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Industry Information

## Reform of Jersey Limited Partnerships - Summary of the Key Benefits

August 2022

### Introduction

On 27 April 2022, the States of Jersey adopted the Limited Partnerships (Amendment No. 2) (Jersey) Law (the “Amendment Law”) in relation to the amendments to the Limited Partnerships (Jersey) Law 1994 (the “LP Law”) coming into force in Q3 2022.

The Amendment Law will bring into force a modernised LP Law, clarifying a number of existing provisions and enhancing others. The notice published by the Minister for Financial Services in Jersey (the “Notice”) notes that the key objectives of the Amendment Law are:

- (i) to modernise, resolve any ambiguity and build greater flexibility into the LP Law;
- (ii) to clarify the process for terminating a limited partnership;
- (iii) to provide additional reporting obligations and powers to the Jersey Registry to ensure the Register is kept up-to-date and accurate; and
- (iv) to facilitate faster and more efficient legislative change to the LP Law in the future, by allowing future changes to be made way of secondary legislation.

A full summary of the changes is set out in the Notice which can be accessed [here](#).

### Background

A Jersey limited partnership is an unincorporated entity, created by an agreement made between at least two partners (where at least one such partner is designated as the “general partner”, and the other as a “limited partner”); where such partnership is registered as a “limited partnership” by the Registrar following the filing of a declaration in respect thereof by the general partner of the proposed limited partnership, pursuant to the LP Law. The general partner acts on behalf of the limited partnership, whereas the limited partners are generally required to be passive investors/holders of limited partnership interests.

The Amendment Law now explicitly confirms that a limited partnership is not to be construed to be a legal person, but a “legal arrangement” between persons.

The limited partnership structure has proved to be a very popular one due to it combining the benefits of tax transparency and the flexibility of an ordinary partnership with limited liability for its limited partners (i.e., typically investors or carry participants), and is most frequently used in the context of Jersey’s international fund, private finance, property holding and private venture capital structures.



## Proposed Changes to the LP Law

### Increased flexibility

Generally speaking, this is to be achieved by allowing the provisions of a limited partnership agreement to override the law, with the LP Law operating as a statutory back stop where the limited partnership agreement is silent on a given matter or to where the LP Law imposes certain fundamental obligations and protections on a limited partnership and its partners. These changes include:

- the removal of the overriding statutory restriction on general partners' rights and powers in respect of the limited partnership. From now on, the powers and rights of the general partner are made subject to the limited partnership agreement only;
- an explicit expansion of the (already non-exhaustive) list of "safe harbour" provisions so that limited partners can better ascertain what activities they may undertake with respect to the limited partnership without risk of losing their limited liability status for participating in the "management" of the limited partnership; and
- the rights of a limited partner to inspect the limited partnership's records and to be given a formal account of the limited partnership's affairs are to be expressly made subject to the terms of the limited partnership agreement (or to any regulations made under the LP Law which alter them by statute), which addresses the results of a recent case before Jersey's Royal Court concerning the ambit of the requirement to share certain sensitive commercial information with limited partners.

### Termination of a limited partnership

The new process for the voluntary or involuntary termination of an LP includes a re-ordering of the sequence of events, with dissolution being the final act of the limited partnership, akin to that of the (more familiar) summary winding up of a Jersey company.

The new processes will also ensure a limited partnership is removed from the Register when it is not compliant with its statutory reporting and annual fee requirements under the LP Law.

### Reporting obligations

A new annual confirmation requirement is to be incorporated into the LP Law, which will be in line with the reporting requirements of other Jersey legal vehicles. The purpose of the confirmation is to provide the Registrar with regular updates of any changes to the information it holds with respect to the limited partnership.

### Timeline

The draft changes to the LP law have been prepared with the active participation of key stakeholders, including industry representatives, the Registrar of Limited Partnerships, the Financial Services Unit, the Law Officer's Department of the Government of Jersey, and the Law Drafting Office.

Having been approved by the States of Jersey, the changes are now subject to approval by the Privy Council, and are expected to come into force by Q3 of 2022.



## Authors

For further information please speak with your usual contact at Walkers or contact:



**Dilmun Leach**  
Group Partner, Jersey  
T: +44 (0) 1534 700 783  
E: [dilmun.leach@walkersglobal.com](mailto:dilmun.leach@walkersglobal.com)



**Olivia Palloch**  
Senior Associate, Jersey  
T: +44 (0) 1534 700 730  
E: [olivia.palloch@walkersglobal.com](mailto:olivia.palloch@walkersglobal.com)

## Key contacts

For further information please speak with your usual contact at Walkers or contact:



**Jonathan Heaney**  
Partner, Jersey  
T: +44 (0) 1534 700 786  
E: [jonathan.heaney@walkersglobal.com](mailto:jonathan.heaney@walkersglobal.com)



**Christopher Reed**  
Group Partner, Jersey  
T: +44 (0) 1534 700 825  
E: [christopher.reed@walkersglobal.com](mailto:christopher.reed@walkersglobal.com)



**Leanne Wallser**  
Group Partner, Jersey  
T: +44 (0) 1534 700 755  
E: [leanne.wallser@walkersglobal.com](mailto:leanne.wallser@walkersglobal.com)



**Tatiana Collins**  
Senior Counsel, Jersey  
T: +44 (0) 1534 700 757  
E: [tatiana.collins@walkersglobal.com](mailto:tatiana.collins@walkersglobal.com)



**Sarah Townsend**  
Senior Counsel, Jersey  
T: +44 (0) 1534 700 736  
E: [sarah.townsend@walkersglobal.com](mailto:sarah.townsend@walkersglobal.com)



**Marco Carossa**  
Associate, Jersey  
T: +44 (0) 1534 700 717  
E: [marco.carossa@walkersglobal.com](mailto:marco.carossa@walkersglobal.com)

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