

A SHORE THING

GUERNSEY IS TARGETING PRIVATE EQUITY AND HEDGE FUND BUSINESS TO GOOD EFFECT, DESPITE THE DOWNTURN

— PETER NIVEN, CEO, GUERNSEY FINANCE —



2007 the number of funds grew by 19 per cent and the value of funds by 37 per cent but last year this was tempered at eight per cent and 12 per cent 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/funds of hedge funds (as well as more esoteric asset classes). Consequently, the Island now has hedge funds/funds of hedge funds 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/funds of hedge funds), have shown the way by having the operation of their funds facilitated in Guernsey.

There are a good number – and equally attractively, a 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 and RBC, who can also act as custodians.

The number of fund managers based in Guernsey has also been increasing. This burgeoning 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.

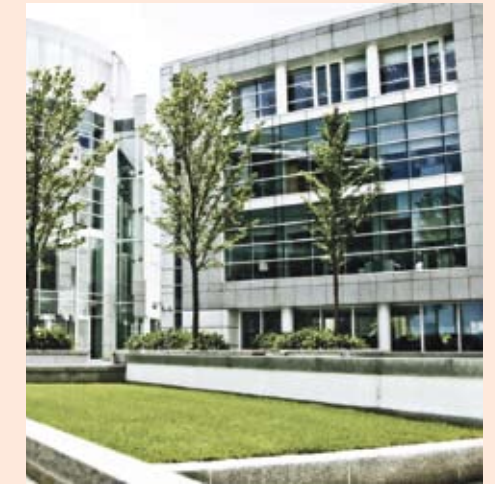
In addition, Guernsey's offering also includes a broad-based financial services industry comprising not just a wide range of investment businesses but also banking, fiduciary and insurance providers; support services such as multi-jurisdictional law firms and accountancy firms including the 'Big Four'; 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).

ENHANCED OFFERING

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 not to be overlooked for European managers is the convenience in terms of time zone and travel by it being situated between the UK and France.



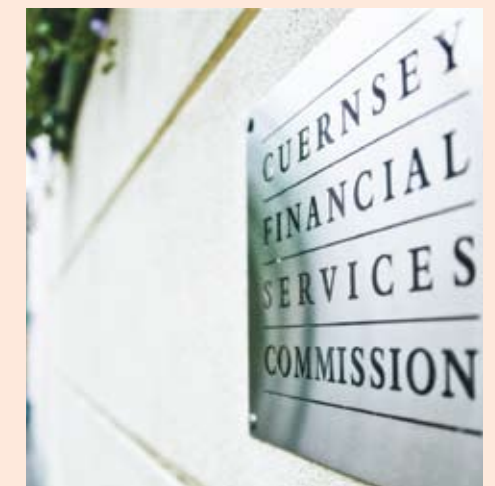
'Another major advantage of Guernsey not to be overlooked for European managers is the convenience in terms of time zone and travel by it being situated between the UK and France'

TAKING POLE POSITION

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 such as London – the centre that is, after all, our principal source of new business – so that we are in pole position to gain business when confidence returns and the markets pick up. **HEDGE**

Peter Niven is the chief executive of GuernseyFinance – the promotional agency for the Island's finance industry.
PO Box 655, North Plantation, St Peter Port, Guernsey, GY1 3PN • 01481 720 071
info@guernseyfinance.com; guernseyfinance.com



CALLING LONDON: A new campaign aims to target decision makers in London – the principal source of new business in Guernsey, according to Niven

GUERNSEY FACTFILE

LOCATION: Channel Islands
CAPITAL: St Peter Port
LANGUAGE: English
CURRENCY: British pound sterling (£) GBP
TIME ZONE: Same as UK (GMT)
POPULATION: 60,000+
ECONOMY: One quarter of workforce employed in financial services
FINANCE CENTRE: Banking, funds, asset management, fiduciary services, (re)insurance

I AM NOT ONE FOR BEING OVERLY negative but I think it is fair to describe the current global economic picture as gloomy. 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 world economic community. As a leading international finance centre Guernsey cannot be 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



GETTING THE MESSAGE ACROSS: Peter Niven sees his role at Guernsey Finance as being one of singing the many undisputed praises of the Island that has always made it such an attractive centre for doing business