

**DRAFT INVESTMENT BUSINESS (JERSEY) LAW 1998  
(APPOINTED DAY) ACT 199**

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**Lodged au Greffe on 19th January 1999  
by the Finance and Economics Committee**

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**STATES OF JERSEY**

**STATES GREFFE**

## Report

The purpose of this Appointed Day Act is to appoint 1st March 1999 as the day for the coming into force of the Investment Business (Jersey) Law 1998 (“the Law”), except for Article 6, which shall come into force on 1st July 1999. The reason for this timing is explained below.

The purpose of the Law is to extend the scope of regulation to all forms of investment business, with a view to raising the standards in that area of the financial services sector in Jersey.

The Law is intended to cover all forms of investment business, other than those that are already covered by the other Laws under which the Commission operates (such as Banking, Insurance, and Collective Investment Funds). In practical terms, this means that it will cover the supervision of stockbrokers, investment advisers and discretionary investment managers.

The Law operates by -

1. prohibiting anybody (individual or corporate) from carrying out investment business unless they have a licence so to do issued by the Commission (this is achieved in Article 6 in the Law which will be brought into effect on 1st July as noted above);
2. giving the Commission the right to insist on standards of conduct, probity, competence and financial stability;
3. giving the Commission a range of powers to require information, to mount investigations and otherwise to ensure compliance with their requirements as at 1. and 2. above;
4. giving the Commission the power to assist overseas regulators in investigations they may be making into breaches of their own Laws.

In practical terms, the Commission will use the powers given under the Law to undertake a thorough vetting of all those who wish to carry out investment business. Once a business has been registered, the Commission will use its powers to ensure that it has staff of sufficient

qualifications and experience and that the business itself has the necessary financial resources to provide appropriate services both to Jersey residents and to the international community. In addition, the Commission will be able to insist on good practice, such as the proper separation of client assets from business assets, proper internal financial controls, regular audit and the "six eyes principle" - the requirement that at least three individuals must be in effective control of the business.

The Law was considered and approved by the States at its meeting on 2nd June 1998. It was then approved by Privy Council on 21st October 1998 and has been registered in the Royal Court. It remains only to bring it into force. For this purpose the attached Appointed Day Act has been drafted appointing 1st March 1999 to bring into force all the provisions of the Law, except for Article 6, which will come into force on 1st July 1999.

This two-stage approach allows the Finance and Economics Committee and the Commission first to make the necessary Orders and issue the Codes of practice for which the Law provides. This will happen as soon as possible after the main body of the Law comes into effect on 1st March. The industry will then have until 1st July to evaluate the regulatory regime and to submit their applications. After 1st July, Article 6 will come into force and will prevent anyone from engaging in investment business unless they have been registered with the Commission.

Under the transitional provisions, any businesses which apply by 1st July will be able to continue to provide investment services while the Commission determines their application. Thereafter, any new applicants must await the Commission's determination of their application before engaging in investment business.

**Explanatory Note**

The purpose of this Act is to appoint 1st March 1999 as the day on which the Investment Business (Jersey) Law 1998 shall come into force except Article 6 which shall come into force on 1st July 1999.

**Investment Business (Jersey) Law 1998**

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*(Promulgated on the      day of      199 )*

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**STATES OF JERSEY**

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The      day of      199

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**THE STATES**, in pursuance of Article 42 of the Investment Business (Jersey) Law 1998,<sup>1</sup> (hereinafter referred to as “the Law”), have made the following Act -

1.-(1) Subject to paragraph (2) of this Article the Law shall come into force on the 1st March 1999.

(2) Article 6 of the Law<sup>2</sup> shall come into force on 1st July 1999.

2. This Act may be cited as the Investment Business (Jersey) Law 1998 (Appointed Day) Act 199 .

<sup>1</sup> Recueil des Lois, Volume 1998, page 575.

<sup>2</sup> Recueil des Lois, Volume 1998, page 520.