Q&A

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Chris Corcoran, fund services client director for JTC in Guernsey, discusses the Island's deep private equity expertise, its governance track record and commitment to innovation through initiatives like the Guernsey Green Fund.

If you were to conduct a S.W.O.T review of Guernsey as a private equity fund jurisdiction, what points would you include in your analysis?

Probably Guernsey's biggest strength is its expertise – the jurisdiction has been a player in the private equity market for decades and has real experience and deep knowledge in the sector. This, together with its sound regulatory environment, have made Guernsey a go-to jurisdiction for private equity.

Then there are also the natural advantages the island has - close physical connections to major financial centres (particularly London), a GMT time zone, and, importantly, independent, stable and autonomous governments that operate under common law.

Its ability to be nimble also means Guernsey is on the front foot when it comes to seizing new opportunities - Guernsey has been quick, for instance, to position itself strongly in the ESG sector and to develop strong fintech and digital credentials.

In terms of threats and weaknesses, in the aftermath of the global financial crisis, political manoeuvring has meant that the pressure on smaller jurisdictions like Guernsey has really been ramped up.

This means that we now need to work harder than ever to correct misunderstandings about what we do and articulate much better the positive impact we have in the global economy.

Earlier this year ECOFIN confirmed Guernsey's status as a jurisdiction that satisfied its legal substance requirements. What was involved in securing this recognition and what does it mean for the Island in the long-term?

The confirmation by ECOFIN was significant in that it was the latest endorsement from an international authority, reflecting that Guernsey applies good governance in respect of tax practices.

The economic substance legislation that was introduced sets out some strong parameters, that in the long run should underline Guernsey's appeal as a centre for fund management activity.

Guernsey has long had an assumption towards substance where fund management is concerned anyway, and the new rules formalise that.

The expectation is that having these rules should give managers and investors comfort that Guernsey takes a mature approach to engaging on important issues, proper conduct and tax transparency.

Guernsey also recently signed a memorandum of understanding with the UK's Financial Conduct Authority on market access post-Brexit. What is the significance of this agreement and what was involved in its negotiation?

The recent MoU signed by the UK and Guernsey provides certainty for fund managers looking to access UK investor capital through Guernsey.

Essentially, the MoU will enable Guernsey-domiciled funds to continue to be marketed, uninterrupted, into the UK through private placement in the event of a "no deal" Brexit outcome.

What about Guernsey's relationship with the EU post-Brexit? Will it be able to continue marketing funds into Europe?

Given that the Channel Islands are not part of the EU or coupled to the UK's membership, Brexit will have no direct impact on the financial services industry here. Whatever the outcome, Guernsey's position in relation to the UK or EU doesn't change. There is certainty here, and that's very attractive in the private equity space.

The access Guernsey provides to the European market through national private placement will remain unchanged by Brexit, and it's a route to market that has been shown to work very well, offering a cost-effective, seamless solution.

We also anticipate that our ManCo in Guernsey will, in light of Brexit and the newly introduced substance rules, become increasingly attractive as managers seek solutions in the new European landscape.

Guernsey has also recently launched the Guernsey Green Fund. What were the reasons for the launch and how has uptake progressed?

The launch of the Guernsey Green Fund was a strategic move in response to the global drive towards ESG investing, acknowledging a global need to invest big sums in clean and alternative energies to halt the rise in global temperatures.

Guernsey Green Fund designation acts as a kitemark for funds that meet a set of criteria in line with UN sustainability principles.

From the evidence we've seen so far, it's been incredibly well received by investors, and managers like it because it enables them to demonstrate to investors that they are offering an endorsed green product.

The rise of Luxembourg has introduced more choice for fund managers when it comes to choosing a fund jurisdiction. How does Guernsey position its offer and what makes it distinctive?

Decisions around fund domiciliation are invariably taken to meet different investor preferences. As an EU location, Luxembourg offers a good platform for managers that are wanting to blanket market their funds in a fully AIFMD-regulated environment.

However, if managers only need to market funds to a limited EU market – and EU figures suggest that only three per cent of European funds market to more than three EU markets – then Guernsey is a very sensible choice – it's more cost-effective, flexible and quicker to launch than an onshore option.

Ultimately, it's about choice; the two jurisdictions offer different things. With that in mind, we are finding that clients are reassured by an ability to offer a full range of integrated servicing locations, Guernsey absolutely being part of that.

Having a ManCo capability in both Luxembourg and Guernsey in particular is giving managers real optionality too and is an area where we see future growth.

There has been some concern across all the Crown Dependencies regarding proposed legislation in the UK to make beneficial registers of ownership obligatory. What is the current situation and why are the Crown Dependencies concerned about such measures?

There has been quite a lot of misinformation in the public registers debate. The truth is that Guernsey has had a central register of beneficial ownership in place for some years.

Information on that register is, by law, verified and kept up to date, and shared with the authorities in the UK and other countries.

We think that's a better model than the UK's public register, where information is self-reported and therefore not necessarily accurate.

Guernsey's view is that sharing accurate, high-quality data is better than adopting a blanket open data approach.

Guernsey is absolutely committed to combating financial crime and has said it will engage fully on the issue and move with international standards.

I think there is still some serious, sensible debate to be had around this issue as we move towards a clearer international standard that works for everyone.