

GUERNSEY FUNDS SECTOR SET TO BENEFIT FROM PRESSURE ON LEGAL FEES, SAYS OGIER

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Guernsey's funds sector stands to benefit from pressure on legal fees from fund managers and investors because of lower overheads and costs in the jurisdiction, says Ogier group partner Craig Cordle.

Mr Cordle, who joined the Guernsey investment funds team at the end of last year, says that because costs in Guernsey tend to be lower than those charged by London firms, the island could get a boost from a current price squeeze trend from managers and underlying investors.

Figures from the Guernsey Financial Services Commission show that the 12 months leading up to June 2016 saw a 12.3 per cent increase in the net asset value of all funds under management and administration to GBP247.1 billion – figures that Mr Cordle describes as 'very encouraging'.

"We're seeing a noticeable price squeeze from clients and underlying investors who are trying to reduce fees. The pressure on fees is significant for lawyers given the amount of regulation we now have to take into consideration when launching these funds," said Mr Cordle.

"The benefit from Guernsey's point of view is that if your structure permits you to set-up offshore in Guernsey, as opposed to London, your costs will likely be lower. As soon as you're in the UK, the operational costs increase. Additional service providers, such as depositaries, will be required and the overheads are naturally higher."

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The most recent figures for last June showed that the net value of funds under management and administration in Guernsey had reached nearly a quarter of a trillion pounds after four consecutive quarters of growth, and Mr Cordle pointed to further positive signs including the launch of the new manager-led product and private investment fund regime.

He said that changes in regulation had also led to changes in the demands for services from investment funds lawyers.

"In terms of how clients' needs have changed, the burden on investment managers for compliance is pretty high. Consequently, there can be quite a bit of handholding when setting up these vehicles, which we are obviously happy to do.

"The legal advice that clients are after really is cradle to grave. They say 'help us establish the vehicle. Provide us with not only legal advice but also business advice, structuring advice and commentary on what's happening in

the market.' The legal advice is usually cross-jurisdictional across the UK, Channel Islands, Luxembourg and, very frequently, the US as well."

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