

## CELL COMPANIES IN JERSEY

In 2006 the Companies (Jersey) Law 1991 (the Companies Law) was amended by the Companies (Amendment No 8) (Jersey) Law 2005 (the Amendment Law). The key purpose of the Amendment was to introduce cell companies into Jersey law.

### **What is a Cell Company?**

A Cell Company is a corporate vehicle that is permitted to segregate its assets and liabilities between different cells of itself, for different purposes, with the result that a creditors recourse against the Cell Company is limited to whichever cell was transacted with.

Where a cell becomes insolvent, the remaining cells of the structure are not affected and continue to operate as normal.

### **Incorporation**

A Cell Company may take any form that a conventional company may take pursuant to the Companies Law. It may, therefore, be a public or private company, a par value or no par value company or a guarantee company and it may be a limited liability or unlimited liability company.

There are 2 forms of Jersey Cell Company:

1. The Protected Cell Company ("PCC")
2. The Incorporated Cell Company ("ICC")

A Cell Company is created by application to the Registrar of Companies (the Registrar). The Memorandum of the Cell Company is required to detail whether it is to be a PCC or an ICC.

Once established, a Cell Company may create cells, by way of a special resolution, which is required to assign the cell a name and set out the terms of that cells Memorandum & Articles.

## **ADVANTAGES OF CELL COMPANIES**

### **Administration and Structuring**

The administrative benefits of a Cell Company are significant. When a Cell Company structure is in place, repeat transactions can be established in a much reduced timescale. This is particularly attractive in projects such as collective investment funds and securitisations, where negotiating transaction documents can be a complex and lengthy process, and where a successful initial structure will often lead to a demand for further, similar structures using the same key participants.

A framework can be established which includes all of the participants in the structure such as administrators, managers, investment managers and custodians and model agreements entered into governing the contractual roles of those participants. Regulatory consents can be obtained in advance for the structure, and then, as new cells are added, the level of regulatory scrutiny that will be required is much reduced, as the fundamental structure has already been approved.

When particular transactions are envisaged for example, adding a fund to invest in a specific country or sector, or a new vehicle to acquire receivables in the course of a securitisation a cell can be created specifically to act in that defined role.

As the functionary agreements and regulatory consents have already been agreed with respect to the form of the transaction, a new cell can be added quicker than if the structure was to be established from scratch.

### **Change of Domicile**

It will be possible with the Jersey Financial Services Commission's (JFSC) permission, for a foreign body corporate to change its status to a Jersey Cell Company as part of the process of redomiciliation to Jersey.

### **Greater Certainty and Flexibility**

The incorporated Cell Company creates each cell as a separately incorporated Jersey Company. This is a substantive provision of the Law, which should be recognised by foreign courts in the same way as the limited liability of traditional stand-alone companies. In this way an umbrella structure can still offer the full range of limited liability protections available under the Law at the level of the cell.

### **Feeder Funds**

The cell of a PCC can invest in another cell of a PCC thus allowing the creation of further funds within an umbrella structure.

### **Solvency**

Reduced risk of Cell Company itself becoming insolvent.

### **Clarity**

Clear distinction between the Cell Company and the cells it creates (and as a result, clarification of the duties of the directors of Cell Companies).

### **Choice of share structure**

Ability to have cells which create shares of no par value without reference to the shares of the Cell Company.

### **No limitations on use**

There is no statutory limitation upon the uses of cell companies. However, the JFSC will monitor their uses and issue guidance as to their preferred use if such is thought necessary.

## **USES OF CELL COMPANIES**

1. Investment or mutual funds, where each cell can hold a separate class of assets.
2. Property development companies, with individual properties held within separate cells.
3. Asset financing.
4. Special purpose vehicles for captive insurance.
5. Group financing vehicles.
6. Securitisation.

**COMPARATIVE TABLE**

<b>PCC</b>	<b>ICC</b>
<b>Method of creation</b>	
The PCC provides Memo and Articles of Association	The ICC provides Memo and Articles of Association
To create a Protected Cell of the PCC a special resolution is filled at the JFSC. The JFSC issues a <b>Certificate of Recognition</b>	To create a separate cell the ICC files a special resolution at the JFSC. The JFSC issues a <b>Certificate of Incorporation</b>
<b>Name</b>	
The Cell Company name is required to end in "PCC" The Cell name is required to end in "PCC"	The Cell Company name is required to end in "ICC" The Cell name is required to end in "ICC"
<b>Ownership</b>	
Each cell can have different ownership to each other and to the Cell Company	
<b>Management</b>	
The secretary and registered office are to be the same for all cells and for the Cell Company	
<b>Flexibility</b>	
Companies can convert from ordinary companies to cell companies or back again.	
Cells can be separated and incorporated as separate companies.	
Each cell can choose to be par value, no par value, limited by guarantee or unlimited.	
Cells can be transferred from one cell company to another.	
<b>Characteristics</b>	
The cells are not considered subsidiaries of the Cell Company.	
Members of the Cell Company are not members of the cell and vice versa.	
Each cell has its own assets and liabilities and can contract on its own behalf.	
A creditor of a cell can only make claims on the assets of that cell.	
A cell can be dissolved without affecting the status of any other cell or the Cell Company	

<b>Filing requirements &amp; records</b>	
Cell Company files one annual return.	Cell Company and each cell are required to file an annual return.
Share register maintained by the Cell Company.	Share register maintained by the Cell Company.
Separate accounting records kept for each cell.	Separate accounting records kept for each cell.
Separate minutes kept for each cell.	Separate minutes kept for each cell.
<b>Government fees</b>	
Formation of Cell Company £200	Formation of Cell Company £200
Formation of Cell – no fee	Formation of Cell – no fee
Annual return - £150 for Cell Company and £150 for each cell.	£150 for Cell Company and £150 for each cell.
International Service Entity fee - £100 for Cell Company and no fees for cells	International Service Entity fee - £100 for Cell Company and £100 for each cell

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This information sheet provides a brief outline only and is not comprehensive as such and should you require further specific advice, please contact either Kathy Gillen or Paul Camara:

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