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# Well placed for optimism

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**T**his time last year the fund industry was booming, since then as we are all aware, there have been major changes in the world's economy. After the traumas we saw in early October it is now clear that with the action being taken at the highest level in governments across the world there are some grounds for cautious optimism that world finance is on the mend.

## Effect on Guernsey fund industry

The credit squeeze has slowed the growth of the fund business, but the pipeline is still strong. Guernsey is well placed to weather

the storm, having continued over the past few years to improve the legislative and regulatory framework which makes the island so attractive as a financial centre.

Guernsey's successful and stable infrastructure has enabled the island's fund industry to continue to thrive. Figures from the second quarter show the value of funds under management and administration in Guernsey reached £207.2 billion at the end of June 2008 – up £3.4 billion (1.7 percent) over the quarter and £51.6 billion (33 percent) year on year despite the difficult market conditions. Traditional funds remain well represented amongst these figures, however, the major growth continues to be in alternatives such as private equity, property and funds of hedge funds, with the emergence of new investment schemes such as distressed debt funds and distressed property funds having been seen since the credit crunch. It is difficult to predict the forthcoming results for the third quarter but there is an air of optimism within the industry.

## Forward-thinking legislation

Guernsey has reformed its regulatory regime and its legislation in order to be a leader in the highly specialised and competitive investment funds industry. The Protected Cell Company (PCC), Incorporated Cell Company (ICC) and more recently Qualifying Investor Funds (QIFs – a self-certification regime for funds targeting experienced investors) together with the fast-track registered fund regime for closed and open-ended funds are good examples of this creative approach. These have all paved the way to this success, as they have provided the mechanisms for, and kept pace with, or even exceeded, the requirements of fund promoters, thus bettering the island's ability to attract investors.

In addition Guernsey has introduced a new Companies Law, together with the creation of a new registry using the latest digital technology. The old paper-based system of company formation had been in operation since 1883 but has been



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Despite the credit crunch there are a number of aspects that make Guernsey attractive for fund work. Kevin Gilligan, director of Louvre Fund Management Limited, says the Island is well placed to see its fund industry continue to grow.

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replaced with a 21st century computer system with internet access. This has reduced the time taken to form a company from 10 days to 15 minutes, and the cost from around £1,500 to a minimum of £100 for a 24 hour registration. Both these enhancements go further to reassure promoters and investors alike.

In the last few years, the GFSC has introduced “fast track” application processes for most funds. Associated management entities requiring licences needed, however, to go through the GFSC’s full assessment process. Recently, however, a fast track application process

beneficial owners or controllers of, and relevant parties to, the applicant for a licence are fit and proper and meet the requirements as set out in the POI Law and that in this respect consideration has been given to all of the issues set out in the guidance document issued by the Commission;

- (ii) they have undertaken sufficient due diligence to confirm that the application for a licence under the POI law which includes the relevant application form and supporting documentation and information, is complete and accurate.

while crucially maintaining their robustness and efficiency.


Guernsey is also home to the Channel Islands Stock Exchange (CISX). The CISX has been designated as a recognised stock exchange which makes a fund accessible to UK ISAs, PEPs and SIPPs. The listing rules have been kept broad to encourage innovation whilst maintaining international standards of issuer regulation. The CISX has been operating since 1998 and with some 2,800 securities already approved it is a cost-competitive alternative to more established exchanges such as Dublin and London.

Innovative legislation supported by an approachable forward-thinking regulator is ensuring that the island remains the jurisdiction of choice for funds, thus allowing Guernsey’s fund industry to continue to go from strength to strength, ably supported by the niche players in the fund-administration market.

With such a broad range of options available to fund promoters it is increasingly important to make the right choice of administrator. Whether it is blue chip or boutique, Guernsey has a variety to offer.

The increasing complexity of alternative hedge funds and the fast-track approach adopted by the regulator would lead many to presume that this was an environment that favours the bigger players. In reality the opposite is true and the smaller fund administrators who are able to provide a more personable and flexible approach have established a strong niche in the market.

The developments are a response to the needs of the growing number of alternative fund managers and reflect the depth of experience and expertise that is available within the island and the maturity of the industry as a whole.

Guernsey’s funds industry is in healthy shape as we move towards the end of 2008 and into 2009 – which marks 50 years since the inception of the Island’s funds industry. 

## Guernsey’s successful and stable infra-structure has enabled the island’s fund industry to continue to thrive

has also been implemented for specified licensees associated with Qualifying Investor Funds or registered Closed-ended Investment Funds. The main thrust of the change is that the Commission will formally consider the application for a licence within 10 business days, provided that, in addition to the submission of a complete formal application for a licence, the licensed Guernsey service provider to be appointed as the local administrator of the applicant has certified to the Commission that:

- (i) they have performed sufficient due diligence to be satisfied that the

In practice this means that a licence assessment committee will be convened within 10 business days of receipt of all of the above information, documentation and warranties to consider the issue of a licence.

### Regulatory support

Wrapped around this infrastructure, and making all this possible, is the support the fund industry receives from its regulator, the Guernsey Financial Services Commission (GFSC), and the constructive manner with which the authorities have managed to relax the rules and regulations,