

GUERNSEY – THE SPECIALIST JURISDICTION WITH THE GLOBAL REACH

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In an article for HedgeWeek's Guernsey Fund Services 2019 Special Report, Dr Andy Sloan, Deputy Chief Executive, Strategy, at Guernsey Finance, explains why Guernsey is a natural home for managers pursuing the trend of splitting fund structures for improved distribution and service.

Fund managers are increasingly looking to split fund structures in a bid for effective global distribution with better service and reduced cost – and Guernsey is the jurisdiction working for them.

In the past few years fund managers using Guernsey have been looking for structures that would enable split distribution.

They have been looking for quality and efficiency of service, the opportunity to use new solutions, including distributed ledger technology, and products lending themselves to split distribution. Guernsey was an obvious route to securing that, and the Guernsey Financial Services Commission has seen evidence of that, and responded with a new product suite.

At an event we hosted in London to discuss Guernsey's global distribution potential, I spoke to Mark Le Page, a former senior regulator at the Guernsey Financial Services Commission who is now an advisory director at EY in the island.

"Guernsey is a crucible for ideas. They can get tested very quickly, and the split distribution model is now something that everyone is very familiar with. The rest of the world is catching up with us," he said.

Just like the rest of the world is beginning to learn that the "default" UCITS is not the one-size-fits-all must-have fund structure to satisfy their requirements.

Christopher Jehan, founder of funds consultancy Midshore Consulting and Chairman of the Guernsey Investment & Funds Association (GIFA), told me recently that on a Guernsey roadshow trip to South Africa last year, the Guernsey delegation was repeatedly told "we need UCITS".

"But when you asked why, they couldn't tell us. And they simply wanted an offshore structure to sell back into South Africa – UCITS was just a brand name, but it didn't give them what they needed," he said.

South Africa is a growing market for Guernsey funds, but Guernsey's reach goes much further – to all four corners of the globe, in fact.

Guernsey funds are able to reach 80% of the world's wealth – distributing from Guernsey means you can reach everyone you need to reach. It is not all about Europe – three-quarters of Guernsey funds have investors in two or more regions – and they are not just Europeans: Guernsey is a conduit for global capital, including the US and China.

The full extent of Guernsey's distribution capability only became evident fairly recently, when research was commissioned by GIFA to examine the sector's distribution scope. Over time lots of firms had been doing their own thing, developing their own relationships and securing global access. It was happening, but nobody had drawn it all together.

The research showed that the global reach of a Guernsey fund was effectively the same as or better than other major jurisdictions claiming that they are global distribution specialists.

Companies with funds in Guernsey for years are now looking to grow them significantly and we are helping them to grow their global footprint – Far East, Latin America, South Africa and Middle East, we know what we can do and how to do it.

Our position is quite unique. We can do things that most others cannot, and we should be seen as a specialist

jurisdiction with a big global reach.

That reach applies to complex funds and multi-layered structures, including listing securities on the Guernsey-headquartered International Stock Exchange. A combination of fund distribution and extensive stock exchange recognitions combine to create a powerful offering which really works for split fund structures.

UCITS may become more about European distribution, while with subordinate investment vehicles and a TISE listing, one underlying product can service both funds. Guernsey can offer a solution even when we do not host the fund.

Guernsey Finance carried out a survey of asset managers and intermediaries at SuperReturn International in Berlin earlier this year, which gave us an insight into the views on green finance, private capital servicing and global distribution.

Our key takeaways were that managers were reliant on continued market access – they wanted jurisdictional choice and service was a primary driver of that choice. Half of those surveyed told us they would consider splitting European and global distribution.

Three-quarters had reviewed their distribution arrangements in the past two years, and 50% were still looking at this over the next 12 months.

And as the “B” word continues to unsettle Westminster, nothing changes for Guernsey. Our “third country” status to the EU remains unchanged – we are a third country yesterday, today, and tomorrow. And our market access into the EU does not change.

And there may be transitional arrangements for European funds selling into the UK, but once those conclude, an EU fund selling into the UK will be positioned exactly like a Guernsey fund.

Guernsey can provide asset managers with a single route to investors, and our “four corners of the globe” distribution model – proven, smarter and faster from Guernsey – needs to be more widely recognised.

We are ideally placed to offer access to worldwide markets, greater certainty for managers and promoters, and more cost-effective solutions with higher levels of service than many of our competitor jurisdictions.

Many promoters think that they need to have a UCITS or an AIF but, when they actually analyse who their target market is and what they require from their fund, a Guernsey vehicle very often turns out to be a better regulatory fit, and offers a cheaper, faster solution with high levels of service, as our survey discovered.

The original version of this article first appeared in the HedgeWeek Guernsey Fund Services 2019 Special Report, April 2019. To access the full report, [click here](#).

WE ARE GUERNSEY is the brand under which Guernsey Finance promotes the island's financial services sector internationally. Guernsey Finance - the promotional agency for the island's finance industry internationally - is a joint industry and Government initiative responsible for the promotion of Guernsey. Under the leadership of Chief Executive Dominic Wheatley, the agency ensures that the core values and competencies of the island's finance sector are accepted and respected by the global community and that financial business development flows are enhanced.

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