

HIGHLIGHTING BEST PRACTICE

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Guernsey's financial services industry, the engine of the island's economic growth over the past half-century, values its relationship with the City of London and position within the British finance industry. This sector – which has four main pillars of investment funds (70 fund managers and administrators based in the island), some 150 wealth managers, 20 insurance managers and 20 banking groups together with a range of support service providers – employs about a third of the island's workforce. Guernsey Finance is the promotional agency for the industry.

The finance industry's importance in Guernsey

Guernsey has a clear role as a conduit through which billions of pounds of international investment enters the City's capital markets, and the UK financial services industry receives significant revenues on the back of Guernsey's finance sector – more than £1 billion from investment management fees alone.

Some £35 billion from Guernsey investment funds is invested into UK assets, most into long-term tangible assets, including schools, hospitals, airports and roads – and the majority of that money comes from investors outside the EU, demonstrating the island's role as a facilitator of inward investment into the UK.

Our alternative investment industry also provides complementary options to the trustees and investment managers looking after UK pension funds providing greater financial security and improved returns that are helping secure the financial futures of workers in the UK and elsewhere – something of increasing importance to us all as we live longer. Tens of thousands of UK jobs are created and sustained by our private equity funds supporting business start-ups, development and turnaround.

Changes

Our business model has changed over the years, adding increased diversification across the various sectors of our industry to traditional wealth management and financial structures such as captive insurance and trusts. It now encompasses both the facilitation of international money flows and the provision of specialist regulatory environments designed for low volume niche products such as insurance linked securities (ILS) and the associated complex bespoke administration requirements.

Our capacity for innovation adds significantly to London's position as a global finance centre with products such as collateralised ILS, and the protected cell companies on which they are based, being reproduced into the equivalent UK regime just last year.

For 20 years, Guernsey has been at the forefront of meeting evolving global regulatory standards, including pioneering the regulation of fiduciary managers in 2003. We are a fully contributing partner of the global financial services network and have played a key role in developing international regulatory standards, not only in private wealth management but also in insurance as founder members of the International Association of Insurance Supervisors (whose core principles underpin the EU's Solvency II regime).

Our attractiveness as a finance centre lies not in our tax-neutral environment – which ensures that those undertaking business (private or corporate) must fulfil their proper tax obligations wherever they are themselves taxed – but in our ability to create niche business environments that meet the needs of our clients and markets.

Excellence and ethics

As part of the British financial services family, we believe we should take every possible step to prevent harmful tax practices. We also operate the most stringent anti-money laundering regime in the world.

At the height of recent constitutional concern within the islands over the UK's Sanctions and Anti-Money Laundering Bill over public registers of beneficial ownership, our chief minister, Gavin St Pier, robustly defended the island's constitutional relationship and the island's role in the international finance system:

“Our standards and record are exemplary, and we can hold our head high in any international forum on the topic... There is much that other jurisdictions could learn from us. We have no intention of being passive or defensive. On the contrary, we will be proactive and proud when it is appropriate to be so.”

The City's view of us is very different from that sometimes (mis)represented in the media. They rightly see us as a leader in international standards of AML. Every time we are assessed, we are found to be in the vanguard of international jurisdictions. Our symbiotic relationship with London sees the City benefit from having the islands available as part of its suite of offerings as we maintain quality standards that London is known for.

That reputation extends to global financial markets in which we are universally respected for the quality of our regulation, our adherence to best practice in transparency and AML, and the excellence of our financial service practitioners.

An example of this is our Register of Beneficial Ownership which records and maintains verified details of the ultimate beneficial owners of all assets owned through Guernsey structures. The information is available to criminal investigators and tax authorities in a timely manner, meeting international standards as agreed by the G20.

Privacy

Guernsey is not a secrecy jurisdiction, but we do recognise and respect the legitimate right of individuals to personal privacy. There is more than a marginal difference between legitimate and reasonable privacy from the prying eyes of the merely curious and the rights of legitimate public authorities charged with the collection of taxes, protection of citizens and the general management of the property within their governance.

Our complementary offer to the City of London is currently under a degree of pressure as the Brexit negotiations continue. Our government, the States of Guernsey, remains positive about the future and is working through the issues with the UK government, with strong engagement at political and staff level.

Regarding financial services much remains to be understood in terms of our future partnership, including how the EU will deal with market access and regulatory matters, such as recognition and divergence. However, we are seeing this process as an opportunity to reaffirm the positive contribution we make to the UK economy.

We believe that our well-established third country provisions serve to illustrate to the UK how financial services can be successfully traded into the EU as a third country, and that Guernsey can be seen as an oasis of stability amid uncertainty that can provide a conduit between the UK and the EU in the future.

The substance in our business environment offers clients the high degree of stability, reliability and certainty they seek, in a jurisdiction that is in tune with the future direction of the global financial services industry.

Guernsey has shared values with the UK. Just as we shared in the celebrations for the royal wedding, we want to be strong partners in Britain's economic future and continue to be a part of its financial services family. We believe we are well placed to do so.

The original version of this article first appeared in Parliamentary Review.

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.

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

+44 (0)1481 720071

INFO@WEAREGUERNSEY.COM

