

GUERNSEY 2009

Pole position

Since writing in this special report a year ago, a lot of water has passed under our bridge. Perhaps the most significant development has been the increased focus on so-called 'tax havens' or 'offshore' financial centres

We are proud that scrutiny by the likes of the International Monetary Fund (IMF) and the Financial Action Task Force (FATF) has shown the island to be co-operative in meeting international standards of regulation. Guernsey has also embraced transparency and eschewed secrecy but this has not been at the expense of confidentiality or privacy for clients.

The island signed a Tax Information Exchange Agreement (TIEA) with the US in 2002 and had signed a total of 13 TIEAs by the time of the G20 summit in London this April. It was at the conclusion of this meeting that Guernsey was placed, alongside the likes of the UK and US, on the Organisation of Economic Cooperation and Development (OECD) 'white list' of jurisdictions that have substantially implemented the internationally agreed tax standard.

This has cemented our position as a low-tax jurisdiction which embraces the best of international standards. It has also put clear water between us and many of our competitors, most notably those in the Caribbean. However, we are not resting on our laurels. The island continues to actively engage with OECD members and expects to conclude further TIEAs in the coming weeks and months.



These developments are in addition to Guernsey being well regulated and having a strong standing on corporate governance, which is increasingly seen by the investment community as a 'must have' rather than lax or non-existing standards that are found in other jurisdictions such as those in the Caribbean. Together they give us at Guernsey Finance even greater ammunition and confidence with which to promote the island internationally as a premier domicile for the alternative investment community, including hedge funds and funds of hedge funds (FoHFs).

Business base

This increased focus on so-called 'tax havens' or 'offshore' financial centres and its resulting developments have been catalysed by the downturn in the global economy. What has surprised many is the scale and pace of the descent since the previous sunny heights. It has also demonstrated the way in which today, more than ever before, we are part of a worldwide economic community. Guernsey has been clear throughout that it did not export instability but has been subjected to it and as a leading international finance centre we have not been able to remain completely immune from these pressures.

Indeed, both the number and value of funds under management and administration in the island saw reduced growth in 2008 compared to the extremely strong performance levels of the previous few years. For example, in 2007 the number of funds grew by 19% and the value of funds by 37% but last year this was tempered at 8% and 12% respectively as the changed global economic conditions came increasingly into play to leave total funds business in Guernsey at just over £200bn by the end of 2008.

Traditional funds remain well represented. However, our business is becoming more and more focused on alternatives such as private equity – where we have carved out a particular niche as a leading domicile – property and hedge funds/FoHFs (as well as more esoteric asset classes). The island now has hedge funds/

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“As we move through 2009, Guernsey’s funds industry continues to see good investment opportunities catching the imagination of investors”



FoHFs worth nearly £30bn under management and administration.

Hedge fund-friendly

Guernsey’s five decades of experience in providing investment fund products and services has helped establish an industry with a wealth of expertise and a first-class infrastructure, which makes the island a particularly attractive location for the domiciling, administration, custody and also management of funds and especially alternatives such as hedge funds.

Today, world-renowned investment managers of alternatives, for example, EQT and KKR (private equity); Kenmore and F&C (property); and Man and Fauchier (hedge funds/FoHFs), have the operation of their funds facilitated in Guernsey.

There are a good number and broad range of administrators in the island, many of which have significant expertise in alternatives. Over the past couple of years Citco and Custom House have been added to a list that already included globally recognised names such as Northern Trust, RBC and State Street who can also act as custodians.

The number of fund managers based in Guernsey has also been increasing. This roster now includes hedge fund specialists ranging from larger names like Financial Risk Management (FRM) and Dexion to more boutique operations such as BBBSA Strategic Management Limited. The island is also home to the award-winning Corazon Capital (formerly Dawnay Day Milroy) and more recent arrivals include Terra Firma (joining fellow private equity giant Permira) and Odey Wealth.

In addition, Guernsey’s offering also includes a broad-based financial services industry comprising not just a wide range of investment businesses but also banking, fiduciary and insurance providers; support services such as multi-jurisdictional law firms and accountancy firms including the ‘big four’; the Channel Islands Stock Exchange (CISX) – which has more than 3,000 securities listed; a bespoke professional development facility the Guernsey Training Agency (GTA) University Centre; and a robust yet pragmatic regulator, the Guernsey Financial Services Commission (GFSC).

Latest developments

Guernsey has a tradition of innovation, for example it pioneered the Protected Cell Company (PCC). At the start of last year the island introduced a standard zero rate of tax for corporate entities. During 2008 we also introduced a new Guernsey Companies Law and an online Guernsey Companies Registry offering incorporation in 15 minutes and prices starting from £100.

More recently we have made a series of legislative changes related to funds business and introduced a new set of fund rules. The resulting regime is a comprehensive menu of options offering real choice in terms of speed of approval and levels of supervision. This demonstrates our continued adaptability and flexibility to be able to meet current demands of fund managers, promoters and investors.

Guernsey already provides the security of a jurisdiction that is highly regarded for having a well-regulated regime and strong corporate governance standards. Another major advantage of Guernsey for European managers is the convenience in terms of time zone and travel by it being situated between the UK and France.

Investment opportunities

As we move through 2009, Guernsey’s funds industry continues to see good investment opportunities catching the imagination of investors, although the effects of the global economic downturn mean that there are undoubtedly reduced volumes of business compared to recent years. However, this has provided the opportunity to focus on service levels, undertake research and development and step up our marketing activities, led by Guernsey Finance – the promotional agency for the island’s finance industry.

This is precisely the time when we should be showing that Guernsey is not just a ‘fair-weather’ friend and so we have stepped up our feed of positive messages to key decision makers in cities like London – the centre which is our principal source of new business – so that we are in pole position to gain business when confidence returns and the markets pick up.

Peter Niven

Chief executive of Guernsey Finance