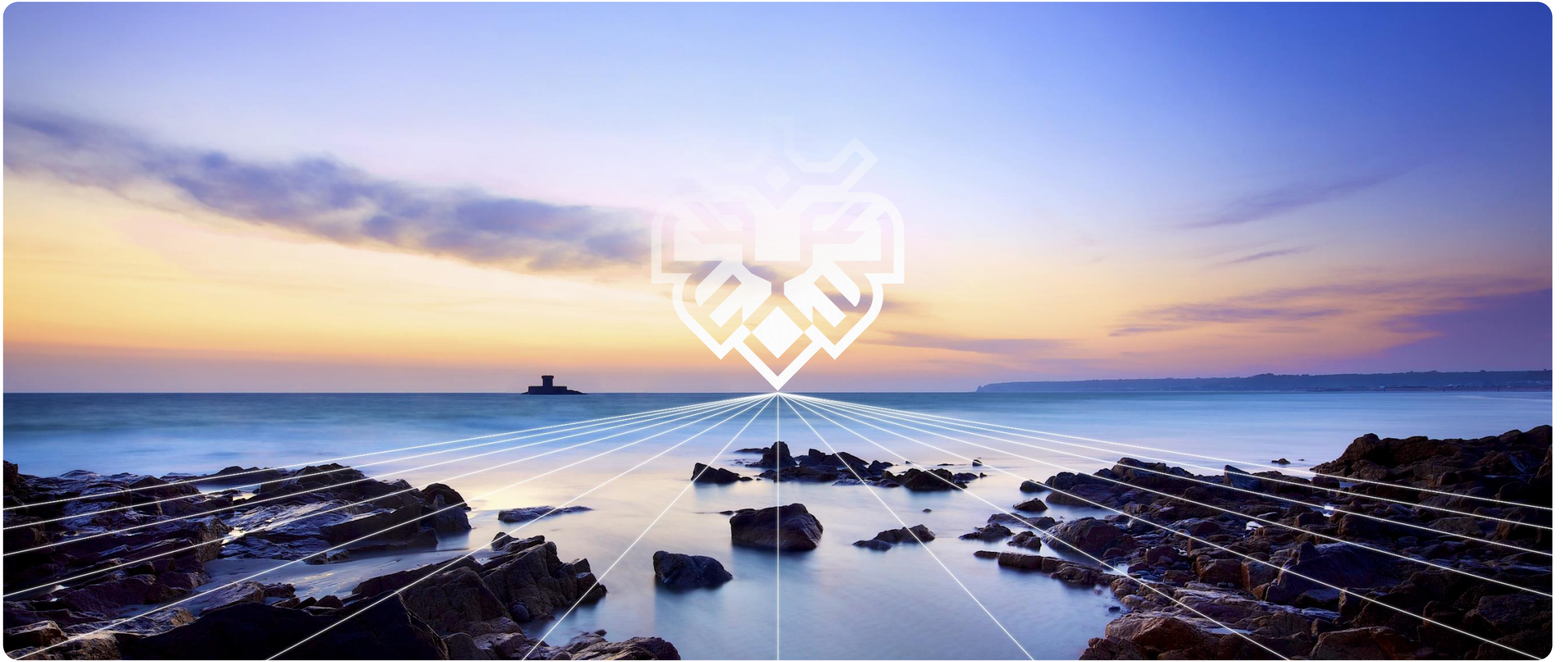






COBO: Repeal and Beyond

Tim Hart, Consultant

Introduction

- Repeal of Control of Borrowing Framework:
 - ✓ Problems with the legislation
 - ✓ Reform challenges
- Developing a solution
- Interim reform
- Full reform:
 - ✓ Repeal – what is going
 - ✓ Amendment – what is being changed
 - ✓ New regime – Financial Products and Prospectuses Law



The problem

- Mid-20th Century legislation
- Gatekeeping tool across broad range of transactions
- No longer fit for purpose
- Government competitiveness programme – enhancing ease of doing business
- Government consultation on repeal – summer 2025



Reform challenges

- Complex interrelationship with multiple other laws and regulations
- Which controls can be removed?
- Which activities need to continue to be controlled?
- How should this be achieved?
- Consequential amendments of other legislation, avoiding inadvertent consequences



Developing the solution

- Initial reform proposals in Government consultation
- Government-led working group
 - ✓ Representation from all the main trade bodies
 - ✓ Overlap with Digital Assets Working Group
- Government response paper published November 2025
- Development of draft legislation



Interim reform

- Control of Borrowing (Jersey) Amendment Order 2026 – effective 13 April 2026.
- No consents required for non-fund:
 - ✓ Unit trusts
 - ✓ Non-Jersey entities
- Expanded scope of exemptions:
 - ✓ Professional Investor Regulated Scheme (PIRS)
 - ✓ Special Purpose Investment Business (SPIB)
- Scope of prospectus rules reduced



Full reform - overview

- Financial Products and Prospectuses (Jersey) Law 202–
- Repeal of COBO
- Amendment of other legislation
- New statutory regime for:
 - ✓ Jersey Private Funds
 - ✓ Legacy private funds
 - ✓ Digital asset issuers
 - ✓ Prospectuses circulated to Jersey retail investors



COBO repeal

- All remaining COBO controls removed
- Some activities now controlled in a different way
- Incorporation/establishment of Jersey company/vehicle – product law controls
- No consents required for:
 - ✓ issue of securities/ownership interests
 - ✓ non-Jersey entities raising money or being registered in Jersey
 - ✓ unit trusts
- Status of existing consents



Amendment of other legislation

- All product laws to have uniform application regime:
 - ✓ Presumption of approval – refusal if not in the public interest
 - ✓ Right of appeal to the Royal Court
 - ✓ Same regime applies to applications for continuance into Jersey
- Disclosure and Provision of Information legislation – amended to require “activity information”
- Registrar services to be included in “trust company business” under Financial Services Law



Financial products

- FPP Law requires registration of a “financial product”
- Defined to mean:
 - ✓ a digital asset issuer
 - ✓ a Jersey Private Fund
 - ✓ a legacy private fund
- Ministerial power to expand scope of “financial product”
- Only if considered necessary for investor protection



Jersey Private Funds

- Replacement statutory foundation for JPF Guide
- Definition of JPF
- Offence
- Applications for registration
- Conditions
- Standard conditions
- Existing JPFs grandfathered



Legacy private funds

- Pre-JPF regime private funds:
 - ✓ very private funds
 - ✓ private placement funds
 - ✓ COBO only funds
- To be grandfathered subject to existing conditions
- No application provisions required



Digital asset issuers

- Statutory foundation to replace COBO
- Continuity and flexibility for rapidly evolving area
- Definitions of:
 - ✓ “digital asset”
 - ✓ “digital asset issuer”
- Exemptions
- Offence
- Applications
- Conditions
- Grandfathering



Prospectuses

- Enabling provisions in the FPP Law
- Power for Minister to make order re circulation of prospectuses to retail investors in Jersey
- Definition of “retail investor” = anyone not in any of the specified categories of professional investor
- Order prepared to take effect with the Law
- Restricted to prospectuses of non-Jersey vehicles/governments
- Carries forward existing COBO regime (April 2026)





Case Law Update 2026

Sally Edwards, Legal and
Technical Manager

- Golden Sphinx Limited (in Creditor's Winding Up) v Garry Itkin, 18 May 2026
- G Finance Limited v Comptroller of Revenue and Comptroller of Revenue v G Equity Limited, 6 May 2026
- Representation of B Trustee Limited re the A Settlement, 25 March 2026



- Imperium Trustees (Jersey) Limited v Jersey Competent Authority, 29 April 2026
- Representation of Zedra Trust Company (Isle of Man) Limited re Rhino Settlement, Buffalo Trust and Giraffe Trust, 24 January 2026
- A and six others v C and thirteen others (Re the X Trusts) [2026] UKPC11 – Privy Council on appeal from Bermuda, 19 March 2026



- ECJ Case C-483/23 T Trust and Joined Cases C-428/24 FZ AR and C-476/24 SX
- In the matter of the X Trusts [2026] GRC 034





Upcoming Opportunities: A focus on LP Law Compartments

Peggy Gielen, Senior Legal and Technical Manager

Evidence, new sectors and a simpler funds proposition

- Global value chains report refresh
 - ✓ Cebr research: refreshing the Global Value Chains evidence. The previous study attributed £170bn of global GDP, including £62bn in the UK, to capital supported through Jersey.
 - ✓ Industry survey element to the research. Please support and encourage your organisation to engage with us on this important research.
- Emerging sectors
 - ✓ Defense and space: testing demand, identifying barriers and developing credible propositions.
- Funds competitiveness
 - ✓ LP compartments: statutory segregation within one Jersey limited partnership.
 - ✓ Fund regime simplification: clearer, proportionate regimes for institutional, emerging and mid-market managers.
 - ✓ AIFMD overlay: retain EU and UK market access while removing unnecessary complexity.



Limited Partnership compartments: a long-awaited commercial opportunity for Jersey

- Why this changes Jersey's offer?
- Until now, the main difficulty was protecting separate pools inside an LP that has no separate legal personality.
 - ✓ Industry survey element to the research. Please support and encourage your organisation to engage with us on this important research.
 - ✓ Contractual ringfencing between partners did not give the same protection against external creditors.
 - ✓ Managers often needed a separate LP for each deal, co-investment, strategy or carry vintage.
 - ✓ Statutory compartments create one tax-transparent platform in which new pools can be launched more quickly and at lower cost



Simple by design

- Ireland provided the starting point because its 2020 ILP legislation puts the core compartment rules in a short, clear schedule.
- Luxembourg already uses compartments for regulated funds and Bill 8814 proposes extending them to unregulated SCS and SCSp AIFs managed by an authorised EU AIFM.
- Jersey proposes compartments as a feature of LP law for regulated and unregulated structures
- That broad application should strengthen Jersey's position for private capital, co-investment and multi-strategy platforms.

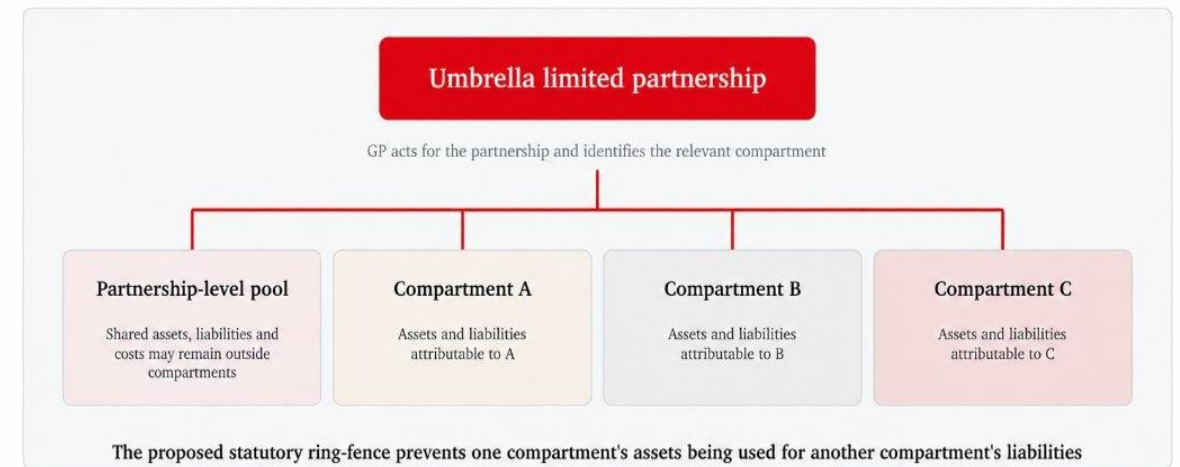


One partnership, separate statutory pools

- The agreed structure:
 - ✓ The compartment forms part of the umbrella limited partnership and has no separate legal personality.
 - ✓ The GP acts for the umbrella limited partnership in respect of the named compartment.
 - ✓ Assets and liabilities remain legally segregated between compartments
 - ✓ Partnership-level assets, liabilities and costs may sit outside the compartments.

One partnership, several segregated pools

The compartment is part of the LP and does not have separate legal personality



The accounting model supports the legal segregation

- What we are working towards:
 - ✓ Records will identify each compartment and the assets and liabilities attributed to it.
 - ✓ The financial position of each compartment must be separately identifiable.
 - ✓ The LPA will govern the allocation of shared costs and partnership-level items.
 - ✓ Contracts, invoices, cash records and ledgers should use the same compartment identification.



The agreed controls apply throughout the compartment lifecycle

- Creation and operation
 - ✓ The GP creates the compartment under the LPA and opens the relevant records.
 - ✓ Registry notification is evidential and does not determine validity.
- Financial stress
 - ✓ Solvency is considered at compartment and partnership level.
 - ✓ Failure of one compartment does not make another compartment insolvent.
- Closure
 - ✓ Liabilities and creditor claims must be discharged or adequately provided for before assets are distributed.



Practical implications for accountants

- The policy framework is settled in principle.
- Established requirements
 - ✓ Separate identification of each compartment's financial position
 - ✓ Documented allocation of shared expenses and partnership-level items
 - ✓ Records that support the statutory ring-fence and creditor protection
- Implementation considerations
 - ✓ Charts of accounts, reconciliations and controls across compartments
 - ✓ Presentation of compartment information within umbrella financial statements
 - ✓ Audit evidence, going concern and closure support when one compartment is distressed





Thank you
for listening!

Any questions?