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Guernsey – top of the league

By Grant Cameron, Chairman of the Guernsey Investment Funds Association (GIFA)

This time last year the fund industry in Guernsey was 'booming'. Since then, there have been major changes in the world's economy, most notably the sub-prime crisis and its fallout. However, while activity is not quite as frenetic as pre-'credit crunch', business flows have remained robust, well into 2008. The value of funds under management and administration reached a record £207bn at the end of June 2008 – up 1.7% over the quarter and 33% year on year.

Growth trends

This success is in part due to the diversity of the Island's offering but primarily these figures show that promoters, sponsors and managers are viewing the Island as a jurisdiction of choice for their business. Traditional funds remain well represented among these flows. However, the major growth continues to be in alternatives such as private equity, property and funds of hedge funds, as well as more esoteric asset classes such as fine wine, fine art and timber.

This shift has included the emergence of new investment schemes such as distressed debt funds and distressed property funds. The indication is that the move to niche asset classes will continue during the credit crunch. Guernsey firms have responded by developing their capabilities to facilitate the more difficult administration of these funds – examples include the use of an off-Island centre of excellence within a large group or by establishing a specific operation outside the Island.

During the last year we have seen the addition of BNP Paribas, Capita and Citco to the significant list of administrators in Guernsey, which already included globally recognised names such as Northern Trust and State Street. The number of fund managers based on the Island is also expanding and includes recent arrivals Terra Firma and Odey Wealth. In addition, the Channel Islands Stock Exchange (CISX) has seen continued growth and now has more than 2,800 security listings.

Despite the difficult market conditions persisting there is still a strong pipeline of business coming into Guernsey and there are other substantial flows out there to be won. We are not resting on our laurels and acknowledge that there is ever-more competition. That is why work is ongoing to further enhance the Island's already fund-friendly environment and promote it internationally as a fund domicile that punches above its weight.

Enhanced offering

Guernsey has a tradition of innovation, for example it pioneered the Protected Cell Company (PCC). More recently, it has been enterprising in its successful introduction of Qualified Investor Funds (QIFs) – a self-certification regime for funds targeting experienced investors.

In February last year a 'fast track' registered closed-ended funds regime came on-stream and has also proven to be very popular. Later this year, Guernsey will introduce an equivalent registered open-ended funds regime, which will be particularly attractive to hedge funds.

Guernsey already provides onshore investment managers with 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.

This year Guernsey has enhanced its attractiveness to investment managers by introducing a new Companies Law and an online Guernsey Companies Registry offering incorporations in 15 minutes and prices starting from £100. This is in addition to the zero rate of corporate tax introduced in early 2008.

The right conclusion

Guernsey's funds industry is in healthy shape as we move towards the final quarter of 2008 and into 2009 – which marks 50 years since the inception of the Island's funds industry and the 20th birthday of the Guernsey Investment Funds Association (GIFA). Each year GIFA develops its leadership role of our local industry and I see no reduction in the number of our members who are willing to contribute a major significant investment in time to ensure the funds regime they pass on to their successors is still at the top of the offshore premier league.

Grant Cameron is Chairman of the Guernsey Investment Funds Association (GIFA).