

# Another level of trust

A range of financial services are available on Guernsey but its fiduciary sector is one of the most successful. Recent legislative developments have helped strengthen its offering and the Island is keen to spread the word globally, writes Peter Niven, chief executive of Guernsey Finance, the promotional agency for the Island's finance industry.



Peter Niven  
chief executive of  
Guernsey Finance

Since writing in this supplement at the same time last year there have been major changes on the world economic scene. The picture painted over the last few months in particular is of a global economy in turmoil. It is true that the difficulties have been more wide-ranging than most of us would have predicted and the full extent of their impact is yet still to be felt.

However, we can see that there is still a significant amount of private wealth out there looking for a home in a variety of suitable structures (and – albeit to a lesser extent – corporate monies seeking sound investment opportunities). In addition, the current economic crisis has triggered a “flight to quality.” It is perhaps not surprising then that Guernsey's fiduciary providers







continue to see strong flows of business.

At the same time, the Island has taken significant strides to build on its long-won reputation for excellence in providing trust and corporate services. This year we have enhanced our offering by introducing a new Trust Law, a new Company Law and a new Company Registry and it was these key developments that were instrumental in Guernsey being named International Finance Centre of the Year at the STEP Private Client Awards 2008/9.

Notwithstanding this, we are far from resting on our laurels. We are stepping up our efforts to promote our expertise in fiduciary services and work is ongoing to ensure that providers in the Island can offer clients the very widest range of products and services.

### **Progress without fanfare**

Guernsey's fiduciary sector has been a mainstay of the Island's finance sector over the last 50 years and yet its progress during this period has largely been without fanfare despite the fact that this

heritage has developed significant expertise and infrastructure.

Today the Island plays host to some 150 licensed fiduciary providers, ranging from large organisations to independent, boutique operations. Together they hold between £250 billion and £300 billion worth of assets in trust. Guernsey also boasts substantial expertise in using the innovative modern structures that are available on the Island for the preservation of both institutional and individual/family wealth.

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 trust services for individuals and families. In addition, the Island remains popular with corporate settlors using trusts for the administration of pension schemes and employee share plans. Corporate structures are utilised to hold assets and investments of all types, including residential and commercial property, Intellectual Property Rights (IPR) and yachts. Estate and inheritance planning are also key elements of the Island's wealth management offering.

### **Part of a team**

Fiduciary services is just one sector of the Island's finance industry, which also includes insurance, banking, investment management and investment funds providers, supported by a comprehensive network of legal, accounting, audit, tax and actuarial advisers.

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 June 2008, deposits with Guernsey banks had reached £128 billion – a dip of 1.1 percent during the last quarter but a rise of 18.5 percent over the year.

These figures have also been swelled by the Island's funds industry. The total value of funds business reached a new record high of more than £207 billion at the end of June 2008 – an increase of 1.7 percent over the quarter and 33 percent year on year. 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 within the funds and fiduciary spheres as wealth management tools.

### A cut above the rest

This September, Guernsey moved up three places to be ranked 16th in the *Global Financial Centres Index* (GFCI). I have no doubt that the series of changes introduced during this year, which impact on our fiduciary sector, has played a part in helping us attain this improved position.

On 1 January this year, Guernsey moved to a zero rate of corporate tax as standard. There is still no withholding tax on dividends paid, no capital gains tax, no inheritance tax and no value added or general sales tax and personal income tax remains levied at a maximum of 20 percent.

In March 2008 we saw a new Trust Law come on-stream. Some of the most significant changes included the introduction of purpose trusts, the removal of limits on the length of a trust's duration – allowing perpetual trusts – and the abolition of the personal

liability of directors, particularly as a way to encourage greater use of private trust companies (PTCs).

On 1 July this year a new Guernsey Companies Law was introduced in parallel with a new Guernsey Company Registry. This saw the Island's system for company formation and administration move from a court-based model to a streamlined statutory process. The Registry is utilising cutting edge online technology to provide users with incorporations in 15 minutes and prices starting from £100, whilst maintaining the Island's hallmarks of personalised service. The Registry also incorporates

further development of our finance industry so as to ensure that the Island's fiduciary providers can offer the very widest range of products and services to private (and corporate) clients.

Guernsey is also stepping up its efforts to promote and market the Island's fiduciary offering. A dedicated masterclass on the new Trust Law was held in London soon after it came on-stream and it was at this event that we were also able to restate our ability to provide Shariah compliant trusts. We have also been making significant progress in taking our message further afield.

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the office of the Intellectual Property (IP) Registrar. IP has become a key driver of new business to the Island as Guernsey continues to introduce a cutting edge suite of IP legislation, including image rights.

Even as these enhancements were being made, we have been hosting regular discussion forums with fiduciary professionals from London to help better understand their client requirements from international finance centres such as Guernsey. The results of these discussions will form the basis of proposals for the

In China we started the year opening a dedicated Guernsey office in Shanghai. By the end of the delegation to promote the Island's expertise in fiduciary services. Our practitioners have business from the region in the pipeline. The most pleasing aspect was the reception for our new Company Registry. In 2009, the work that we have started in London and the Far East, will be extended through Europe, India and the Middle East so that we are maximising our streams of business both now and into the future. 