

Guernsey: an ideal domicile for deal-by-deal structures

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A recent article in the Financial Times ([Private equity turns to new fundraising tactics in tough market](#), 21 February 2024) highlights a growing trend we have been seeing for some time: bespoke structures set up for single asset (deal-by-deal) acquisitions.

In our experience, these are used for a variety of reasons, including:

- continuation vehicles, extending the holding period for assets once a flagship fund comes to the end of its life and is required to liquidate its portfolio, thereby providing further time for a sponsor to maximise returns;
- “warehousing”, where an immediately available asset is acquired during the fundraising period for a flagship fund (and often transferred to the flagship fund once fundraising is complete);
- assets that cannot be accommodated within a main fund, whether due to capacity constraints, investment restrictions or otherwise;
- syndication of a desirable single asset amongst investors; and
- key investors requesting bespoke arrangements through which they can invest, outside of flagship funds.

Guernsey is an ideal domicile for such single asset structures, for three key reasons:

Regulation

Single asset vehicles are not regulated as collective investment schemes in Guernsey. Accordingly, neither the vehicle itself nor the entities managing those vehicles will need to obtain any licenses or approvals from the Guernsey Financial Services Commission.

This results in the further advantages of ...

Time

Guernsey vehicles (typically companies and limited partnerships) can be established on a same-day basis (in some cases in as little as 15 minutes), meaning they can meet even the most demanding deal timeline. You won't need the services of notaries public, apostilles or special stamps to get things done. Our company and partnership laws facilitate quick and effective operation and decision making.

Cost

The absence of regulation means both the establishment and ongoing costs of a Guernsey deal-by-deal vehicle are minimised.

In addition, Guernsey has the benefit of:

Flexible legal structures, bringing greater efficiencies

Guernsey's cellular vehicles (protected cell companies and incorporated cell companies) are analysed on a “cell-by-cell” basis from a regulatory perspective, meaning that so long as each cell only holds one asset, the cellular vehicle as a whole will not be classified as a collective investment scheme.

A protected cell company, for example, can establish a new cell by a simple board resolution, meaning no delays and negligible costs in facilitating an investment.

Guernsey companies can easily migrate if required, and are free to elect to be resident elsewhere, meaning that they can, for example, take advantage of the UK's Qualifying Asset Holding Company (QAHC) regime since a Guernsey incorporated company is suitable as a UK QAHC where it elects to be UK tax resident.

OFFSHORE LAW SPECIALISTS

Guernsey companies are also ideal as listing vehicles, and continue to be the domicile of choice for non-UK companies listing on the main market of the London Stock Exchange and the Alternative Investment Market.

Certainty, stability, familiarity and simplicity

Guernsey's long-established independence has brought with it political stability and certainty. The island remains at the forefront of innovation and legal creativity¹, backed up by a strong legal system, latterly based in large part on English common law principles.

Our partnership law provides suitable "safe harbours" to LPs who wish to vote certain matters relating to the fund and its investment without jeopardising limited liability status. Unsurprisingly, Guernsey structures are familiar to private capital investors throughout the world.

Expertise

Guernsey has a wealth of expert service providers which offer first class legal, tax, audit and administration support to fund managers.

Carey Olsen

Carey Olsen is the leading legal adviser to Guernsey's investment industry. We advise over 81% of the entire Guernsey-domiciled fund market by assets under management and nearly 74% by number of Guernsey-domiciled funds². As you would imagine, we have advised on numerous deal-by-deal vehicles for globally recognised sponsors.

Please feel free to contact us. We would be delighted to share our knowledge and experience in this area.

You can also find out more about Guernsey vehicles and Carey Olsen's expertise by visiting:

- our [Guernsey funds website](#) and scrolling down to see various articles;
- [UK QAHCs – Asset Holding made simple through Guernsey companies](#); and
- [Guernsey Companies Listing in the UK](#).



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PLEASE NOTE

This briefing is only intended to provide a very general overview of the matters to which it relates. It is not intended as legal advice and should not be relied on as such. © Carey Olsen (Guernsey) LLP 2024.

¹ For example, Guernsey invented the protected cell company over 25 years ago, an idea now copied around the world.

² Per the 29th annual Monterey Insight Guernsey Fund Report.

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