

Guernsey funds: an overview

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The finance industry in Guernsey began over 50 years ago, developing from humble beginnings to become the major international offshore finance centre it is today.

Guernsey's funds industry

Guernsey is one of the world's largest offshore finance centres, with a thriving funds industry. Over 800 investment schemes are currently domiciled in the island. The current value of funds under management and administration in Guernsey is over £290 billion.

This has developed over the last 50 years due in large part to the benefits of long term political and legal stability, combined with tax neutrality, which Guernsey offers. The breadth and depth of fund expertise, supportive regulatory and legal regime, and global market access, combined with its geographic and time zone benefits, help to make Guernsey a leading funds domicile¹.

Guernsey is able to provide fund managers and promoters global access. Guernsey is also well placed to benefit from pan-EU passporting rights once granted to non-EU managers under the Alternative Investment Fund Managers Directive.

Regulation of funds in Guernsey

Guernsey operates an efficient, simple and flexible regulatory regime.

Every "collective investment scheme" (a "fund") domiciled in Guernsey will be subject to the provisions of Guernsey's principal funds legislation - The Protection of Investors (Bailiwick of Guernsey) Law, 2020 (the "POI Law") - and regulated by Guernsey's regulatory body for the finance sector - the Guernsey Financial Services Commission (the "GFSC").

Broadly speaking:

- Every fund domiciled in Guernsey (a "Guernsey fund") must be administered by a Guernsey company which holds an appropriate licence under the POI Law to do so². The administrator is responsible for ensuring the fund is managed and administered correctly.
- Every open-ended Guernsey fund must also appoint a Guernsey company which holds an appropriate licence under the POI Law to act as custodian (or trustee where the Guernsey fund is a trust). The trustee/ custodian is (with limited exceptions) responsible for safeguarding the assets of the fund and, in some of the rules, to oversee the management and administration of the fund by the administrator.

¹ For a more comprehensive statistical breakdown of the Guernsey funds industry, please see the GFSC's statistics [here](#).

² This is defined in the POI Law as a "designated administrator" in the rules governing the various classes of funds in Guernsey. For simplicity, we have used the term "administrator" to refer to the designated administrator.

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What constitutes a fund?

Guernsey funds regulation only applies to “collective investment schemes”: arrangements relating to property of any description which have each of the following characteristics:

- the pooling of contributions by investors;
- third party management of the assets; and
- a spread of risk.

Thus arrangements with a single investor or a single asset would not usually be classified as a fund.

Authorised, Registered and Private Investment funds

Guernsey funds are broadly split into three categories:

- “authorised” funds;
- “registered” funds; and
- “private investment” funds.

Subject to one exception (see below), authorised funds receive their regulatory approvals following a substantive review of their suitability by the GFSC, whereas registered funds and private investment funds (“PIFs”) receive their approvals following a representation of suitability from a Guernsey body holding a POI law licence (the administrator, who scrutinises the fund and its promoter in lieu of the GFSC).

The exception is authorised funds which only admit “qualified investors” and are thus classified as “qualifying investor funds” (“QIFs”). QIFs receive their approvals in the same manner as registered funds and PIFs. QIFs, registered funds and PIFs are collectively known as “fast track” funds.

The POI Law grants the GFSC the ability to develop different classes of funds and determines the rules applicable to such classes.

Funds seeking approval must therefore satisfy the requirements of the POI Law and (where applicable) the applicable rules specified by the GFSC.

Open-ended vs. closed-ended

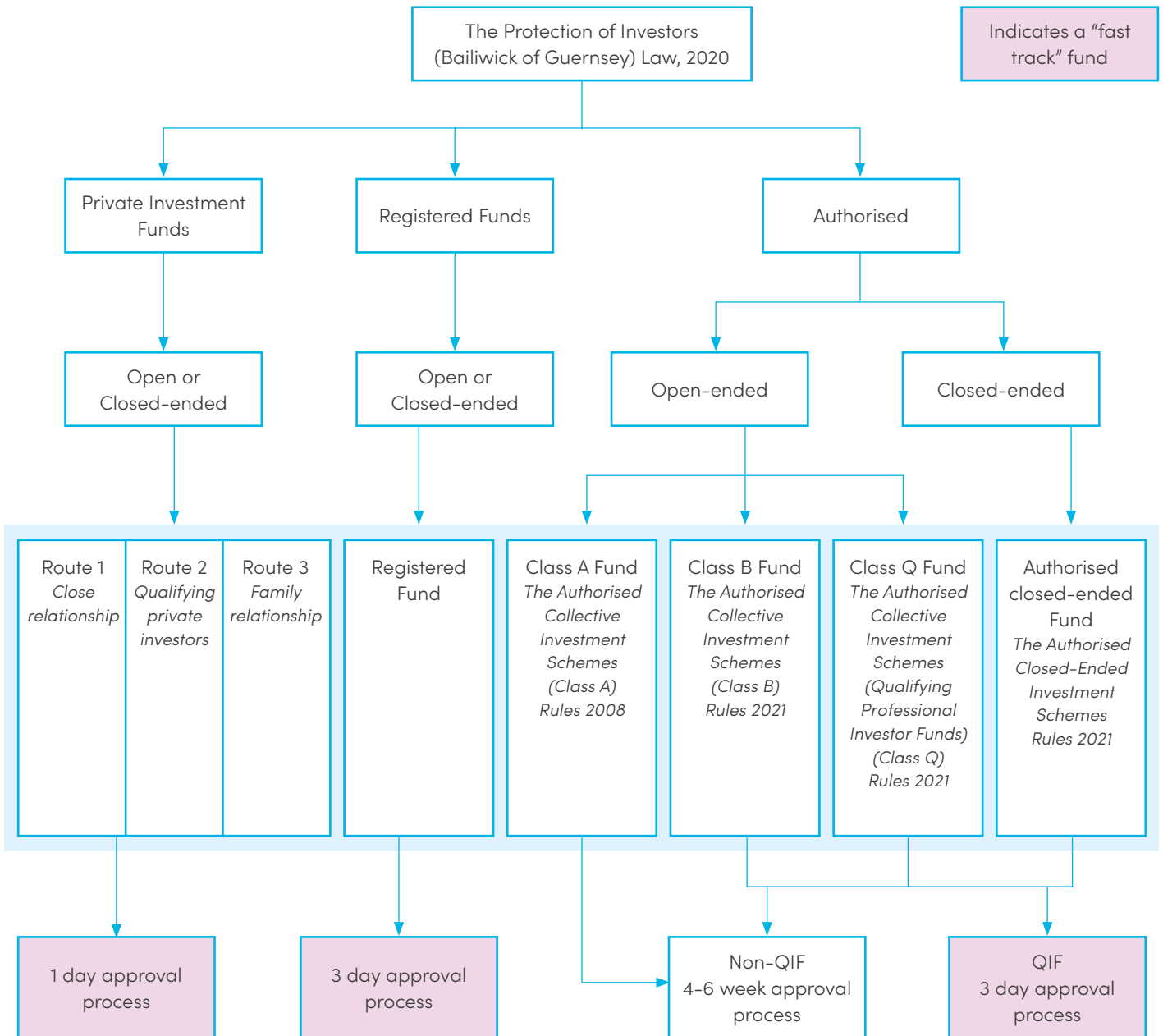
The rules governing the different classes of Guernsey funds state whether they are open-ended or closed-ended (or can choose from either).

A Guernsey fund is open-ended if the investors are entitled to have their units redeemed or repurchased by the fund at a price related to the value of the property to which they relate (i.e. the NAV).

There is no prescribed frequency of redemption or period within which the redemption moneys be paid.

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Flow chart of Guernsey funds



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PLEASE NOTE

Please note that 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.

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