

Guernsey's Fund Regime

Insights - 30/11/2021

Guernsey is a premier jurisdiction for investment funds and private equity business. The island's reputation, location, tax neutral status and innovative approach continues to attract leading investment managers.

Overview

Guernsey's funds, investment managers, advisors and fund administrators are regulated by the Guernsey Financial Services Commission (**GFSC**) under the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (the **Pol Law**).

Under the Pol law, managers, advisors and administrators (**licensees**) are required to be licensed to conduct certain investment business activities in or from within the Bailiwick of Guernsey^[1] (**restricted activities**^[2]) in relation to most collective investment schemes (ie funds) and other investments (**controlled investments**^[3]).

The attributes of a collective investment scheme subject to regulation under the Pol Law, in broad terms, are:

- the pooling of investments by investors
- the spread of risk by the scheme
- the management of the assets of the scheme by a third party

Where any one or more of these attributes are absent, the scheme itself will not be a controlled investment and so will not be subject to regulation under the Pol Law.

In order for a licensee to carry on any restricted activity in relation to category of open- or closed-ended collective investment scheme, the licensee must ensure that the fund is either authorised or registered by the GFSC under the rules applicable to an appropriate class of fund.

Classes of Authorised and Registered Funds

Authorised funds are authorised by the GFSC after a substantive review of the fund's terms, promoters and licensees and a determination of their suitability by the GFSC.

Registered funds are registered by the GFSC following the submission by a Guernsey licensed administrator of a representation that the fund is suitable for registration, having considered the fund terms, its promoter and licensee. In this case the administrator takes the role of the GFSC in monitoring the fund on an ongoing basis.

The current classes of fund (with the relevant scheme rules referred to in the footnotes below) are:

Authorised	Closed Ended	Open Ended
	Authorised Closed-Ended Fund ^[4]	Class A Fund ^[5]
		Class B Fund ^[6]
		Class Q Fund ^[7]
Registered	Closed and Open Ended Funds	
	Registered Collective Investment Scheme (RCIS) Fund ^[8]	
	Private Investment Fund ^[9] (PIF), Routes 1, 2 and 3	
	Manager Led Product ^[10] (MLP)	

In addition, any authorised or registered fund can apply to be designated as a **Guernsey Green Fund** if it meets the relevant green investment criteria, comprising The Common Principles for Climate Mitigation Finance Tracking^[11].

Each authorised or registered collective investment scheme will require a Guernsey licensed administrator (called a designated manager or designated administrator in the Rules) and all open-ended schemes, other than hedge funds, will require a Guernsey licensed custodian.

Hedge funds can apply for a derogation from the need for a Guernsey licensed custodian, provided they have a suitable non-Guernsey domiciled custodian.

In addition, each Route 1 PIF will require a Guernsey licensed PIF Manager and all PIFs are limited to a maximum of 50 investors at any one time but are not required to have a prospectus.

Timings for grant of authorisation or registration

Registered Funds

PIF and MLP: 1 day

RCIS Funds: 3 days

Authorised funds:

Class A Fund: 4-6 weeks

Class B, Q and closed-ended (non-QIF): 4-6 weeks

Class B, Q and closed-ended (QIF^[12]): 3 days

Formation and Regulatory Fees

A table of application, annual and notification fees payable in respect of the fund's authorisation or registration are attached at [annex 4](#). In addition to these there will be the statutory fees applicable for establishing and maintaining the vehicle, which will depend on the type of vehicle and service provider chosen, plus professional fees.

Our Investment Funds team have put together an FAQ as a useful guide to Guernsey hedge funds. [Read the FAQ here](#).

Annex 1 - Restricted activities

Annex 2 - Controlled investments

Annex 3 - Guernsey Green Fund Criteria

Annex 4 - Regulatory Fees

[1] The Bailiwick of Guernsey includes the islands comprising Guernsey as well as the islands of Sark and Alderney

[2] Listed in Schedule 2 of the Pol Law – as reproduced in annex 1

[3] Listed in Schedule 1 of the Pol Law – as reproduced in annex 2

[4] The Authorised Closed-Ended Investment Scheme Rules and Guidance 2021

[5] The Authorised Collective Investment Schemes (Class A) Rules 2008

[6] The Authorised Collective Investment Schemes (Class B) Rules and Guidance 2021

[7] The Authorised Collective Investment Schemes (Qualifying Professional Investor Funds) (Class Q) Rules 1998

[8] The Registered Collective Investment Scheme Rules and Guidance 2021 and The Prospectus Rules and Guidance 2021

[9] The Private Investment Fund Rules and Guidance (2) 2021

[10] MLP Guidance Notes 2021

[11] See annex 3 for details of the criteria

[12] Qualifying Investor Fund – Guidance Note 2021 – Qualifying Investors are Professional Investors, Knowledgeable Employees and Experienced Investors

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Regulatory information can be found under [Legal Notice](#)

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