



Channel Islands fund outlook: the first breezes of tailwind?

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I won't lie - at the turn of the year I was anxiously scanning the market for signs that the recent lull in fundraising activity was turning round (not least I was about to start my new role as a partner in Ogier's Investment Funds team).

The reasons for that lull have been well-publicised and are global factors not uniquely affecting the Channel Islands. But, as we feel the same headwinds as our global clients, it was inevitable that we would endure a sustained period of relative inactivity. New fund launches were taking place, but at a slower pace and focused on a smaller segment of the market, with new managers and mid-market firms finding it harder to raise capital.

Of course, both islands have had other priorities to focus on, not least the preparation for assessment by MONEYVAL. This measure of compliance with ever-developing international regulatory standards is an essential barometer for international financial centres.

Thanks to significant efforts from government, the regulator and industry to ensure the latest stringent criteria are fully understood and implemented on the island, Jersey has received an overwhelmingly positive report following the visit in September 2023. Guernsey welcomed the MONEYVAL reviewers earlier this year and will be hoping for a similarly positive report.

Indeed, Jersey's effectiveness in preventing financial crime was found to be among the highest level of jurisdictions evaluated worldwide. This positive endorsement is key for the type of quality business we want to attract to the island, and it is important that Jersey continues to meet its marks to avoid any consequences such as the grey-listing that has befallen some others.

While the regulatory burden has undoubtedly increased over the years globally, Jersey service providers have long demonstrated the depth and breadth of skill on island, and the commitment to strong governance, to ensure these exacting requirements are implemented. Our industry is well-placed to build its reputation as a responsible player on the international stage, all the while maintaining our strengths in client service and innovation.

On the latter, pleased as I was to see the MONEYVAL news, I was perhaps even more so to see it accompanied by a statement of intent by Jersey's government to conduct a strategic review of Jersey's regulatory environment. This review proposes not only to take timely and holistic action to address actions arising from the MONEYVAL review, but also to create "the best regulatory environment possible for sustainable growth of financial and professional services in Jersey".

When industry, government and the regulator collaborate, positive outcomes can be seen. A recent example is the updated Jersey Private Fund Guide. While the successful regime did not need a redraft, the consultative approach delivered welcome further improvements in areas which practitioners had identified could be more user-friendly.

More improvement and innovation - both of products and services - will doubtless follow as we seek to facilitate the flow of international capital to where it can best be put to use, and to make this as frictionless as possible.

At the time of writing talk of a US recession has unsettled markets, and it remains to be seen how far the echoes of this will permeate, or how troubling global conflicts will play out. There is clearly potential for significant challenges ahead.

However, Jersey Private Funds remain a key option for managers across the alternative asset spectrum, and a wider cross-section of managers seem to be raising capital in 2024 for single deal vehicles, many as a precursor to a wider fund platform.

So we are indeed seeing some green shoots, the first tentative gusts of tailwind. Provided we focus on our industry's strengths of innovation and client service, and leverage our jurisdictions' agility and adaptability, the Channel Islands will be well placed both to navigate the headwinds and enjoy smoother sailing when the tailwinds prevail.

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