

FUND ACTIVITY REPRESENTS GUERNSEY'S CONTINUING PROGRESS

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Guernsey Finance Chief Executive Dominic Wheatley writes in [WealthBriefing's IFC World 2017](#) about Guernsey's advancements in the finance sector over the past year.

Guernsey's financial services sector has continued to thrive and develop over the past 12 months. This is particularly the case in the island's funds sector where Guernsey has once again been confirmed as the global finance industry's number one choice for non-UK entities listed on the London Stock Exchange (LSE).

LSE data shows that there were 124 Guernsey-in corporated entities listed on the Main Market and AIM at the end of 2016, which is more than 40 ahead of its nearest competitor, and reaffirms the high regard in which Guernsey is held by professional advisers in the City of London and beyond. In total, Guernsey added nine new entities to the LSE markets during 2016, which is the same number as its two nearest competitors combined, excluding the UK.

New products

Guernsey's funds sector has also witnessed the introduction of not one, but two new fund regimes.

The Manager-Led Product (MLP) is a regime designed in the light of the Alternative Investment Fund Managers Directive (AIFMD), which places the regulatory burden on the manager. By virtue of the alternative investment fund manager's sponsorship, no alternative investment fund or underlying licensee will have rules imposed on it, while the regime avoids duplicating regulatory requirements over several entities and the Guernsey Financial Services Commission (GFSC) is ready to consider derogation requests.

The MLP was followed by the November launch of Guernsey's Private Investment Fund (PIF) regime, which again looks to provide fund managers with greater flexibility and simplicity. It recognises that certain investment funds are characterised by a relationship between management and investors that is closer than that of a typical agent and accordingly, the GFSC is prepared to dispense with the formal requirement for information particulars such as a prospectus.

The PIF, which can be either closed or open-ended, should contain no more than 50 legal or natural persons holding an economic interest in the fund.

One exception is where an appropriate agent, such as an investment manager or occupational pension scheme, is acting for a wider group of persons with an economic interest in the PIF.

While there is a limit on the number of investors in the PIF, no attempt has been made to limit the number of investors to whom the PIF might be marketed – a feature not available under comparable regimes in other jurisdictions.

Under the new rules, the fund will benefit from an application process that can be completed in one business day.

As part of that application process, the fund manager provides warranties on the ability of the investors to assume loss. Considering that the PIF is predicated on a close relationship between management and investors, the GFSC considers this a reasonable representation.

Enhanced ILS

These product launches were followed at the beginning of 2017 by the enhancement of pre-existing legislation for insurance-linked securities (ILS) – an asset class which combines Guernsey's long track record and expertise in the investment funds and insurance sectors.

From 1 January 2017, under the Insurance Business (Special Purpose Insurer) Rules 2016, an applicant for the licensing of a new Special Purpose Insurer (SPI) might be granted a 'single consent' for the formation of further SPIs without call for any further application.

The streamlined application process also allows a new insurer to be established in a single business day.

At the same time, the Insurance Business (Solvency) Rules 2015 have also been amended to include the new class of insurer expressly. Under the new rules an SPI is not required to maintain the minimum or prescribed capital requirements, nor to conduct own risk or solvency assessments.

SPIs must be fully collateralised to the extent of their liabilities and, in addition to ILS, may include collateralised reinsurance, catastrophe bonds, side-cars and life based securitisations.

The changes are a codification of the way in which the GFSC already exercised its discretionary powers but they provide the insurance sector with a new layer of operational certainty and efficiency. It is the type of development that highlights Guernsey's ability to come up with sensible, proportional regulatory responses to the necessary but growing compliance burden on financial service organisations.

Transparency

Away from new product launches and evolving regimes, the past year has also seen Guernsey underline the fact that it is ahead of the game in terms of international regulatory standards.

An evaluation of Guernsey by MONEYVAL, a body of the Council of Europe tasked with assessing the measures that each jurisdiction takes to prevent money laundering and the financing of terrorism, found that Guernsey had surpassed the standards set in the equivalent International Monetary Fund report in 2010.

MONEYVAL found that Guernsey is compliant or largely compliant with 48 out of 49 of the Financial Action Task Force recommendations to do with the fight against money laundering and terrorist finance – the highest standard of any jurisdiction so far assessed.

The findings were consistent with Guernsey's leading position in the mainstream of international finance - not only in terms of the fight against financial crime, but also regulation, beneficial ownership, tax transparency and CRS.

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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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