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GUERNSEY'S GROWING FUNDS SECTOR

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A growing fund industry can only benefit Guernsey as a whole explains Andrew Maiden of Moore Management.

For over 50 years Guernsey has been a well-established offshore finance centre, and its fund industry continues to go from strength to strength. As at the end of September 2015, the net asset value of all funds under management and administration in island stood at £224.8 billion, spread across 1,045 funds approved for domicile or servicing in Guernsey.

These assets were split across the three main fund regimes – closed ended, open ended and non-Guernsey schemes – and it was pleasing to see growth in all three categories during Q3 2015, supporting the mantra that Guernsey offers a diverse range of funds. Guernsey has a long history of being self-governed and self-funded, and is politically and economically stable.

Indeed, it was recently announced that Guernsey has retained its AA+ credit rating from the international credit rating agency, Standard & Poor's. The close proximity of Guernsey to London and other major financial cities in Europe, coupled with its reputation as a financial service centre of excellence, make it an ideal fund jurisdiction for investment into Europe – not only from European investors but also from further afield, including the US, Asia and Africa.

The Guernsey regulator, Guernsey Financial Services Commission (GFSC), has adopted a pragmatic approach to fund regulation and implemented a world class regulatory framework and standards which offers flexibility to fund structures and provides confidence to investment managers that fund structures in Guernsey are well supported by the GFSC.

Guernsey has not rested on its laurels when it has come to maintaining its high standards of regulatory framework and transparency. In July 2015, the European Securities & Markets Authority (ESMA) advised extending the Alternative Investment Fund Managers (AIFM) third-country passport to include Guernsey, making it one of only three jurisdictions to be endorsed. It is expected that the island will receive a positive assessment from MONEYVAL following their latest visit, supporting the global transparency standards which Guernsey has adopted. The jurisdiction has committed to the early adoption of the Common Reporting Standard (CRS), the global standard for the automatic exchange of information developed by the OECD.

It has also signed an agreement with the US to report under a Model 1FATCA Intergovernmental Agreement, with a similar agreement signed with the UK. Guernsey offers a full broad range of fund structures, including private companies, partnerships, unit trusts, protected cell companies, incorporated cell companies and limited liability partnerships.

The fund administration and servicing expertise in Guernsey is second to none. There is a wide variety of excellent fund administration service providers, legal and tax advisers and accountants to support all types of fund, from the small private structures to large FTSE listed vehicles. Guernsey is renowned for having a highly-skilled and internationally minded professional workforce with a service culture.

Historically, Guernsey has been very good at developing new fund offerings in order to capture growth areas. The growth of private equity and closed ended listed structures is a demonstration of the island's versatility and ability to adapt to changing demands. More recently this growth has expanded to capture real estate, fund of funds, debt, infrastructure and other alternative fund structures.

The world now moves at a faster pace than ever before and Guernsey will need to continue to move with the times in order to keep facilitating the demands of the ever-evolving fund market. The challenge for Guernsey will be to find the next fund product line, take the lead with the legal and regulatory framework and promote the island as the jurisdiction of choice. The global fund industry is massive and Guernsey has so far excelled at being a master of specific fund product lines rather than a 'jack of all trades'.

Being an island with a population of circa 60,000 does offer up some challenges, with the biggest being the

ability of businesses to source a high calibre of professional to service its growing fund industry. Efficiencies in processes and advancement in technology will help ease this problem. However, as fund structures become more complex and there is a greater focus on higher corporate governance standards, the need for well-trained professionals in Guernsey will increase. This, I believe, will ultimately require changes to the Guernsey housing licensing regime, with steps already being taken by the States to alleviate this potential problem.

Despite the global political and economic climate, introduction of the CRS and uncertainty surrounding the growth of emerging economies, there will still be an appetite and opportunities for fund structures – especially with money coming from Asia into Europe and with the expansion of investment in and out of Africa.

Technology will undoubtedly play a part in fund structures, with investors having far more say in what they invest their money in. I have no doubt that Guernsey will continue to redefine itself in order to maximise opportunities, be a competitive and innovative jurisdiction and retain its status as a leading jurisdiction for funds.

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