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## **Whatever your wealth management needs – think Guernsey**

*By Peter Niven, Chief Executive of GuernseyFinance*

The picture that has been painted during the past few months is of a world economy in turmoil. However, if we look more closely, it appears that these problems are fairly well restricted to certain parts of the financial services industry: there seems to be no slowdown in the growth of private wealth – much of which is looking for a home in offshore structures; and there are still significant flows of corporate monies seeking sound investment opportunities. Extensive recognition of Guernsey's strong credentials in fulfilling such demands means that despite the market turbulence its finance industry remains particularly buoyant. Indeed, the Island can meet your wealth management needs, whether these are institutional or individual/family.

### **Individuals and families**

#### **Jurisdiction of choice**

Guernsey has a reputation for excellence in utilising a variety (and combination) of structures such as trusts, companies and partnerships – often in a bespoke manner – to satisfy the widest wealth management requirements of individuals and families. The Island hosts a spectrum of providers in this field that includes asset managers and stockbrokers; and fiduciaries.

The Island's fiduciary sector has 50 years experience in providing trust and corporate services. This heritage has developed a wealth of expertise and a first class infrastructure. Today the Island plays host to some 140 licensed fiduciary providers, ranging from large organisations to independent, boutique operations, with between £200bn and £300bn of assets in trust.

As well as a plethora of experience, Guernsey boasts substantial expertise in using the innovative modern structures that are available on the Island for the preservation of individual/family wealth and assets.

They are utilised to hold assets and investments of all types including residential and commercial property, intellectual property rights and yachts.

In particular, Guernsey is growing an excellent reputation in the emerging niche market of the family office, where it can build on its track record of providing products and services for individuals and families.

### **Integration and cooperation**

Although the ratio of the number of independent trust companies to those owned by corporate entities from other sectors – notably banks – remains fluid, regardless of formal ownership status there is without question ever-increasing integration and cooperation between sectors and particularly, although not exclusively, in the provision of wealth management solutions.

For example, the close links with the banking sector remain and notably these providers benefit from the influx of assets into the fiduciaries. At the end of December 2007 deposits with Guernsey banks had reached more than £119billion – a rise of £6.5bn (6%) during the quarter and £27bn (29%) over the year. As we will see below, these figures have also been swelled by flows from the Island's booming investment funds industry. On the back of such success, fiduciaries are increasingly looking to develop a funds presence in terms of providing administration and company secretarial services.

The cell company concept was pioneered in Guernsey for its pre-eminent captive insurance industry but both the Protected Cell Company (PCC) and now the Incorporated Cell Company (ICC) are being increasingly used across the financial services industry and particularly as a wealth management tool.

### **Latest developments**

A substantial amount of the business coming into Guernsey's fiduciary sector is introduced from within City of London law firms, with whom the Island has a close relationship and which was reinforced last year through a half-day seminar at the Institute of Directors (IOD) in Pall Mall. In January of this year Guernsey held the first in what will be a series of fiduciary dinner debates during 2008 and which are part of the Island's increased activity with key contacts to gain feedback on initiatives and provide an update on the latest developments within the sector.

A series of amendments to Guernsey's Trust Law, including the introduction of Purpose Trusts and abolishing the personal liability of directors in Private Trust Companies (PTCs), have now been approved and will be effective from Monday 17 March.

The final proposals from a review of the Guernsey Companies Law were passed by the Island's parliament, the States of Guernsey, at the end of January this year. The changes will place the fiduciaries as the gatekeepers to a more streamlined company incorporation process that from the summer of 2008 will be facilitated by a modernised, including automated, Company Registry and where annual returns will be replaced by annual validations.

With a fiduciary services heritage and modern legislation, Guernsey is now looking to the world stage and to expand its business from Europe, the Middle East and the Far East as the Anglo-Saxon Trust concept becomes more readily understood and recognised in these regions. Notwithstanding this, the Island is working on the introduction of Foundations.

### **Asset management and stockbroking**

Another area of expansion is the asset management sector. Subsidiaries of well known groups as well as independent investment boutiques provide individuals with fund products and also services, including stockbroking and dealing arrangements, for funds and discretionary investment management portfolios. The larger players are able to offer such opportunities to meet the wealth management needs of institutional investors.

### **Institutions**

Guernsey offers institutional investors not just the products and services afforded by the larger players in the asset management and stockbroking sector but also: the use of trusts for the administration of pension schemes and employee share plans; and investment opportunities through its thriving funds industry.

Funds under management and administration in the Island reached a total value of more than £178bn at the end of December 2007 – up 8% during the previous quarter and 37% year on year. Traditional funds continue to see solid growth but the most significant increases are in alternatives such as fund of hedge funds, private equity and property that are becoming ever-more popular amongst investors' portfolios, as well as more esoteric asset classes such as fine wine, fine art and timber.

Guernsey's four decades of experience in the industry has helped build on the Island's hallmarks of innovation and professionalism to grow an industry with a wealth of expertise and a first class infrastructure. Indeed, today, Guernsey plays host to an extensive array of investment businesses, including investment advisers and more than 50 fund managers, custodians and administrators, who in combination offer a range of products and services for both retail and institutional investors from the general to the more specialised.

World-renowned investment management companies have the operation of their investment funds facilitated in Guernsey, where there is high quality legal, accounting, valuation, registrar, company secretarial and audit services for the structuring, launch and administration of funds. Guernsey's administrative heritage is increasingly being complemented not just by the availability of custody services but also fund managers, ranging from larger organisations to more boutique operators.

The Island's success is built on the fact that, in addition to what I have already outlined, it also boasts: a range of flexible investment vehicles such as unit trusts, limited partnerships, PCCs and ICCs; a fast-track route for fund approvals; ease of listing on the Amsterdam Euronext; the Channel Island Stock Exchange (CISX), which is available for primary or secondary listings; a competitive tax environment; an experienced and qualified pool of non-executive directors; and robust yet pragmatic regulation.

### **The right conclusion**

Guernsey is proud of its heritage and continued success in meeting the wealth management needs of both private wealth and corporate money. However, we are far from resting on our laurels and continue to develop the Island's business environment so that we can offer clients – whether individuals/families or institutions – the very widest range of wealth management products and services both now and in the future.

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