

Guernsey Registered Collective Investment Scheme Rules 2015

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The Guernsey Financial Services Commission's **Registered Collective Investment Scheme Rules 2015** (the **2015 Rules**) came into force on 1 April 2015, updating and replacing the Registered Collective Investment Scheme Rules 2008.

Under the 2015 Rules, registered collective investment schemes may be offered directly to the public in Guernsey for the first time.

Collective investment schemes, which are regulated under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (the **POI Law**), can either be "authorised" or "registered" by the Guernsey Financial Services Commission (the **GFSC**). It is normally possible to establish a registered fund within a shorter overall timetable than an authorised fund (which can be helpful if time is an issue). The GFSC does not carry out its own due diligence on the fund promoter or fully review the fund documentation for a registered fund. Instead, the GFSC relies upon representations and warranties in that connection given to it by the Guernsey licensed administrator for the proposed fund, who is responsible for making the fund application.

This lighter regulatory approach, described by the GFSC as a "sea change", was first set out in the Registered Collective Investment Rules 2008 (the **2008 Rules**). However, in view of the untried nature of the new approach, the 2008 Rules did not at first permit registered collective investment schemes to be offered directly to the public in Guernsey.

The GFSC undertook to monitor the quality of the due diligence reviews carried out by licensees in respect of their applications for new registered collective investment funds. Six years after the 2008 Rules were introduced, it has concluded that the standard of licensees' due diligence is good overall. As a result, the GFSC is now prepared to lift the restriction on offering registered collective investment

schemes directly to the public in Guernsey.

The 2015 Rules are welcomed. Whilst a registered fund may be used for a premium listing on the London Stock Exchange, there was some uncertainty whether other exchanges would agree to list only authorised funds as a result of the public offer restriction in Guernsey. U.S. banking entities were also likely to be prohibited under the Volcker Rule from sponsoring, investing in or having certain relationships with an investment fund which could not be sold to retail investors in its home jurisdiction.

With the exception of this change, the 2015 Rules make only minor amendments to the 2008 Rules, including a change of terminology from “designated manager” to “designated administrator” (for consistency with the Authorised Collective Investment Schemes (Class B) Rules, 2013) and some typographical corrections. However, the GFSC notes that it is continuing to work with the Guernsey Investment Fund Association on the overall regulatory framework, and therefore we can expect further changes to these rules in future.

As regards existing registered funds established under the 2008 Rules, the GFSC has agreed to the following explanatory statement that may be used:-

“For the avoidance of doubt the Commission confirms that existing registered funds may, notwithstanding the statement in their offering document to the contrary, be offered to the public in Guernsey.”

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