

# GUERNSEY SUBSTANCE AND BENEFITS OF THE MATURE NPPR

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In the HedgeWeek Guernsey Fund Services 2019 Special Report, [International Fund Management](#) Director Shaun Robert outlines why Guernsey is a serious contender as a domicile of choice.

Guernsey has long been recognised as a mature, highly experienced non-EU financial centre. It continues to be known as a tax transparent jurisdiction, working extensively in co-operation with the European Commission, among others, to ensure it does all it can to co-operate on all transparency and appropriate regulatory matters.

In 2017, the EU Code of Conduct Group 'Code Group' undertook a screening exercise to assess various jurisdictions on their tax transparency, anti-BEPS and fair taxation measures. Guernsey was found to be compliant in the first two areas. However, concerns were raised around the lack of statutory substance requirements, which could have led to a risk that the profits of companies registered in Guernsey may not be commensurate with their activities in the jurisdiction.

In response to the concerns raised by the Code Group, Guernsey, Jersey, and Isle of Man (the Crown Dependencies 'CDs'), along with 10 other jurisdictions, committed to introduce new legislation requiring resident companies to demonstrate a link between the economic activity carried out and the economic substance supporting the activity.

The work involved in a relatively short timeframe should not be underestimated, but working closely together, the governments of the three CDs achieved their aim to each have their own legislation in place by the end of 2018, effective 1 January 2019.

On 12 March 2019, Guernsey's reputation as a transparent and compliant jurisdiction, in line with international standards was further enhanced, as the Code Group and European Council of Finance Ministers confirmed that the Island has satisfied its legal substance requirements for entities operating in or through the jurisdiction.

Guernsey's Government continues to work extensively and in co-operation with the European Commission, with its Policy & Resources President, Gavin St Pier, previously having stated "with the current political uncertainty within the UK, and the ongoing work to prepare for different possible outcomes in the next few months, we are continuing to prepare ourselves to strengthen Guernsey's relationships within the EU after the UK has left".

With Brexit uncertainty in the financial sector both in the UK and the EU to continue at least into 2022, opportunities to use the well-established AIFMD and UCITS route for fund marketing into Europe are likely to be lost to UK promoters. Given that our current access to market into Europe via National Private Placement Regimes 'NPPR' will be unaffected, we see this as an opportunity for Guernsey which, in 2015, was one of only six jurisdictions to be considered by ESMA, and one of only two to be approved for the third-country passporting regime without condition.

With Guernsey's non-EU status and existing cooperation agreements, it will continue to be able to offer NPPR marketing into Europe, to more than 70% of the nominal GDP across continental Europe. With the existence of this well-established process, Guernsey's ability to market into Europe will be unaffected by the UK's departure. On the contrary, the UK will have to follow in Guernsey's footsteps and negotiate cooperation agreements with the EU jurisdictions.

Guernsey is a mature, highly experienced and transparent jurisdiction, operating in cooperation with the European Commission, ensuring this is clearly understood and acknowledged.

Particularly where a manager has a targeted list of marketing jurisdictions, NPPR via Guernsey can be faster, more efficient and more cost-effective than the full AIFMD or UCITS route. With Guernsey being a non-EU jurisdiction, pre and post Brexit marketing plans to market into Europe via the well-trodden NPPR which Guernsey have established, will remain untouched.

International Fund Management Limited provides a fully compliant, licensed and independent non-EU Manager (AIFM) service. It has demonstrable substance in Guernsey, including its own balance sheet, a discrete executive board and employees and independent systems and reporting. It is part of the PraxisIFM Group.

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