

WRITTEN BY TIM WILSON

WHY GUERNSEY IS A JURISDICTION OF CHOICE FOR ALTERNATIVE FUNDS

12 JANUARY 2021

Throughout 2020, Guernsey welcomed a number of new alternative asset fund promoters to the island, ranging from first-time managers to experienced alternative investment firms. With an array of competing jurisdictions to choose from, IQ-EQ Client Services Director Tim Wilson dug a little deeper among its own clients to uncover why Guernsey is the jurisdiction of choice for so many fund managers.

Substance and quality

Investor demand is typically a driving force for jurisdiction selection. For one of our new South Africa-based infrastructure fund clients, it was Guernsey's reputation as a high-calibre international financial centre and its tax neutrality that attracted the fund's cornerstone investor. The investor was looking for a jurisdiction that is on the EU and OECD whitelists, provides substance and international compliance, and offers high standards of client service and expertise, stability and appropriate regulation. Guernsey was selected by the promoter due to its perfect fit. Furthermore, since Guernsey is outside of the EU, it was perceived as unlikely to be impacted by any implications from Brexit.

Speed to launch

Speed to launch is a critical consideration for managers, particularly when starting out and facing strict capital requirements. Guernsey's regulator, the [Guernsey Financial Services Commission \(GFSC\)](#), offers a fast-track regulatory approval regime. With GFSC application approval times varying from just one day for a Private Investment Fund (PIF) to three days for a Registered Fund, the onus is on the licensed administrator to make declarations in support of the fund application.

Cost and distribution

For one of our new UK-based start-up fund manager clients, which invests into healthcare and education assets and was launching a closed-ended private equity fund, a Guernsey Registered Fund seemed the right option for two reasons.

The first reason was that annualised regulatory, administration and audit costs were overall lower than European alternatives. Anecdotally, they had also heard that service levels remained very high in Guernsey's fund industry.

Secondly, they envisaged targeting no more than three investor domiciles, therefore the National Private Placement Regime (NPPR) offered by a Guernsey fund seemed a viable option for distributing their fund to UK and EU investors. The NPPR has proven to be quicker, less expensive and more flexible than the AIFMD "passport" for distribution purposes.

Ease of doing business

With excellent air connections to the UK and its location within the GMT time zone, Guernsey is an easily accessible offshore jurisdiction. One of our new London-based clients has cited Guernsey's compact nature as a big plus, as it means that it really is possible to conduct several face-to-face meetings in one day (outside of pandemic lockdown measures, of course).

Moreover, Guernsey is home to world-class lawyers, auditors, administrators and non-executive directors. And during times of global travel restrictions, Guernsey has proven to be resilient with strong IT infrastructure allowing for a painless switch to virtual meetings.

Innovation and ESG

Guernsey's investment funds industry remains innovative and is often leading the way with regulatory fund products that are attracting fund managers to domicile their funds in Guernsey. Recently Guernsey has introduced a fast-track regime for limited partnership migrations along with their general partners, effectively permitting the

structure to stay intact. As such, we have received a number of enquiries from fund managers who are attracted to Guernsey's credentials.

ESG is also a key focus for the GFSC. Guernsey launched the world's first regulated Green Fund product with its Green Fund Rules that aim to assure investors that a [Guernsey Green Fund](#)'s portfolio is invested in a manner that contributes to the internationally agreed objectives of mitigating environmental damage and climate change. The trusted, transparent Guernsey Green Fund enhances investor access to the green investment space and, notably, any class of Guernsey fund can notify of its intention to be classed as a Green Fund, whether registered or authorised, open- or closed-ended.

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 Rupert Pleasant, 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.

PO Box 655, St Peter Port,
Guernsey, GY1 3PN

+44 (0)1481 720071

INFO@WEAREGUERNSEY.COM

