



Opalesque Roundtable Series '16

GUERNSEY

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Editor's Note

Last year PwC forecasted an increase from \$10 trillion to \$18 trillion to be invested globally in alternative assets by the end of this decade. PwC predicts that hedge funds, private equity, and real estate investments will make up 75% of this \$18 trillion. Guernsey continues to be seen as a jurisdiction of choice for these alternative asset classes, including debt. Within each of the sectors, the jurisdiction has seen strong growth and more new niche products, in the funds sector for example FinTech focused funds, Islamic funds and impact investment funds.

Guernsey is the leading overseas jurisdiction for London Stock Exchange listings, and a global player in captive insurance. More than one-third of new insurance vehicles in Guernsey are being established as insurance-linked Securities (ILS), financial instruments whose values are driven by insurance loss events. Apart from the UK and Europe, Guernsey services a wide range of clients in China, Southeast Asia, United States, South Africa and the Middle East.

Guernsey's new Manager-Led Product is not only innovative but actually goes a step further than innovations we have seen in other jurisdictions this year such as the RAIF in Luxembourg, the NAIF in Malta or the still to be launched JRAIF in Jersey. Rather than just allowing the registration of a fund within 24 hours, both the fund and the general partner could be registered within 24 hours, subject to the general partner being the subsidiary of an fully licensed alternative investment fund manager.

The desire to innovate

The development of the finance industry on Guernsey goes back 50 years or more and really began to mature in the 1970s and 1980s through the fiduciary and international pensions industries and the investment funds business and insurance. The island's extraordinary focus and ability to innovate on a global scale became clearly visible in 1997 when Guernsey established the world's first protected Cell Company (pCC) legislation with the consequence of significantly boosting the insurance industry. Guernsey was also one of the first jurisdictions to start regulating trust company service providers (TCSPs) properly.

Right at these beginnings, Guernsey put in place specific regimes aimed at banks, captive insurance companies and then in time to funds as well. The regimes enable tax neutrality, which ensures that no additional layer of taxation is created within the investment structure. Investors, the end client, will of course pay tax in their home jurisdiction depending on their own position, but the fund vehicle and related entities set up in Guernsey suffer no taxation there, thus preserving tax **neutrality**. But ultimately, Guernsey's fund industry owes its success to the quality of people it has attracted over the decades and continues to attract today. Locals say the island has become pretty cosmopolitan, also thanks to initiatives like **Locate Guernsey** which assists companies, like fund managers, in coming and establishing physical presence in the island as well as helping to relocate senior executives there. At the end of December 2015, there were 173 investment managers operating from Guernsey with a combined gross assets under management of £142.5 billion.

Guernsey and the EU

Guernsey has never been part of the EU, which is the island's largest and closest market. 40% of Guernsey's private equity investment flows go into the EU, 64% of venture capital investments and 65% of infrastructure funds. From a marketing perspective, Guernsey alternative investment funds can market into the EU via the National Private Placement Regime. Over a considerable number of years Guernsey has been able to demonstrate **equivalence to EU standards** and offers a dual regime where managers can opt into an AIFMD equivalent regime, or they can also opt to stay outside of it. In fact, for many the Guernsey regulatory regime enhances speed to market and it can be less expensive and onerous than marketing a fully AIFMD compliant structure.

The European Securities and Markets Authority has given a very positive recommendation to the European Commission that Guernsey along with only four other so-called third party jurisdictions be granted an AIFMD passport, and the European Commission is currently reviewing the European Securities and Markets Authority's advice. Over the years, Guernsey has also adopted all international standards on transparency. MONEYVAL, the Council of Europe's anti-money laundering group which works on administering Financial Action Task Force standards in the European continent, gave the highest rate of compliance to Guernsey's Anti-Money Laundering and Counter-Terrorism Financing Regime that it has ever given to any jurisdiction.

The Opalesque Guernsey Roundtable took place in St. Peter Port, Guernsey, with:

1. William Mason, [Director General, Guernsey Financial Services Commission](#)
2. Annette Alexander, [Partner, Carey Olsen](#)
3. Haley Camp, [Founder, Centillion Consulting and Chair, Guernsey Investment Fund Association Technical Committee](#)
4. Christopher Jehan, [Founder, Midshore Consulting and Vice Chairman, Guernsey Investment Fund Association](#)
5. Dominic Wheatley, [Chief Executive, Guernsey Finance](#)
6. Matt Wood, [Director of Private Equity, Sanne Group](#)
7. Tony Mancini, [Tax Partner, KPMG Channel Islands](#)

The group also discussed:

- Why BEPS, the OECD's Base Erosion and Profit Shifting initiative, will not affect Guernsey
- Why Guernsey is viewed as an exceptional partner also for smaller firms
- What is Guernsey's Innovation SoundBox and how can managers profit from it?
- Connectivity / travel and the island's infrastructure
- Wealthify: The robo-adviser that came out of Guernsey
- How do regulators view robo-advisers?
- Work-life balance in Guernsey

Enjoy!

Matthias Knab
Knab@Opalesque.com

Participant Profiles



(LEFT TO RIGHT)

William Mason, Matt Wood, Annette Alexander, Haley Camp, Tony Mancini, Matthias Knab, Dominic Wheatley, Christopher Jehan

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Introduction

Tony Mancini
KPMG

My name is Tony Mancini from KPMG in the Channel Islands. I'm a Tax Partner here. About 80% of our business is related to investment funds, mostly private equity. The firm is primarily an audit firm but my team in Tax deal with the overall tax issues associated with the funds, their transactions, and fund managers.

Christopher Jehan
Midshore Consulting

Christopher Jehan, I'm the Managing Director and Founder of Midshore Consulting Limited, which I launched two months ago following a 21-year career at Investec Asset Management where I ended up as a director. Over those 21 years I have specialized in investment funds, although my consultancy focuses on regulation across the whole financial services industry. Half of my career has been spent in project management. I am also Vice Chairman of the Guernsey Investment Fund Association (GIFA) and I currently Chair GIFA's Brexit Working Group.

Haley Camp
Centillion Consulting Limited

Haley Camp. I am a Director and Founder of Centillion Consulting Limited, which was established a year ago to provide bespoke corporate governance and regulatory compliance services to local financial services businesses. Prior to that, I had spent 13 years in Guernsey's finance industry, principally in a corporate governance and company secretarial capacity, having acted across a broad spectrum of entities including FTSE 250 investment funds and largely alternative and esoteric asset classes. Immediately prior to establishing Centillion, I worked with new fund promoters in the establishment of several investment funds.

William Mason
Guernsey Financial Services
Commission

William Mason, I am the Director General of the Guernsey Financial Services Commission. Previously, I used to look after risk for the Central Bank of Ireland after the Irish financial collapse, rather than before, I am pleased to say. Prior to that I was with the Financial Services Authority and the Cabinet Office.

Annette Alexander
Carey Olsen

I am Annette Alexander, a Partner at Carey Olsen in the corporate group where I practice predominantly in investment funds and finance. Carey Olsen is the largest law firm in the Channel Islands, with offices in both Guernsey and Jersey. We also have offices in Cayman, the BVI and Singapore.

Dominic Wheatley
Guernsey Finance

I'm Dominic Wheatley, the Chief Executive of Guernsey Finance. We are the promotional agency for the island, promoting the full range of financial services, including investment funds, which represents about 30% of the local finance industry, as well as insurance, fiduciary, international pensions, investment management and banking. Prior to taking on this job in 2014, I ran the Willis operation in Guernsey.

Matt Wood
SANNE

I'm Matt Wood, a Director in SANNE's private equity business division and based in Guernsey. Sanne is an independent global provider specializing in fund and corporate administration. I have about 20 years of experience in alternative investment fund administration and accounting. I trained as a chartered accountant with PwC here in Guernsey and subsequently worked in alternative fund administration in London and Dubai before returning to Guernsey in 2009.

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Dominic Wheatley: What we have noticed is the tendency towards more niche products within each of the sectors. Within the investment funds sector we have seen the emergence of a number of FinTech-focused funds. There are some other trends around the development of Islamic funds and impact investment funds as well.

More than one-third of new insurance vehicles in Guernsey are being established as Insurance-Linked Securities (ILS), financial instruments whose values are driven by insurance loss events.

ILS is a significantly growing sector and it's driving a lot of the growth in both our insurance and investment funds industries here.

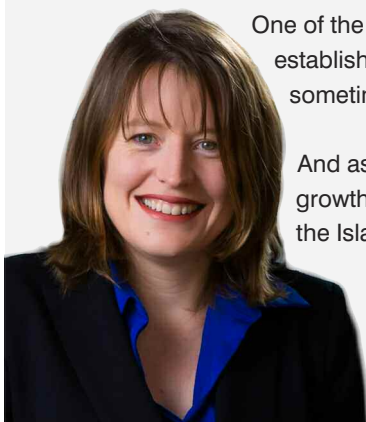


Annette Alexander: The funds sector has continued to grow over the last 12 months. Guernsey continues to be seen as the jurisdiction of choice for alternative asset classes – private equity, infrastructure, debt and real estate.

One of the most significant things that we have seen in the last 12 months is that the private equity funds established in Guernsey by the major private equity houses have been significantly over-subscribed, sometimes by several billions, so that is a very strong sector.

And as Dominic says, ILS has been a growth area in the last 12 months and will continue to be a growth area for Guernsey. The last 12 months have also seen a consolidation of service providers on the Island and we believe that this trend will continue.

Guernsey has also continued to grow its international relations during this time signing a memorandum of understanding with the China Association of Private Equity.



Dominic Wheatley: If we go back 50 years or more, the finance industry was limited to providing offshore bank accounts to UK and European depositors. The fiduciary and international pensions industries matured next. Investment funds business began to grow in the late 1970s or early 1980s. The insurance industry, although long-established, received a significant boost in 1997 when Guernsey established the world's first Protected Cell Company (PCC) legislation.

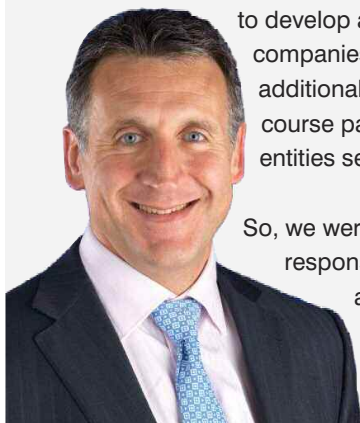
A significant landmark in the development of the local finance industry was the establishment of the Guernsey Financial Services Commission (GFSC) in 1987 and the implementation of the laws which still govern the provision of financial services in Guernsey.

Today, Guernsey specializes in the administration of private equity and other closed-ended investment



funds, London Stock Exchange listings (in which we are the leading overseas jurisdiction), and captive insurance.

Tony Mancini: I am probably a bit biased by my profession here, so let me add that in my view one of the main reasons why Guernsey has succeeded and successfully continued to succeed as a finance center is based on its tax regime. As a small self-governing jurisdiction, we determine our own tax regime. Right back at the time when Guernsey first started to develop as a finance sector, we put in place specific regimes aimed at banks, captive insurance companies and then in time to funds as well. The regimes enable **tax neutrality**, which ensures that no additional layer of taxation is created within the investment structure. Investors, the end client, will of course pay tax in their home jurisdiction depending on their own position, but the fund vehicle and related entities set up in Guernsey suffer no taxation here, thus preserving tax neutrality.



So, we were able to do that 40 odd years ago. About ten years ago we were adapted the tax regime in response to changes in international standards, but we can still ensure that tax neutrality. That, alongside with the other aspect of the sector such as infrastructure and a very good regulator means that Guernsey over the course of 40 years has become a secure, well-regulated and well-respected jurisdiction that can deliver on the tax neutrality.

William Mason: One thing to add from our focus as a regulator is that we are really committed to understanding innovative businesses. For example, over the last year we have seen 30 new enquires relating to innovative businesses.

During that period, we have seen a total of 87 fund schemes established in Guernsey and the net asset value of our open-ended schemes grew 5.6% from June last year to June 2016 and the closed-ended schemes have grown by 13.2%.

As Dominic mentioned, we are of course recognised for our expertise in LSE listings, so as at the end of last year we had 129 Guernsey incorporated entities listed on the main market, the alternative investment market or the specialist fund market.



Matt Wood: In the '80s and '90s, private wealth administration departments of banks and trust companies in Guernsey started to administer collective investment schemes as well as private wealth structures. This development then saw teams specializing in fund administration. During the last decade we have seen the first fund administration businesses spinning out from banks, trust companies and law firms.



In recent years the evolution of fund administration teams continued. For instance at SANNE, we have dedicated multi-jurisdictional asset class specialist teams focused on real estate, private debt & capital markets, private equity or listed funds and hedge funds. Being a specialist in an asset class is a huge benefit as it strengthens and diversifies Guernsey's product offering. The market now requires fund administrators to have asset class expertise backed up with industry leading technology. Guernsey therefore continues to be an important international financial centre which is at the forefront of development in asset servicing, especially in alternative investment funds.

Christopher Jehan: If I look at the evolution of the Guernsey funds sector, 20 years ago we were predominantly in the open-ended fund space. Now with the dominance of the UCITS brand, we have moved away from the open-ended sector towards the closed-ended space investing in those long-term holding asset classes like real estate, private equity and infrastructure that we have become known for. That doesn't mean we don't do open-ended, and we still do have a number of open-ended administrators here. But by nature of what has happened in the rest of the world, Guernsey's business model has evolved in the fund space.



Haley Camp: When talking about the history and evolution of Guernsey's funds industry, I think it is very important to mention the people who work tirelessly behind the scenes to drive its success. In addition to the plethora of highly skilled practitioners on island, as an industry, we are very fortunate to have the support of the Guernsey Investment Fund Association, comprised of senior members of the industry from across several key competencies who give their time entirely free of charge to address threats and challenges, to develop opportunities, to educate and to share information.



Ultimately, Guernsey's fund industry owes its success to the quality of people it has attracted over the decades and continues to attract today, whether fund administrators, lawyers, accountants or the regulators. As the old adage goes, "people do business with people" and, whatever the asset class, investor base or fund size, investment funds are very much a people business.

Matthias Knab

Christopher mentioned UCITS, which is of course an EU product. Guernsey is not and has never been part of the EU. Can you please describe relations to the EU and what opportunities Guernsey can offer in respect to that?

William Mason: At the moment, our alternative investment funds can market into the EU via the **National Private Placement Regime**. Guernsey negotiated with the European Securities and Markets Authority, the umbrella regulator for the European Union, and on the back of that discussion we also signed MoUs with the different national supervisory authorities for funds within the European Union. So, currently, Guernsey funds can be marketed under the National Private Placement Regimes.

We are also in a process with the European Union about a **funds passport**, which is allowed under the AIFMD directive. The European Securities and Markets Authority has given a very positive recommendation to the European Commission that Guernsey along with only four other so-called third party jurisdictions be granted a passport, and the European Commission is currently reviewing the European Securities and Markets Authority's advice.





Dominic Wheatley: Although Guernsey has never been part of the EU, it is our largest, closest market upon which we are reliant for much of our business.

Despite much uncertainty surrounding the European project brought about by Brexit, we have very recently published figures about the investment funds industry locally, which showed healthy growth of £10 billion during each of the two quarters in the run-up to the referendum. I hope you'll agree this shows how robust our island's economy is.

Annette Alexander: Guernsey's long standing policy has been not to seek change to its formal relationship with the EU. Guernsey was a third country to the EU before the vote, it remains a third country to the EU now, and, it will remain a third country and outside the EU when the UK eventually leaves the EU. As William states, over a considerable number of years Guernsey has been able to demonstrate **equivalence to EU standards** and there is no reason to suggest that existing market access rights will be impacted.

The Protocol 3 to the UK's treaty of accession to the union which allows for free movement of goods with the EU will fall away when the UK eventually leaves the EU.



Matt Wood: We see existing and new promoters raising Guernsey domiciled funds and marketing them in to Europe using the National Private Placement Regimes. For many **the Guernsey regulatory regime enhances speed to market and it can be less expensive and onerous than marketing a fully AIFMD compliant structure** from within an EU jurisdiction. This is especially so with private funds that are often only marketing to a relatively small number of institutional or sophisticated investors.

Once third country passporting is introduced to non-EU countries that qualify, then we expect this to become a popular route for Guernsey domiciled funds too. Don't forget also that there are a lot of non-EU investors that prefer Guernsey domiciled funds because they do not need the regulatory burden of investing via AIFMD compliant structures and the costs associated with that. Those investors are looking for a secure and proven offering and fund promoters want to benefit from that.



William Mason: I am sure that in the end the UK will end up with a very good trade arrangement with the European Union, but clearly the essence of that trade agreement is unknown at the moment.

Nevertheless, it is important to realise that this uncertainty will not affect Guernsey funds, because we are treated by the European Union as a third country, and our access rights for the National Private Placement Regime and hopefully in due course funds passport is through being a third country, i.e. a country that is not part of the EU. So, for the next couple of years, while the UK goes through the Brexit process, Guernsey can offer stability to anybody wanting to set up a fund.





Dominic Wheatley: In the run-up to Europe's evaluation of Guernsey's third country status under AIFMD, the Commission undertook some very interesting research on passporting. The conclusions they came to were very positive and the expectation is that AIFMD and third country passporting will create many opportunities for Guernsey.

However, William mentioned uncertainty in terms of the outcome of Brexit and the relationship between the UK and the EU, but there is some uncertainty about the implementation of the AIFMD passporting as well and the future of the National Private Placement Regime, and that uncertainty is always in the back of our minds. However, until the third country passporting is actually introduced, Guernsey remains a very attractive location to raise funds within the EU using NPPR, which has the big advantage of being tried and tested. Sponsors know they can have complete confidence in this route to the EU market.

Annette Alexander: Perhaps it's worth mentioning that Guernsey already has a **dual regime where you can opt into an AIFMD equivalent regime**, or you can also opt to stay outside of it. Opting in at the moment won't get your passport because it's not available, but it does enable you to say to your investors, "We are regulated to an equivalent standard by the Guernsey Financial Services Commission", which is an internationally recognized regulator.

It remains to be seen what happens with the National Private Placement Regime, whether or not those will be switched off in the EU. We have a large number of clients who would prefer for them to remain, because as Matt says they find it quite easy to use the National Private Placement Regime, and if they are continued in some countries that is another attraction to Guernsey.



Haley Camp: As those before me have mentioned, Guernsey has a rich history in the investment funds space and has established itself as a robust player. When we look at how Guernsey has positioned itself as a funds industry of choice, I believe what sets us apart is our ability to be innovative. The landscape is constantly evolving and Guernsey's strength has been and remains to be its ability to put solutions in place to address these developments.

Annette has already mentioned one example of this, being the dual-AIFMD regime enacted in Guernsey to provide the widest solution possible for Guernsey investment funds at this time, whether looking to Europe for capital raising or elsewhere. And, looking through Guernsey's history, we also see other examples where we have been at the forefront, answering the needs of fund promoters and fund managers. A prime example of this has been in our corporate regime, where we were the first to offer the **protected cell company** and subsequently the incorporated cell company. These new types of company allowed for solutions to emerging challenges whilst retaining an ultimate fund structure that had long existed in Guernsey.



I am confident that Guernsey's ability and **desire to drive innovation** in this sector will continue. For example, the island is working hard to perfect and adapt its fund offerings against the changing backdrop that major legislation such as AIFMD and major events such as Brexit present. As we recognize the threats but also the opportunities of such events, working with industry and the regulators, I am sure that we will come up with answers that continue to work with those fund promoters, managers and lawyers that recognize Guernsey as a domicile of choice.



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Christopher Jehan: It's interesting to know that in the last couple of days, both the Tax Incentivised Savings Association (TISA) and the Association of Investment Companies (AIC) have said that they don't actually consider the AIFMD passport essential in the Brexit negotiations. They actually see more possibilities for the UK in using National Private Placement.

I find it quite interesting that at a point where we are looking towards the passport, there are bodies in the UK actually saying maybe they don't necessarily need it. Therefore, having that multilayered regime where we still have access to private placement on top of the passport may actually be of some benefit to Guernsey.



Annette Alexander: We need to remember that none of us knows whether or not the National Private Placement Regime will be turned off in the EU, and similar to what you said, Chris, this is the message we are getting as well. There are some lobbyists out there who are petitioning the EU not to turn it off but we don't know the outcome. *If the NPRR is turned off, then the passport is going to be the only access to European investment.* It has been confirmed that there are no significant obstacles regarding investor protection, competition, market disruption and the monitoring of systemic risk impeding the application of the AIFMD passport to Guernsey, and this puts Guernsey in a good position.



William Mason: The British Prime Minister was recently very clear about executing a clean Brexit, but in any case the UK as well will still have a National Private Placement Regime to which we as Guernsey are accredited to, irrespective of the status of the UK vis-à-vis the European Union.

I think the other point we shouldn't forget is that people invest in funds for an end, because the fund and its assets serve a purpose. So, from a Guernsey perspective, **40% of our private equity investments go into the EU, 64% of our venture capital investments go into the EU as do 65% of our infrastructure funds.** These asset flows are of course very important and valuable for Europe, which, like any other place, desperately needs investment to create jobs, so we are creating a win-win here. We provide a tax neutral domicile, which is reasonably regulated, and which facilitates this onward investment into the European Union to hopefully create the growth and jobs which the European Union economy needs.



Tony Mancini: I agree with William that there is a very compelling argument to be made as to why Guernsey's funds should continue to have access into Europe.

The problem we face is that the decision making on granting access is a political decision and not an economic or technical decision. Within the European Commission and in some of the member states there is a strong desire to enforce their own tax standards on the rest of the world. This can be seen in the recent Anti-Tax Avoidance Directive. One element of this work is to identify jurisdictions that do not have "tax good governance"; a key aspect of which is tax measures that potentially attract business with little or no connection to that jurisdiction. Such measures are few as harmful tax practices.

For some Continental European politicians, any regime with tax rates lower than their own is harmful. There are very, very good strong economic and business reasons as to why Guernsey should continue to have access to European markets, but some politicians and decision-makers cannot see beyond headline tax rates.



Tony Mancini: It does, it is part of the same general trend and the wider movement which has been seen in the issues of governance around tax morality and tax transparency.

Tax morality has been driven off the back of the crash back in 2008 and 2009, and the perception, driven by media interest, that big businesses, in particular global tech businesses like Amazon, Google, Apple, et cetera, were able to exploit differences in national tax regimes to reduce their tax bills. So if you are clever, and you employ clever tax accountants, if there was such a thing, then you are able to exploit those gaps. And so, stories in the media of global businesses with allegedly low tax bills upsets the public, particularly among populations who are still feeling the effects of austerity in their jurisdictions.

So, there is therefore a drive for politicians to do something about it. BEPS, which stands for Base Erosion and Profit Shifting, initially started by the OECD, a supranational body based in Paris, an organization of the rich countries essentially. The OECD was tasked with coming up with a solution to the problem of the US tech companies gaming the global tax system.

The OECD came with 15 action points, and as often in the case when many people deal with a perceived problem or perceived issue – in this case the ability of global players to exploit gaps between tax regimes – please allow me the metaphor, you have a huge sledgehammer to crack the nut, which means there will be some collateral damage. So *for us in Guernsey, given what **BEPS** is intended to target, shouldn't affect us at all*, because we are a finance center. I do not believe that the likes of Google, Apple, Amazon, et cetera, have operating entities in Guernsey. The reason for that is that the tech firms choose places to go to like Luxembourg, Ireland and Netherlands, because these jurisdictions have very good treaty networks and are within the EU. *We do not have these treaty networks, and so you would not typically do corporate tax planning through the Channel Islands.*



Dominic Wheatley: Haley said earlier that one of the advantages of being a small jurisdiction like Guernsey is the ability to respond quickly to keep our infrastructure and regulations in line with evolving international and global standards.

If you go back to 2008, the finance industry received a significant reputational blow. There has also been a marked deterioration in the reputation of 'offshore', particularly because people associated it with unacceptable tax practices. Now, we make our living as an international finance center, so it's absolutely in our interest to do everything we can to implement the very highest regulatory standards.

Our success in this area was highlighted in January when Guernsey was found 'compliant' or 'largely compliant' in 48 of the 49 Financial Action Task Force (FATF) recommendations on anti-money laundering and combating the financing of terrorism, *the highest standards of any jurisdictions so far assessed.*

Therefore, we are not a reluctant follower of these initiatives, but an enthusiastic disciple.



William Mason: On BEPS, it's worth making a few key points just to reinforce what others said about Guernsey being a jurisdiction of substance. We have a very large number of people working in our financial services sector. We are not what is euphemistically called a brass plate jurisdiction. If you are running a business in Guernsey, you will be having some people in Guernsey, you'll have a payroll in Guernsey and you'll be doing things in Guernsey. That is why I think we are far less affected by BEPS than some other places might be.

Also, when we talk about Guernsey standards and so forth, please don't just take our word for it. For example, early this year **MONEYVAL**, which is the Council of Europe's anti-money laundering group, which works administering financial action task force standards in the European continent, gave the highest rate of compliance to our Anti-Money Laundering and Counter-Terrorism Financing Regime that it has ever given to any jurisdiction. We are independently reviewed as meeting these standards, we don't just pay a lip-service to them.



Matt Wood: Initiatives such as AIFMD, FATCA, and BEPS usually provide opportunities for businesses like ours. It enables us to enhance and add value to the services to the funds that we administer. Typically we provide extra reporting and regulatory compliance for the funds, their investors and the various authorities in response to such initiatives. At the same time technology evolves to assist with this. It is also worth noting is that in recent years funds have redomiciled from other jurisdictions to benefit from these services as well as to benefit from Guernsey's reputation as a well-regulated jurisdiction.



Dominic Wheatley: The reactions that we receive as the promotional agency for Guernsey at the events that we run, the events we attend and the interactions we have with people in the market, very much supports the idea that there is a trend towards high quality jurisdictions and jurisdictions of substance, as William mentioned.

The excellence of the business infrastructure, which includes the major offshore law firms and Big Four accounting firms, together with the quality regulation and the island's tax neutrality, is what clients are increasingly looking for. That was apparent to us many years ago when we adopted our strategy of being, as I've said a few minutes ago, a very enthusiastic disciple of tax justice and transparency.



Tony Mancini: That's correct, so over the years Guernsey has adopted all international standards on transparency. We are working with the OECD to make sure we are compliant with the standards that they are setting for BEPS, and as William has mentioned MONEYVAL has given us the highest ratings for our AML regulations and how they are enforced.

We're going to see the benefits of our policy in those three areas in particular. As part of the European Union's anti-tax avoidance package, the key criteria for determining whether or not a jurisdiction is "uncooperative" will be around whether a jurisdiction has complied with BEPS, has the appropriate transparency provisions in place and has a compliant and consistent FATF approved AML regime in place.

So because of the policy we ticked their boxes, and therefore, we shouldn't be listed as a non-cooperative jurisdiction. The benefit for us is that what the EU proposes to do is if you are a non-cooperative jurisdiction, then they're actually imposing sanctions on businesses in those countries.

Therefore, all the work that have been done over the last 10-15 years in Guernsey actually puts in



a great position to win some of the business that once were well-regulated, well-respected jurisdiction like Guernsey continues to be.

Matthias Knab

Talking about transparency, I have read when doing my research on Guernsey that you also have a registry for beneficial ownerships?

Tony Mancini

Actually, we have had these registries for a number of years now in the hands of individual financial service providers on the island. The change will be the introduction of a centrally held register. If an appropriate tax authority, law enforcement agency or government wants access to that information for a good reason, they will be able to obtain that quickly.

Annette Alexander

One of the key themes of BEPS is substance. This shouldn't pose issues for Guernsey due to its long standing focus on substance/physical presence. The advent of BEPS could see fund managers executing an effective insourcing of some of their administration services which could in turn promote a growth of the footprint of managers in the island demonstrating the substance required under BEPS and we see the BEPS project an opportunity for Guernsey to highlight its continued regulatory and procedural regime, differentiating itself from other offshore jurisdictions dealing in 'brass plate' companies.

Matthias Knab

When I read about that registry of beneficial ownerships, it seemed to be something really unique putting Guernsey again at the forefront of these innovations.

William Mason: I think it's fair to say that way back before registers of beneficial ownerships became fashionable, some 15 to 16 years ago, we were one of the first jurisdictions to start regulating trust company service providers (TCSPs) properly. They are not, for example, regulated in the United Kingdom. If you want to run a business doing trustee and company service provision in Guernsey, you have to be regulated by the Financial Services Commission. We regulate to the Trustee and Company Service Provider Standard, which is the international standard established by the Group of International Financial Centres Supervisors (GIFCS), which sets out certain principles for how one should regulate TCSPs. It includes, of course, having access to beneficial ownership information.

I believe that this together with the fact that our courts have got an excellent level of skills in this area is a very powerful position for us to be. We have got a very strong reputation for financially skilled judges administering justice impartially in a timely fashion. I think this is also a quite important aspect.



Dominic Wheatley: We talked about the reputational set back the finance industry suffered from the global financial crisis in 2008. In this context, I believe it is important to communicate to the broader public (including politicians and the industry press) how the regulatory standards have improved and how international finance works.



In the case of Guernsey, I think it is fair to say that having started some of these regulations 16 years before many others has given us a real **head start** in having the infrastructure and the culture in place. I am looking at Haley here because I think her business and her discipline is very much based around compliance, which has become a very well established profession in the island because of the discipline the GFSC has imposed upon the industry.

Haley Camp: Yes, I would absolutely agree with that. When I am working with businesses locally, I see that very much in action. It's not simply a case of knowing your business, but knowing who you are doing business with at all times. The structures in place in every business that I work with are very robust in that they get to the very heart of such details, but are also prepared to flex and adapt to what is an ever-growing area of note. As a jurisdiction, it is absolutely essential that we do work on such a level.

Because of Guernsey's continued dedication to high regulatory compliance, corporate governance and anti-money laundering standards, we are able to achieve very good MONEYVAL reports and gradings as it were. It is also important to note, especially when we are talking about things like beneficial ownership registers and major tax transparency initiatives, such as BEPS, that Guernsey consistently demonstrates its willingness to play its role in transparency, because this information is part of what people are looking for from well-regulated jurisdictions.



Christopher Jehan: In general, Guernsey is either at the forefront of international regulation or coming up with its own new innovative products. In the fund sector this year we saw The **Manager-Led Product** coming out, which is innovative and *actually goes a step further than innovations we have seen in other jurisdictions this year such as the RAIF in Luxembourg, the NAIF in Malta or the still to be launched JRAIF in Jersey.* I think we are unique because rather than just allowing the registration of a fund within 24 hours, both the fund and the general partner could be registered within 24 hours, subject to the general partner being the subsidiary of an fully licensed Alternative Investment Fund Manager.



This new feature was largely possible thanks to the hard work of the regulator, and I believe there will be other products in the offering in the future, which will keep Guernsey at the forefront. Let me just add that the fact that the regulator is pragmatic and approachable means that we can potentially offer just about any innovative asset class a fund home. Our existing stable of funds can be home to any asset, so really we already have very flexible structures in place here.

Our regulator has implemented an innovations team that can be approached with any new idea. This will then go through some process internally that I'm sure William will be able to expand on.

William Mason: Correct, on the innovation side, we have what we call an **Innovation SoundBox**. Other countries have their so called regulatory sandboxes, which I know they are very pleased with, but it's also very limited what you can actually do in a sandbox.

We like to think that our sandbox is rather more effective because we encourage communication with our sandbox approach, so basically someone is coming along with a cup of coffee and talking to us about what their proposal is with us giving some feedback about how that could work within the regulatory laws as we have them. It's about an open door since our conversation is about how one manages the risks with any new product to investors, to consumers, to financial stability, and how one structures them in a sensible fashion.

Because we are a small jurisdiction, you can walk around Guernsey and see everybody with different sets of complementary expertise in a day. It's quite attractive to be able to knock on the regulator's door and talk to the people from the Innovation SoundBox team for people who have got new innovative ideas of some sort or other.



Annette Alexander: As a jurisdiction Guernsey has had to innovate to meet client needs and to meet the demand for products in the marketplace. Part of what assists us in being innovative is the business minded approach of the government and the Guernsey Financial Services Commission. The GFSC, the government and the industry work closely together to come up with new products and to resolve potential issues. We have a nimble government and regulator who can react quickly to developments in the international arena. The manager led product is an example of this. There are also other products in consultation such as the very private fund regime.

Dominic Wheatley

Annette is right in pointing out again the connectedness and the agility of the industry's stakeholders. It's a real competitive advantage when you have that ability to respond in a timely manner.

Matt Wood

Last year PwC forecasted an **increase from \$10 trillion to \$18 trillion to be invested globally in alternative assets by the end of this decade**. PwC predicts that hedge funds, private equity, and real estate investments will make up 75% of this \$18 trillion. So whilst we have some good tailwinds to help Guernsey (with deep expertise in servicing these three asset classes), the jurisdiction will need to continue to develop its product offering and innovate in order to accommodate the market as it grows and develops.

Dominic Wheatley

Coming back to innovation, I think it's worth noting that some quite innovative products launched recently from Guernsey. There is an UK-based robo-adviser called Wealthify that was an innovation that came out of Guernsey. The co-founder was born in Guernsey and trained here at one of the island's investment management houses. Much of the seed investment came from the island's angel investor network. A local investment adviser is still retained by Wealthify for their expertise.

Those sorts of FinTech products are very much a part of where the island is headed. Led by a committee made up of people from the government, regulator and industry, who are very much developing the island as a centre of innovation.

Matthias Knab

Can you give us more details about Wealthify, the product that originally came out of Guernsey?

William Mason: It's quite exciting that this product was developed in Guernsey, we are essentially talking about **robo-advisor technology**. I can remember many years ago when I was working as a supervisory manager for the Financial Services Authority in the UK, we were wrestling with this problem of, frankly, vast numbers of retail consumers getting really pretty atrocious investment advice.

The underlying problem is of course that it's actually been found not to be economic to provide advice to those of modest means. So for me, from a regulatory consumer protection and general welfare of the population point of view, this is one of the most exciting aspects of FinTech. Robo-advisors should enable mass market consumers to get good quality advice about how to meet their investment needs at zero marginal cost. So again, it is very nice to see the ideas and some of the capital for investing in these technologies coming out of Guernsey, particularly as this is a sector that many other economies and regulators regard as a necessary growth area.



Matthias Knab

We already spoke about the depth and the diversity of the finance sector here in Guernsey. I found a document with data from 2014 saying that over 50 service providers, custodians and administrators offer a large range of products and services from here. Do you also have a community of investment managers here, and how is it evolving?

Christopher Jehan: My immediate background until two months ago when I set up the consultancy was at Investec Asset Management Guernsey Ltd, which was the fund management company where I worked for 21 years. In that time we established many different funds here. Initially we were in the open-ended retail fund space, predominantly actively sold in jurisdictions such as the UK, Switzerland, Hong Kong, Taiwan and South Africa. Then we evolved more into the alternative open-ended fund space, and ultimately continued evolving into private equity, infrastructure and real estate closed-ended funds. Investec is one example of many fund managers that operate here.



There are private equity management companies where the substance sits here in Guernsey. Maybe they have investment advisers operating within their structure elsewhere in the world, but the management company itself, I guess the ultimate decision-making hub, sits here and has evolved here. We are seeing more interest in that space and more fund managers establishing in Guernsey than it has been the case for many years.

So apart from the service providers we also have an expanding investment knowledge capital here. Maybe some of the investment activities are outsourced, but those firms have the management company and substance here, which is important for frameworks like AIFMD,

MiFID or BEPS, and this is part of the argument for Guernsey.

One of the recent initiatives launched here is **Locate Guernsey**, which was set up to assist companies, like fund managers, in coming and establishing physical presence in the island as well as helping to relocate senior executives here.

Dominic Wheatley: Locate Guernsey was set up in 2015 but it really got going this year. It focuses not only on assisting companies moving here, but also to get out there and bring the message to companies that might benefit from being here about what the benefits of being in Guernsey are. And there are a range of business benefits we have spoken about, but also lifestyle benefits as well. This is a very, very nice place to live.

My commute is a very pleasant 20-minute walk down through Candie Gardens, and it's actually just enough time for me to get into the mood for work and think about a few issues on the way and to relax and listen to a few tunes on the way home. This daily, almost tangible benefit in terms of your **work-life balance** is very much part of what the island offers in terms of locating new businesses here.

We did identify that substance was going to be increasingly important. This wasn't an accident, we have actually targeted the asset management space particularly as being the type of business that would do very well in Guernsey and where the advantages of being in Guernsey would be good for them, and their presence here would be good for us, so it's a sort of win-win.



William Mason

In terms of the diversity of the actual types of funds, Guernsey has clearly had a reputation for a long time in private equity, but what we observe as a Commission is an increase in the number of funds investing in debt assets and in infrastructure assets. So, while the historic heart of the Guernsey fund sector could be described as having been private equity, we are now seeing other areas of expertise growing quite rapidly.

Annette Alexander: That's right, our traditional area was private equity, but we also have extensive expertise in **infrastructure, real estate and debt**, all of which we have seen a lot of over the last few years. One of the biggest infrastructure fund closings in Europe in 2016 was the Macquarie Infrastructure Fund which is domiciled in Guernsey, it closed with €4 billion in commitments. So Guernsey has a good track record in this area as well, so we are not just limited to private equity.



Guernsey has a broad spectrum of investment management providers, varying from subsidiaries of international investment houses to independent boutiques. In combination these firms deliver the widest range of stockbroking and investment management services for private clients, investment funds and institutions. At the end of December 2015, there were **173 local investment managers** reporting combined gross assets under management of £142.5 billion.

Locate Guernsey was successful in helping tech fund manager Nick Magliocchetti move to the island. As well as moving his home to the island after spells living and working in London, Paris, Milan, New York, Moscow and the Balearics, Mr Magliocchetti has also selected Guernsey as the base for his new fund and other enterprises. Mr Magliocchetti's view of the Island was:

"The welcome and clear opportunities to add value here on a personal and corporate level was a big decider for me to consider Guernsey as a suitable location for me and the new structure. The regulatory environment and the excellent professional services community were very big positives. We firmly believe there are technologies out there that can significantly move the dial on a global scale. We want to bring these technologies to Guernsey, not only as investment opportunities but also as tech to add value to Guernsey, its companies and the also hopefully the government."

Mr Magliocchetti and David Raskino founded their new fund Eternity Capital, which is a Guernsey-based structure which focuses on investing in 'world class' teams and companies. Guernsey is very active in the Fintech sector and will shortly host as Finvention at which new Fintech ideas can be presented and discussed. The regulator is consulting on the regulation of certain aspects of the Fintech industry.

Christopher Jehan

The other thing to note is that Guernsey fund managers can run Guernsey funds, but of course they can also launch funds in other jurisdictions throughout the world. With a management company in a quality jurisdiction, you can actually do many other things, including running bespoke individual mandates for clients which a manager or substance you can do.

William Mason

What we have done with the manager-led product which we launched in May is to come up with a fund structure for Guernsey, which we certainly believe is best of breed vis-à-vis products from other domiciles, and it gives fund managers flexibility. Whilst I am delighted that Guernsey businesses are benefiting from managing funds from elsewhere, there is actually much less reason than ever before not to actually use a Guernsey structure itself.

Matthias Knab

From which geographies and regions do you see most of the business and growth coming for Guernsey?

Dominic Wheatley: This is an important question, because there has been an assumption that a lot of our business will continue to come from London. But one of the major initiatives over the last few years was to extend the markets in which we promote Guernsey as an investment fund destination. We are very active in China, Southeast Asia, the United States, South Africa and the Middle East.

This year we opened an office in Hong Kong where we provide a desk from which a representative from the GFSC can provide regulatory advice.



Matthias Knab

We spoke about infrastructure, the great weather, quality of life and work balance with shorter commutes, etc. But Guernsey is also an island, so there are some natural limitations. What is the situation for people and firms who want to locate and build substance here in terms of residential and commercial real estate, schools, etc.?

William Mason: A trip to Guernsey starts by getting here, so for example we have two direct flights a day from London City Airport, which are very useful. You can come in the morning and go back evening, if you just want to do a day trip, and you'll land near the City of London and Canary Wharf, which is very helpful. We also have lots of other flights to other London airports as well as flights to other UK cities.

Guernsey has open market housing where anybody who has the right of residence in the European Union can buy, live in thereby giving themselves rights to work in Guernsey. There are currently good numbers of open market houses and flats available to buy or rent.



One of the reasons Locate Guernsey was set up was to facilitate conversations with the regulatory authorities, not so much myself and my colleagues, but rather those in charge of housing and immigration policy. It can be very helpful to those considering redomiciling to establish a financial services business. So if you are coming in as a business investor, then you might be able to get a license which would enable you to get access to local market housing, which tends to be slightly less expensive than open market housing. Our infrastructure is good, and while we are an island, we have good air links and a good ability to allow people to come here.

There are three secondary private schools on the island and a very good grammar school, so you can go single-sex boys, single-sex girls, co-ed private, or the co-ed grammar school in terms of educational opportunities. This gives people quite a range of choice.

Dominic Wheatley

Locate Guernsey is designed to be the central point where you can access all you need to relocate yourself, your family and your business to Guernsey. All is provided by the Locate Guernsey team through a very straightforward and easy process.

And as you have seen yourself, Matthias, St. Peter Port is not a very large town, so you can meet with your lawyer, accountant, administrator, plus representatives of the government and the regulator in a single day. And I would recommend people come here, because seeing it in action is really something.

Tony Mancini: We made the point of Guernsey being an island, and surely some islands can be very introspective and in a sense very insular as an island.

But what I found having come to Guernsey myself is that it's actually very **cosmopolitan**. As an island it historically has been a maritime nation, so there was always that necessity to be very outward looking, and also very accommodating to the incomers.

There are many people here who can trace their ancestors back to William the Conqueror, but equally there are many people who come from all around the world.

We see this in our business, the accounting profession, where in our office we have about 20 different nationalities. A lot of them come for a few years and then move on, but quite a lot of people stay. We have an increasingly diverse cosmopolitan population here in the island, and that also makes it more attractive and easier for somebody who comes from outside.

I did that myself 13 years ago, and I found Guernsey a very welcoming and very friendly accepting place. And because it is so small, there's a real sense of community. In a way you live in a village, but it's a global village.



Dominic Wheatley

What you are saying, Tony, works both ways. While people move to Guernsey, others move away - Guernsey people have always been very good travelers. It never ceases to amaze me how I will visit some far-away place, only to find a Guernsey expat. While these people go out into the world they maintain their links with the island. There is a lot of affection for the island amongst local people, even if they no longer live in Guernsey.

Christopher Jehan

I am a multi-generational Guernseyman, and I would like to point out that one of the benefits of the island is that we are very **politically stable** with a political system that has no party politics. As a people we are also mobile on a personal level. Living on a small island, people are used to traveling, and when it comes down to an individual being asked by their business, "Are you willing to go out to Hong Kong or South Africa", people say yes, because we are travelers by nature.

As Tony said, we have many nationalities here now, and the island has taken on a cosmopolitan feel to it. That is also based on our international business model meaning that we service clients in many other countries. This continues to draw business as well as people here from all over the world.

Matt Wood

The culture in Guernsey's working environment ensures that everyone puts the clients at the centre of everything that we do. Whether you are a lawyer, an accountant, a fund administrator or a company secretary, in Guernsey you form part of a wider international team of experts servicing Guernsey domiciled funds that may have investors, promoters or assets spread across various parts of the world, each with different demands. So everyone pulls together to make a really fantastic product, and that's exciting, as it creates opportunities for us and our clients.

Matthias Knab

Tell me more how you recruit specialist talent and how you foster it from the local population?

Matt Wood: As a firm we make a real effort to grow our talent base from within. For example, SANNE has a professional training program where each year we take on trainees straight out of school or college. We provide relevant training in accountancy, company secretarial or other relevant discipline, allowing them to gain a professional qualification while they are working. We provide paid time off to study and support them during their exams through a dedicated mentoring and coaching programme.



I know many of the accounting and legal businesses have similar programs aimed at nurturing talent locally. We have to recognize that we are 60,000 people on an island and if we don't grow much of our talent from within, then we lose one of our competitive advantages as employers and as an international financial centre which engages with a highly skilled work force.

As an employer when you need a specific skill set that you can't find locally in the market, then the license system enables hiring in from off island. This also helps to diversify the talent pool. So if you are qualified and skilled in some aspects of fund administration Guernsey is an exciting place both professionally and personally to come and live.

Haley Camp: When we were talking about fund business earlier, it can be so easy to assume that Guernsey is only about the big numbers, those large funds and managers with billions in assets under management. Of course that is right to an extent but what Guernsey also does very well, and I think this probably feeds back into the GFSC's Soundbox concept as well, is that we are also an industry where fund promoters can "dip their toe in the water". Guernsey has long been a home for more than just the big numbers, we are also here to assist fledgling fund managers and promoters, supporting them in turning a seed of an idea into a viable investment proposition and who knows what may come from that. After all, from the smallest acorn the biggest oak tree may grow and Guernsey as a jurisdiction has all of the infrastructure and expertise to enable substantial roots to take hold.

My point is that we, and I can confidently speak for the whole island, are very much open to doing business with **smaller firms** as well and can offer them a real partnership to help them grow. Guernsey then becomes very much part of who they are and their business culture, and hopefully at some point that may develop into a bigger Guernsey link. So it's not always about the big numbers because we are here for the very small fund managers through to very large ones.



Annette Alexander

Given the nature of our business we by necessity recruit people from off Island. However, where possible we offer contracts to Guernsey students who wish to qualify on Island. We find that people we bring into the Island are very happy with the quality of life that they can have here in such close proximity to the UK and Europe, the housing and the schools.

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