

Guernsey - staying ahead of the game

Introduction

This time last year I was looking back over the tremendous achievements of the Island's finance industry in 2006. Given those successes and the positive start to 2007, it appeared that such growth might not be sustained throughout the year, particularly in view of the changed global economic scene with the sub-prime crisis and the unprecedented issues regarding Northern Rock.

However, business flows have remained strong and I am still hearing that there is a pipeline out there for us into at least the immediate future – overall the market in our sphere of operation seems buoyant. Perhaps that might be a case of “famous last words” and I wonder whether looking back later at 2007 we might believe it was a pivotal year – a watershed – but of course for that we will have to wait well into 2008.

Notwithstanding our current success and to stay ahead of the competition and maximise business whether the global economy is at a “peak” or in a “trough”, work is ongoing to further enhance the Island's already business-friendly environment and promote the jurisdiction internationally as a world-class finance centre. Guernsey is by no means resting on its laurels.

Banking

Casting my eyes over 2007 at this juncture, we can see that the banking sector has continued to record new highs for levels of deposits, which at the end of September rose to £112 billion – up 4.2% during the third quarter and 26% year on year.

These deposits are held by the 50 licensed banks in the Island. Some of the most highly respected names in international finance from Switzerland, Europe, USA and UK have chosen to place their operations in Guernsey.

Specialised banking is a developing feature of the sector. UK Building Societies and International Banks have been assisted in setting up operations by having

their entities administered by an already established bank. While maintaining a managerial presence these banks make use of the experienced staff, premises and IT systems of a managing bank while maintaining their own individual identity.

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Guernsey's banking sector provides products ranging from retail banking and savings through international wealth management to institutional business and specialist lending. Importantly this includes servicing the other sectors of the Island's finance industry.

Insurance

Guernsey has an international insurance industry that provides a range of risk management solutions but is particularly renowned for its captive expertise. The Island remains Europe's leading captive insurance domicile and fourth in the world in terms of premium written.

Last year (2007) marked 21 years since Guernsey put in place its robust yet pragmatic regulatory framework for captives and the 10th anniversary of when it introduced the cell company concept to the world. As well as the Protected Cell Company (PCC), the Island now also offers the innovative Incorporated Cell Company (ICC).

Future exploration

As a mature captive jurisdiction we are now exploring new markets and in particular have been engaging with the UK broker community on the potential benefits of captive insurance for their clients.

GuernseyFinance, in conjunction with the industry, has been disseminating these messages at national and regional events of the British Insurance Brokers Association (BIBA) and through editorial



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ABOUT THE AUTHOR

Peter Niven is chief executive of GuernseyFinance

and advertising in its in-house publication The Broker, as well as other journals aimed at brokers.

This is in addition to other activities to promote the industry, including the Guernsey Insurance Forum, which was held in March and will take place next year in November, again at the Queen Elizabeth II Conference and Exhibition Centre in Westminster.

In addition, at the end of last year and the beginning of this, GuernseyFinance has been working with industry to promote the Island as a centre for reinsurance, the efforts for which have centered on a new capability statement entitled *Guernsey - Where European Reinsurance and Capital Markets Converge*.

The insurance sector seems set for another busy year in 2008, when modernised insurance legislation is also expected to come on-stream.

Investment funds

The value of funds under management and administration reached £164 billion at the end of September – an increase of 6% over the quarter and 36% on the same time in 2006.

This vibrant sector has been boosted by February's introduction of the innovative registered closed-ended funds regime.

The registered regime provides a streamlined consent process – making the domiciling of funds in the Island simpler and quicker – by shifting the burden of responsibility for reviewing the promoter, the investment manager and the prospectus or admission document from the regulator, the Guernsey Financial Services Commission (GFSC), to the Guernsey licensed fund administrator.

Qualified investor funds

This is a development of the approach taken by the Commission in respect of Qualified Investor Funds (QIFs), which were introduced in 2005, and has its origins in the root and branch review of investment sector legislation that was conducted by a working party under the stewardship of leading Guernsey advocate Peter Harwood.

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The launch of the registered regime was heralded at a specific Masterclass session in London. This event was followed by September’s Guernsey Funds Roadshow to Manchester, Leeds and Edinburgh and there are now plans to promote the sector in Geneva, Zurich and New York as further changes emanating from the Harwood Report come on-stream during 2008.

The Island’s opportunities and reputation

The Island plays host to an extensive array of investment businesses who offer a range of products and services for both retail and institutional investors from the general to the more specialised.

The Island is growing a reputation as a centre of excellence for alternative investments like funds of hedge funds, private equity and property, as well as more es-

oteric asset classes such as fine wine, fine art and timber.

Another area of expansion is the asset management sector. Subsidiaries of large groups as well as independent investment boutiques provide wealthy private clients, their advisors and the institutional marketplace with services, including stockbroking and dealing arrangements, for funds and discretionary investment management portfolios.

Fiduciary services

Promoting the Island in London is important because it is a key source of new business and this year for the first time a half-day Fiduciary seminar was held in the City.

In 2007, exhibition and presentation opportunities have also been taken at third-party fiduciary events and there are plans next year to further increase the promotion of this sector, whose expertise in the preservation of both institutional and individual/family wealth and assets is illustrated by the fact that two Guernsey-based firms picked up accolades at this year’s Society of Trust and Estate Practitioners (STEP) awards.

The Island, with over 50 years experience in the sector, plays host to some 140 licensed fiduciaries, ranging from large organisations to independent, boutique operations, holding more than £200 billion of assets in trust.

Legislation changes

Amendments to the Island’s Trust Law, which include introducing Purpose Trusts and abolishing the personal liability of directors in Private Trust Companies (PTCs), are expected to be introduced early in 2008. Work continues on the introduction of Foundations.

Such changes ensure that providers based in Guernsey can continue to offer clients the very widest range of products and services.

Business-friendly environment

The Island’s already business-friendly

environment is also being enhanced in other ways:

- On 1 January 2008, the Island moved to a standard zero rate of corporate tax (and there is already no withholding tax on dividends paid, no capital gains tax, no inheritance tax and no value added or general sales tax).
- A new Companies Law is set to come on-stream during 2008 – it will introduce a streamlined company incorporation process that from the summer of 2008 will be facilitated by a modernised Company Registry.
- Also during 2008, a suite of IP-related legislation will continue to be introduced to the market.

New markets and Global reach

Work is also ongoing to develop our presence in the emerging markets. As part of this process we have now appointed an official representative in China – a Chinese national who will work for GuernseyFinance from an office in Shanghai.

This underlines our commitment to the country and at the same time provides us with a platform to directly promote Guernsey to business leaders and within appropriate government circles so that in the future our finance industry can benefit from increased business flows from the Chinese market.

In November, Guernsey also had a strong presence at a private equity conference in Dubai and it is in the Middle East that we will also look to increase our visibility during 2008.

The right conclusion

In a world of ever-increasing competition, Guernsey remains at the forefront of international finance centres through its ongoing development of attractive products and pragmatic regulation.

In fact, all the ingredients are in place for Guernsey to maintain its position as a jurisdiction where clients want to conduct business (and keep coming back for more) – long may that continue. ●