

Guernsey – innovative fund structuring solutions through the use of cell companies

Guernsey is at the forefront of cell company development and their uses in the funds industry.

A pioneer with the PCC

More than a decade ago the Island of Guernsey pioneered a new concept – the Protected Cell Company (PCC). It was initially developed in response to the needs of the Island's pre-eminent captive insurance industry. Since then this versatile concept has become an increasingly popular solution for all types of financial services business, including the structuring of funds.

Using the PCC

A PCC is a company made up of a core and individual cells, where the legal segregation ensures that the assets and liabilities of one cell are kept separate and protected from the assets and liabilities of the other cells, as well as from the PCC's non-cellular assets and creditors.

PCCs are now well established among promoters of investment funds, where each cell can run a distinct investment programme. In addition, in terms of economies of scale they are more cost effective to establish than separate individual funds. For example, only a single board is required.

The segregation of assets and liabilities means that PCCs readily lend themselves to being used as 'guaranteed' or 'protected' products and can also be used to form special purpose vehicles (SPVs) for securitisation transactions.

Staying ahead of the game

The PCC structure has been hugely successful as an alternative vehicle for financial services solutions and, as such, jurisdictions across the globe have followed the Island's lead.

Guernsey though is always working to stay ahead of the game and by amending legislation has added extra flexibility to the structure.

The innovative ICC

Guernsey has also adopted the innovative Incorporated Cell Company (ICC) structure. An ICC has cells like a PCC but they are separately incorporated and distinct legal entities, with potential advantages in terms of added protection and flexibility.

Indeed, the attraction of this added flexibility has even more resonance in Guernsey where the legislation has been tailored so that the restructuring provisions of PCCs and ICCs include:

- An ordinary company can convert to a PCC or ICC
- A PCC can convert to an ICC
- An ordinary company can convert into an Incorporated Cell (IC) and become part of an ICC
- An IC can leave the umbrella of the ICC and convert into an ordinary company
- An IC can be transferred between different ICCs
- Two ICs can quasi-amalgamate
- Share capital can be issued in respect of the core and cell capital in respect of individual cells
- Individual cells can be wound up without prejudicing the healthy parts of the structure

Fund structuring

Guernsey is not only at the forefront of cell company developments but the Island has a broad range of service providers who are experienced and skilled at utilising them to provide exceptional fund structuring solutions for their clients.