

HOW GUERNSEY IS BENEFITTING FROM A GLOBAL BOOM IN M&A

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Marcus Leese, Partner at [Ogier](#) in Guernsey, outlines why merger and acquisition activity is still strong, and why it is often good for Guernsey's finance sector.

Introduction

A variety of factors are fuelling a sustained boom in mergers and acquisitions activity around the world. Figures quoted by respected researcher Mergermarket say that the second quarter of 2018 saw global M&A values reach their highest point since the 2008 financial crisis, with more than \$1 trillion spent – and the first half of the year has seen 8,560 deals with a combined value of \$1.94 trillion.

Those figures are supported by a number of mega-deals across a variety of sectors. Irrespective of deal size, a wide range of positive factors have driven deal volume, including:

- private equity investors with significant reserves looking to exploit economic buoyancy;
- continued growth in emerging and developing economies – notably, Asia and Africa;
- some investors taking advantage of value arising from currency movements; and
- the growth factor presented by innovation in technology.

All of this is good news for the financial services community in Guernsey, which is seeing significant growth in work as a result – not least law firms with experienced M&A teams.

How Guernsey benefits

Guernsey's strong position is helped by the diversity of its financial services industry. Guernsey is not only home to corporate asset-holding vehicles which are likely targets of M&A transactions, but also the domicile of countless:

- investment funds which make up a material proportion of the buyers or sellers in M&A transactions (and which are increasingly providers of non-bank debt to fund M&A transactions);
- licensed banks involved in funding or advising on M&A deals; and
- holding companies forming part of larger structures which are the subject of M&A transactions.

All of these factors demonstrate why Guernsey is often involved in at least one aspect of many M&A deals.

Guernsey is also a jurisdiction in which parties are confident to do business. This is based on its position as a well-regulated, first-class finance centre for international business, with high-class professional services, tax neutrality, political stability, the rule of law and respect for property rights, independent courts, and a willingness to embrace modern regulatory standards.

As a result, the M&A boom has been good for Guernsey.

Common transactions

The M&A transactions on which Guernsey lawyers are most often instructed to advise tend to fall into one of three broad categories:

- transactions involving locally headquartered, owned or focused organisations (with an international client base) – for example, the Gentoo sale to TMF, the Praxis IFM/Nerine merger, and the merger between Equiom and Virtus Trust;
- M&A involving international or global businesses with a significant local presence – for example, the sale of the Deutsche trust activities to Butterfield, Barclays Trust's sale to Zedra and the Generali sale, all of which involved firms that include significant numbers of employees and a material scale of operations in Guernsey; and
- transactions involving truly international or global businesses with some element of local presence – for example, Pfizer's restructuring to separate different elements of its business.

Comment

M&A transactions involve more than company law matters. In addition to the work done by corporate law advisers in respect of this kind of M&A activity, extensive collateral work may be needed. For example, where the Guernsey Financial Services Commission regulates businesses (as will be the case with the sale of financial services providers), extensive regulatory advice will be required.

Similarly, advice from banking and finance specialists will be required where (as is almost always the case) some level of debt is being taken on to support the purchase. There can also be competition, employment and property law issues that will require advice.

Beyond purely legal advice, M&A activity will inevitably require assistance in relation to accounting matters and may require additional support from a wide range of other specialists (actuaries, valuers, property advisers, management consultants and corporate administrators). All have a role to play and can benefit.

Despite many suggestions over the past year or two that the global M&A boom will slow down or turnaround, the facts suggest that is not yet the case.

While financing remains cheap, both trade and investment buyers have capital to deploy and the competitive commercial environment encourages consolidation in many markets, the boom looks set to continue. For as long as it does, and for as long as Guernsey continues to focus on its traditional strengths and its policy of proactive legal and regulatory enhancements, it seems likely that Guernsey will continue to benefit in workflow across the financial services industry.

This article was first published at [Ogier.com](https://www.ogier.com).

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