevant terms and conditions was made to the Unitholder before commitment was made, so as to ensure the Unitholder has made an informed decision.

Notes:

1. *Article 1 of the FS(J)L defines a "financial service advertisement" as an advertisement containing (a) an invitation to transact financial service business; or (b) information which is intended or might reasonably be presumed to be intended to lead directly or indirectly to the transaction of financial service business and includes any means of bringing such an invitation or such information to the notice of any person and a reference to an advertisement shall be construed accordingly". It is the JFSC's view that this definition covers written, broadcast and oral advertisements.*
2. *For the purpose of Principle 7, "written" and "broadcast" have the same meaning as provided by Article 1 of the Financial Services (Advertising) (Jersey) Order 2008.*
3. *Under Article 39L of the FS(J)L, it is an offence for any person to knowingly or recklessly make a misleading, false or deceptive statement, promise of forecast for the purpose of inducing another person to enter into, or to refrain from entering into, an agreement for the provision of financial service business.*
4. *The requirements of Principle 7 are not intended to capture advertising or promotional literature forwarded by the registered person to its Unitholders on behalf of third parties.*
5. *Advertisements that meet the exempt criteria set out in Article 2(2)(a) of the Financial Services (Advertising) (Jersey) Order 2008 are also exempt from the requirements of Principle 7 of the Code.*
6. *For the purposes of meeting Principle 7, the JFSC does not consider a Fund's offer documentation to be a financial service advertisement.*
7. *For the avoidance of doubt, the FS(J)L does not require advertisements to be approved by the JFSC and accordingly the JFSC would not normally contribute to any review or vetting process. In serious cases, however the JFSC will consider exercising its powers of direction to have an advertisement amended or withdrawn.*
8. *It may not be possible or practicable to list within an advertisement all areas of risk that might apply to a particular product or service. Similarly, it may not be possible or practicable to specify all of the relevant terms and conditions. The necessary extent to which the risk warnings and the terms and conditions are specified in an advertisement will be dependent upon the nature of the products or services being advertised.*

8 A registered person must, where relevant, comply with the applicable sections of the AIF Code

8.1 This Principle applies where a registered person:

8.1.1 Meets the criteria set out paragraph 23(1)(a) of Part 5 of Schedule 2 to the FS(J)L (AIF services business) and holds an exemption in accordance with paragraph 23(2) of Part 5 of Schedule 2 to the FS(J)L; or

8.1.2 Has been appointed as a depositary in accordance with Article 21 and/or Article 36 of the AIFM Directive and/or the equivalent provisions of the UK AIFM Regulations.

8.2 With respect to 8.1.2, where a registered person has been appointed as a depositary, it must notify the JFSC using the AIF CODES/DEPOSITARY Form, available from the JFSC website, within 28 calendar days of its appointment.

The First Schedule

Financial Resource Requirements

The following table (the Resource Requirement Table) sets out the methodology for calculating the Adjusted Net Liquid Assets and Expenditure Requirements. The applicable definitions and guidance can be found in the JFSC publication: Definitions and Guidance on the Adjusted Net Liquid Assets (**ANLA**) Calculation. In the Resource Requirement Table the column headed "GN ref" highlights the relevant item in section 5 of the ANLA guidance note.

Details regarding the frequency and scope of the calculation are set out in paragraph 5.1 of the Code and sections 2 and 3 of the ANLA guidance note.

Resource Requirement Table

	£	£	£	GN ref
Assets:				
Total Fixed Assets		**X**		
Current assets:				
› Work in progress	**X**			
› Debtors and prepayments	**X**			
› Amounts due from related parties	**X**			
› Cash at bank and in hand	**X**			
› Investments	**X**			
› Other	**X**			
Total Current Assets		**X**		
Total Assets			**X**	1
Illiquid Asset Adjustments:				
› Fixed assets		**X**		2
› Debtors > 90 days		**X**		3
› Work in progress > 90 days		**X**		4
› Prepayments > 90 days				5
› Amounts due from related parties		**X**		6
› Any other relevant items[iii]		**X**		
Total Illiquid Assets Adjustment			**(X)**	

Adjusted Total Assets			**X**	

Liabilities:	**£**	**£**	**£**	**GN ref**
Current Liabilities:				
› Trade creditors and accruals	**X**			
› Bank Overdraft	**X**			
› Bank loans < 1 year	**X**			
› Lease obligations < 1 year	**X**			
› Taxation obligations < 1 year	**X**			
› Deferred income	**X**			
› Amounts due to related parties < 1 year	**X**			7
› Subordinated loan < 1 year to run	**X**			
› Other < 1 year	**X**			
Total Current Liabilities		**X**		
Long Term Liabilities:				
› Bank loans > 1 year	**X**			
› Lease obligations > 1 year	**X**			
› Taxation obligations > 1 year	**X**			
› Amounts due to related parties > 1 year	**X**			7
› Subordinated loan > 1 year	**X**			
› Other > 1 year	**X**			
Total Long Term Liabilities		**X**		
Total Liabilities			**X**	8
Adjustments to Total Liabilities:				
› PII Excess		**X**		9
› Guarantees and/or charges over assets		**X**		11
› Non-refundable deferred income		**(X)**		13
› Allowable subordinated loan > 1 year		**(X)**		14
› Allowable undrawn credit facility		**(X)**		15
› Bank loans > 1 year		**(X)**		

› Lease obligations > 1 year		**(X)**		
› Taxation obligations > 1 year		**(X)**		
› Any other relevant items				
Adjustment to Total Liabilities			**X**	
Adjusted Total Liabilities			**X**	
Adjusted Net Liquid Assets (ANLA)			**X**	

	£	**£**	**£**	**GN ref**
Calculation of Expenditure Requirement (ER):				
› Operating expenses		**X**		
› Depreciation		**X**		
› Finance costs		**X**		
› Tax expense		**X**		
› Other expenses		**X**		16
Total actual expenditure			**X**	17
Adjustments to total actual expenditure:				18
› Discretionary bonuses/profit share		**(X)**		19
› Bad debt expense		**(X)**		
› Exceptional costs		**(X)**		20
› Other		**(X)**		21
Total adjustments to total actual expenditure			**(X)**	
Adjusted total actual expenditure			**Y**	
Compare to:				
Budget expenditure for the current year (net of forecast discretionary bonuses and bad debt expenses)			**Z**	22
Take the higher: **Relevant Annual Expenditure (RAE)**			**Y or Z**	23
Expenditure Requirement (ER) @25% of RAE			**X**	
Ratio of ANLA/ER (Notify the JFSC if < 130%)			**XX%**	

The ANLA must be maintained at, at least, 110% of the expenditure requirement (either by increasing share capital or introducing subordinated loans). Registered persons are required to notify the JFSC if the ANLA falls below the level of 130%.

The Second Schedule

Table of Consents

The following table summarises exceptions which feature in the Code and which require the JFSC's prior written consent.

Corporate Governance		
3.1.6	Consent	Prior written approval must be sought from an officer of the JFSC to a change in the manager of a managed entity.
Financial Resources		
5.1.10	Consent	On submission of a written request, by a registered person, the JFSC will consider granting consent to exclude a long term subordinated loan as a liability within the ANLA calculation. Any request must be accompanied by a signed consent request checklist and such consent is only likely to be granted where: › The subordinated loan is drawn up in accordance with the JFSC's proforma Subordinated Loan Agreement; and › The subordinated loan is made by an approved lender.
5.2.8	Consent	A registered person that is ceasing to conduct a class of financial service business is required to arrange for appropriate "run off" PII cover in respect of claims arising from past acts or omissions. The level of such cover will require the JFSC's consent as part of a cessation of business plan.

[i] Registered person, principal person and key person are defined in Article 1 of the FS(J)L and carry the same meaning in the Code.

[ii] Formerly the sensitive activities policy.

[iii] The registered person must exercise appropriate judgement to include any items here that may not be covered by the defined categories of illiquid asset adjustment but would be considered to be illiquid.