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Guernsey
2020

Generational Growth

Digital innovation

Sustainability

Guernsey, the UK and the EU

Run-off Trusts

PAM INSIGHT

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United Kingdom.
Tel: +44 (0) 207 967 1601
news@eprivateclient.com
subs@eprivateclient.com

Editorial
James Anderson, Founder & Editor in Chief
Will Sidery, Editor
Ed Hicks, Head of Relationship Management
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Built on solid foundations

Guernsey Finance's outgoing chief executive Dominic Wheatley introduces this report by highlighting the strengths which underpin the island's excellence in private wealth

Dominic Wheatley

Guernsey's offering in private wealth has thrived over more than half a century on the three cornerstones of stability, security and service.

The island has a history of 800 years of constitutional independence, coupled with political and economic stability, which creates a strong and stable platform for the industry.

Guernsey providers specialise in bespoke structuring to suit the visions, values and purposes of their clients. In 2001 Guernsey became one of the first jurisdictions to regulate trust and corporate service providers, enhancing the protection of beneficiaries, setting the foundations for what has become ever-more important credentials of transparency, combined with privacy.

Our well-established offer of sophisticated, discreet service of an unrivalled depth and breadth, across not just fiduciary services, but also funds and wealth management, lends itself to a greater focus on the provision of services to private capital, private wealth and family offices.

Guernsey is in tune with many of the trends in the private wealth space in 2020.

We were early adopters of the sustainability agenda – and media attention on the climate crisis, as well as an industry focus on ESG, is rapidly turning this mainstream.

We agree that focus on ESG will become an integral part of investing, a fiduciary duty on wealth managers to identify and avoid the material risks of bad governance and environmental and social disasters.

The substance agenda of the OECD and the EU also plays to, and actually reinforces, many of Guernsey's strengths.

Our structures largely have high standards of governance built in, and economic substance demands reflect that. Guernsey's business model is not lightweight, and making our commitment to economic substance was relatively simple, because it is fundamentally consistent with what we have been doing for a very long time.

Guernsey was whitelisted by the EU substance review process in 2019 and Guernsey Finance research, published later in the year, showed that 85% of managers were seeing substance as a key determinant of choice of location.

Our record as a finance centre is founded upon the substance of 50 years in business and our long-established commitment to world-leading standards of business practice, conduct and governance.

Not everything is new in private wealth. Our courts and English-based judicial system has addressed significant corporate litigation in recent years, and is testament to how well the jurisdiction works.

In times of complexity and change, it is essential that the legal context and basis of international arrangements provides the certainty of outcome clients are seeking.

Meanwhile, Guernsey's political and economic stability has been built on generations of prudence and good sense.

Guernsey resident and billionaire investor Stephen Lansdown helped to launch our report on Family Offices and Sustainability report last year, highlighting the island's strengths to Bloomberg: "Guernsey gives me security, good governance, the political situation is stable – a premium these days."

Against a backdrop of increasing geopolitical and economic uncertainty – Brexit, the rise of populism, and unrest in Hong Kong, for example – Guernsey provides continuing stability and certainty.

Guernsey GDP

Year	GDP (£m)	Annual % Change
2010	2,423	N/A
2011	2,629	8.5
2012	2,615	-0.6
2013	2,715	3.8
2014	2,779	2.4
2015	2,816	1.3
2016	2,934	4.2
2017	3,143	7.1
2018	3,272	4.1

Guernsey Fund Statistics

	Number of Funds			Net Asset Value		
Date	Dec-17	Dec-18	Sep-19	Dec-17	Dec-18	Sep-19
Open-ended Schemes	148	148	141	43.5	42.5	48.2
Closed-ended Schemes	658	655	673	166.5	176.4	180.2
Non- Guernsey Open-ended Schemes	170	143	N/A	60.4	62.9	57.7

Source: Guernsey Financial Services Comission

A new generation of private client is driving sustainable investing

Sustainability is increasingly dictating how wealth is invested. Ocorian's Michelle Tring and Kevin Smith explore the role of Guernsey in facilitating sustainable investments for high net worth individuals (HNWIs).

Michelle Tring
trust director,
Ocorian

Kevin Smith
director,
Ocorian

Sustainable finance is no new concept. However, the COVID-19 pandemic, recent initiatives such as Extinction Rebellion and well documented natural disasters such as Australia's bush fire crisis have catalysed both awareness and concern for environmental, social and governance (ESG) issues. Across our business we have witnessed first-hand how ESG factors are influencing decision making and in the private wealth space, sustainability often underpins our conversations with clients.

A new, green generation

Sustainability initiatives and ESG continue to gain significant momentum. From 2017-19, socially responsible investments grew by 34 percent to $30.7 trillion. This can, in part be attributed to what is being called 'The Great Wealth Transfer', with the millennial demographic set to inherit $30 trillion in assets by 2025. While the older generation may have been focused on generating and preserving wealth, we increasingly see that the younger generation are more motivated by philanthropy and the value proposition behind sustainable investing strategies.

We often see our clients stress the importance of wanting to work with advisers that can help them to integrate ESG principles in a meaningful manner. The inter-generational transfer of wealth places an onus on advisers to educate and guide the next generation as they assume control of assets from their parents. With eight of the top ten global risks ESG related, concern over sustainability is not going to dissipate either. This represents a wider issue for the investment sector and the requirement for all of us across the value chain to demonstrate a commitment to ESG best practice.

Funds need to evolve alongside sustainable sentiment

Running parallel to the demand for sustainable investments is the need for the funds industry to evolve alongside the demands of a generation that prioritises investing in companies and projects committed to ESG principles. In this context, Guernsey's funds environment is a leading example.

Guernsey's green future

With the introduction of the Guernsey Green Fund rules in July 2018, the Guernsey Financial Services Commission created the world's first regulated green investment product. It provides both investors and managers a transparent product through which investments into green initiatives can be made. Most importantly, it effectively created a 'kitemark', assuring investors that specific green criteria have been met and that their investments are having the desired, positive environmental impact.

Since the launch of the Guernsey Green Fund product, there have been some notable developments demonstrating its value.

In April 2019, for instance, the Bluefield Solar Income Fund achieved accreditation as a Guernsey Green Fund and became the first fund listed on the London Stock

International Insurers Gross Assets, Net Worth and Premiums in £ bn, (Inflation Adjusted)

Year	Gross Assets (£bn)	Change, in %	Net Worth (£bn)	Change, in %	Premiums (£bn)	Change, in %
2013	25.82	N/A	11.1	N/A	5.29	N/A
2014	25.28	-2.1	12.36	10.2	5.28	-0.2
2015	25.24	-0.2	12.14	-1.8	5.86	9.9
2016	29.84	15.4	13.35	9.1	5.69	-3.0
2017	28.33	-5.3	12.9	-3.5	5.1	-11.6
2018	30.15	6.0	13.37	3.5	5.25	2.9

Source: Guernsey Financial Services Comission

Guernsey's financial sector

Financial services (not including accountancy and legal services) is the largest sector in the Guernsey economy and comprises 19% of employment in Guernsey and 40% of GVA.

Source: Guernsey Government

FACTS

Exchange to do so. A Guernsey-registered, closed-ended investment fund, Bluefield Solar invests in more than 80 UK-based solar assets, targeting long-life solar energy infrastructure that's expected to generate stable renewable energy output over a 25-year asset life.

The number of funds designated as Guernsey Green Funds continues to increase and at Ocorian, we continue to receive enquiries from promoters looking to set up such funds. Yet the regime is just one part of a concerted effort to make Guernsey a centre of green investment excellence. The International Stock Exchange's market segment, TISE GREEN aims 'to enhance the visibility of those investments which make a positive impact on the environment' and is open to all types of green investments, including bonds, funds and trading companies, from all jurisdictions.

Guernsey Green Finance – the umbrella body for green finance in the island - is also intent on providing a comprehensive range of green and sustainable financial services including insurance and banking. It organised a sustainable finance week throughout Guernsey in early June. It brought together (virtually) leading sustainable finance experts, private wealth and family office professionals and advisers from London, Zurich and Guernsey for dialogue on the issue of financing sustainability from private wealth portfolios.

A rapidly changing landscape

Global pressure on individuals and businesses to shift to more sustainable ways of operating is only going to intensify and developments in sustainable and green investing continue to evolve in Guernsey. As ESG factors are closely scrutinised by the next generation of HNWIs, both fund and wealth managers need to assess their capabilities to deliver suitable offerings.

Digital innovation: Navigating the cloud

Digital technology is changing every industry and economy and businesses are now modernising their systems and processes to ensure they don't fall behind. James Solomon, partner alliance manager at C5 Alliance, explains how cloud technology can ensure your business survives in an ever-changing digital world and how you can best implement the technology to suit your business needs.

James Solomon,
partner alliance manager,
C5 Alliance

Businesses need to be digital to compete, otherwise customers will go elsewhere, and it will be hard, if not impossible, to attract new clients. With real-time access to data and intelligent new ways of viewing, analysing and using information, the cloud has created powerful new capabilities that disrupt entire business models.

The cloud delivers computing services - including servers, storage, databases, networking, software, analytics and intelligence - over the internet. By using cloud-based approaches, you can improve business agility, reduce costs, accelerate time to market, and enable expansion into new markets while improving compliance security.

The cloud has become more complex as it has evolved, bringing with it more options than ever. So which cloud is right for you? Hybrid is now regarded as the new norm but how do you get the 'right mix'? Even when you have identified this, where do you start when maximising on return on investment (ROI)? For the successful adoption of cloud, many decisions need to be made, and not just technical ones.

In order to reduce the fear and uncertainty and assist you in reaching the desired business outcomes, C5 Alliance has brought to the Channel Islands a Cloud Adoption Framework - a lifecycle tool to facilitate decisions and guide you to make the right choices that meet your business needs. It is built on the industry-leading framework delivered by Microsoft but offers more options and depth from multiple renowned technology providers. It delivers on-island service capability options and, more importantly, an understanding of local markets and the industries that do business in the Channel Islands.

C5 Alliance Cloud Adoption Framework

The framework is designed to help businesses identify productive and sustainable ways to adapt and manage how their organisation embraces cloud technology. It also includes the changes that can be made to support business outcomes. It is broken up into phases to match where you are in your own cloud adoption lifecycle.

- Strategy
- Plan
- Adopt & Innovate
- Govern
- Manage
- Optimise
- Strategy

Start with defining a strategy and ask the most important question - why do we want to adopt cloud technology?

I have seen many customers jump into adopting the cloud without answering this question first. Businesses that don't ask this question at the start, struggle to realise the true benefits. I have seen many differing responses from 'our CEO said we need to move to the cloud' to 'we need to reduce costs'. The cloud can reduce costs, but it can also cost more due to poor cost governance. Instead of moving everything onto the cloud, which can be costly, move what is needed to ensure you meet your objectives and desired business outcomes of the switchover. Fortunately, many of these risks can be mitigated by defining a robust cloud strategy.

Understand your motivations and define the desired business outcomes associated with your transformation journey. There are many differing outcomes that can be achieved whether these are fiscal, performance based, being more agile to customer engagement outcomes or strengthening compliance and security. The successful adoption of cloud is not just a technical decision as whatever the outcome(s) this will involve many parts of the business.

Plan

Now it's time to turn your aspirational goals into an actionable plan.

Not everything sits best in the public cloud and local cloud offerings may not have the full suite of innovative technologies. But a local cloud platform does offer data sovereignty. Keeping your data on island may offer peace of mind around security and compliance.

The framework differs from many as it leans on best practice and multiple sources including local expertise and success from industry-leading vendors to deliver a solution to better achieve business objectives. The result is having set goals that are based on data-driven recommendations for the right workload placement strategy. You will also have a phased plan of how to achieve those goals, and the expertise to make it happen.

Adopt & Innovate

All IT portfolios contain a few workloads and ideas that could significantly improve a company's position in the market. Most cloud adoption efforts focus on the migration and modernisation of existing workloads. It's innovation, however, that can provide the greatest business value. Cloud adoption innovation can unlock new technical skills and expand business capabilities.

That said, any cloud adoption plan will include workloads that will not warrant significant time and investment in creating new business logic and there are a few approaches that can be taken here. This is where the effective strategy and planning will ensure you maximise the benefits of your cloud adoption, have the right workload placement and leverage the right mix of cloud solutions to drive the best business outcomes.

Govern

Cloud governance is an iterative process. For organisations with existing policies that govern on-premises IT environments, cloud governance should complement those policies. Also, as with traditional governance, corporate policy creates the working definition of governance. Most IT governance actions seek to implement technology to monitor, enforce, operate, and automate those corporate policies. Cloud governance is built on similar concepts.

Within the C5 Alliance Cloud Adoption Framework, aligning design with the defined corporate policies, we look to build around five pillars of cloud governance:

- **Cost Management** – Evaluate & monitor costs and create cost accountability
- **Security Baseline** – Ensure compliance by applying a security baseline to all adoption efforts
- **Resource Consistency** – Enforce practices for on-boarding, recovery and discoverability
- **Identity Baseline** – Identity and access needs to be enforced by applying consistent role definitions
- Deployment Acceleration through centralisation, consistency and standardisation across deployment templates

Manage & Optimise

Delivering on a cloud strategy requires solid planning, readiness and adoption. But it's the ongoing operation of the digital assets that delivers tangible business outcomes. Without a plan for reliable, well-managed operations of the cloud solution, those efforts will yield little value.

When a business moves to the cloud it provides an opportunity to develop tighter business alignment and map workloads and applications to business processes. Ranking criticality, understanding the impact of potential outages and documenting and reporting on operational commitments to cost and performance, helps you:

- Create a personalised management solution based on business commitments
- Enables a management baseline (taking into consideration visibility)
- Operational compliance and security
- Protection and recovery solutions to meet business needs

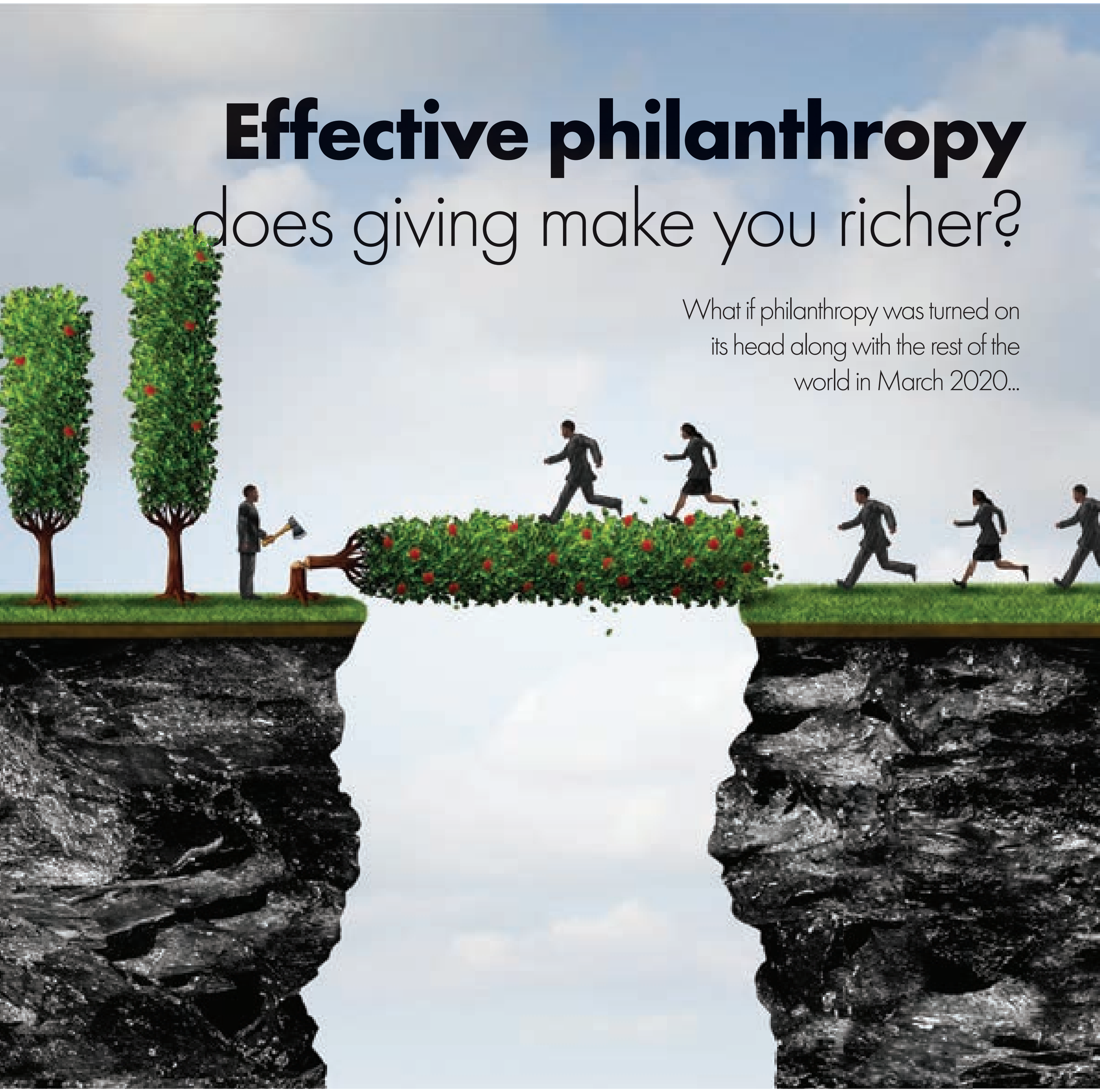
The purpose of a management baseline is to create a consistent offering to the business that provides a minimum level of business commitment for all supported workloads.

Once you have understood the importance of workloads and the ones that drive the greatest business value, an enhanced baseline can be applied. This can provide a higher operational investment and the highest degree of resilience.

The use of cloud services can undoubtedly play a key role in any digital transformation but like many things it is about the journey. The journey can be made as smooth as possible through defined objectives to meet your business challenges and by utilising the right expertise.

Effective philanthropy
does giving make you richer?

What if philanthropy was turned on its head along with the rest of the world in March 2020...



Andrew Munro,
counsel,
Carey Olsen

The Oxford English Dictionary defines 'philanthropy' in line with our modern understanding of the term: "The desire to promote the welfare of others, expressed especially by the generous donation of money to good causes".

No doubt many of us have always imagined philanthropy to refer to grand gestures, gifts to purposes and causes which, whilst worthy, might not be self-funding or sustainable without donations. Perhaps this leaves us predisposed to thinking of it as noble and effective but somewhat sterile, a duty, a one-way street, money simply poured into an ever-hungry hole.

Philanthropists operate in all spheres of human activity where improvement is possible; from dealing with crises and alleviating poverty, to education, human rights, gender equality, conservation, environmentalism and improving world health alongside a host of others.

Many speak in terms of feeling a sense of duty but all are united in the positivity of their aims in bringing out the best in human nature and in seeking innovation and creativity to improve the lives of everyone. Philanthropists and the causes they support are as varied and diverse as the world and humanity itself but through the common threads we see the unifying power of positivity.

Philanthropy as a whole, like the causes championed by its proponents, knows not race, culture, religion or geography let alone the artificial boundaries (sometimes supported by futile and ephemeral physical iterations) which mankind seeks to impose.

> Philanthropists operate in all spheres of human activity where improvement is possible; from dealing with crises and alleviating poverty, to education, human rights, gender equality, conservation, environmentalism and improving world health alongside a host of others.

The Oxford English Dictionary definition goes on to note that the origin of the modern word 'philanthropy' is the Greek 'philanthropos' meaning 'man-loving'. This seems potentially much wider than the modern definition. Maybe in these strange times we are coming to 'learn' what the ancients could already have told us.

By looking after others, by leaving no-one behind, we are taking the best steps to ensure our own personal survival and our survival as a species including by protecting the planet we all call home. As Chinese billionaire Jack Ma is reported to have said recently, venturing into coronavirus philanthropy, "One world, one fight!"

As to whether giving can make you feel richer as a person, you only have to look at the Bill and Melinda Gates comments on the Giving Pledge website. They note that the idea of the pledge came out of discussions with other givers about what they were doing and an observation that everyone was sharing the idea that giving had made them richer.

Over 200 billionaires from all over the world, including Bill and Melinda Gates and Mark Zuckerberg and Priscilla Chan, have signed up to the Giving Pledge, a commitment by the world's wealthiest individuals and families to dedicate the majority of their wealth to 'giving back'.

As to whether giving can make you richer in a balance sheet sense, the world seems to be coming increasingly to realise that the truth in the old saying goes beyond the sense of satisfaction in giving (arguably the most valuable return in any event) and that philanthropy can also make economic sense. Philanthropy does not need to be limited to donations. Sustainable and long-term investments outperform quick wins.

Guernsey is at the forefront of green finance internationally, including being one of the first members of the United Nations' initiative around finance centres for sustainability UN FC4S and research collated by Guernsey Green Finance seems to provide plenty of evidence that green and sustainable investing makes the most economic sense in the long-term.

Growth in this area is showing an exponential trend from general expansion of ESG portfolios to specific initiatives such as Climate 100+ which launched in 2018 and has seen over 400 investors with more than

> Philanthropists, quite rightly, will want to ensure that their efforts or funding lead to real and lasting positive change and that the desired outcomes are achieved.

$35 trillion in assets under management engaging with companies to improve governance, curb emissions and strengthen climate-related financial disclosures.

Within private wealth families, younger generations are seeking not just financial returns but also looking to make positive impacts and discovering that not only are the two not mutually exclusive but impact investing can also be more profitable. In a wider sense we are seeing a growth in conscious capitalism.

Experience shows that well-intentioned philanthropy can be counterproductive if not carefully structured and considered. The last thing a would-be philanthropist would want is to see their food aid being weaponised by ruthless dictators. Philanthropy needs detailed planning with expert input from many fields if it is to be at its most effective in an increasingly complex world.

Philanthropists, quite rightly, will want to ensure that their efforts or funding lead to real and lasting positive change and that the desired outcomes are achieved. This means ensuring that there is good oversight and control of any funds, transparency, diligence and monitoring of the application of such funds together with robust structures to leverage opportunities and make it easy to work alongside other philanthropic projects of significance.

FACTS

Taxes in Guernsey

- Guernsey residents are liable to pay income tax equal to 20% of their income.
- Guernsey has a basic rate of corporation tax of 0% on profits arising. An intermediate rate of 10% applies to certain regulated activities, including banking and insurance.
- Guernsey has no sales tax, no capital gains tax, nor death or inheritance tax.

Source: Guernsey Government

This is where Guernsey can provide amazing strength and depth. A strong entrepreneurial culture and deep-rooted sense of community abound at home. There is a robust Community Foundation in Guernsey to channel effective giving in the local community as well as advisors who specialise in philanthropic projects. 'Guerns', it seems, walk the talk.

These factors combine with long-standing political stability, independence and neutrality to give rise to world leading initiatives, solid and established legislation and jurisprudence from trusts and foundations to form the core of philanthropic structures themselves to a plethora of corporate vehicles to meet the needs of investments through such structures. All of this is supported by depth of knowledge, experience and capability of professionals familiar with advising, planning and the administration of complex structures which are often high value and multi-national in their reach.

The events of 2020 have highlighted the importance of the role of effective philanthropy in current times, helping those in need, of which there will be many in the near-term, helping our economies and hopefully setting the scene for a better long-term and sustainable future for humanity. Guernsey is already home to a number of philanthropic foundations with international reach and with a growing family office presence complementing an already diverse and competent finance industry. Guernsey is well-placed to help younger generations of private wealth in their quest for effective philanthropy.

It seems therefore that giving can make you richer in more ways than one. Not only in the most important way: fulfilment of our sense of being part of a global community and that inexplicable sense of joy which comes from helping others, but, if well-structured, in the side-effect of generating long-term profits whilst supporting philanthropic projects.

When passion and profession combine it is a powerful cocktail for success.

PEOPLEMOVES

Former Top 35 Under 35 re-joins Bedell Cristin to lead Guernsey private client offering

27 April 2020

Former eprivateclient Top 35 Under 35 Kerrie Le Tissier re-joined Bedell Cristin as partner to develop and lead the firm's international private client practice in Guernsey.

Ms Le Tissier has been a key member of the private client teams of a number of offshore law firms for a number of years, most recently at Collas Crill where she worked between 2016 and 2018 and again from 2018 to 2020.

Ms Le Tissier also has international experience having worked in the private client department of Australian law firm Mills Oakley and in-house at a family office in Geneva. She qualified as a Guernsey Advocate in 2009 and previously worked at Bedell Cristin between 2012 and 2016.

Ms Le Tissier is experienced in all aspects of private client structuring and succession planning often involving complex issues and bespoke document drafting. She also has significant experience in advising on corporate, commercial and funds matters, pensions, employee benefits and regulatory issues.

Bedell Cristin employs more than 170 people and has offices in the BVI, Cayman Islands, Guernsey, Jersey, London and Singapore. It provides a range of cross border legal services focusing on BVI, Cayman Islands, Guernsey and Jersey law.

Former Top 35 Under 35 promoted to MD of Moore Stephens in Guernsey

6 January 2020

Nick Ford has been appointed as managing director of Moore Stephens Fiduciaries (Guernsey) Limited, effective 1 January 2020.

Mr Ford, who joined Moore Stephens in October 2018 as a director with responsibility for business development and oversight of trust and corporate teams in Guernsey, has experience in dealing with high net worth families and complex structures across a wide range of jurisdictions.

Mr Ford 20 has more than years' experience in trust and corporate services and was named an eprivateclient top 35 under 35 in 2014. Before joining Moore Stephens he worked at Saffery Champness Registered Fiduciaries for over 18 years, latterly as a senior trust manager.

Run-off Trusts on the Rise

The use of trusts in the context of investment fund liquidations is on the up. Advocate Andrew Walters, a director of Trust Corporation International, explains the merits of the trust as a means of facilitating dissolutions where circumstances prevent a straightforward realisation and distribution exercise

Andrew Walters,
director, Trust Corporation International

When a collective investment scheme nears the end of its life, be that for commercial reasons, expiry of a fixed term, investor vote or court-order, those responsible for realising the scheme's assets and settling its liabilities can be faced with the prospect of residual assets, interests or rights which cannot, or should not, be realised as swiftly as the remaining portfolio. Such circumstances can arise where:

- a liquid market for the asset does not exist, or a willing buyer cannot be secured, at the relevant time
- valuation of the residual asset is delayed or cannot be ascertained
- a contractual or other right cannot be realised, or a counterparty looks likely to default on an obligation to pay out
- the residual asset is the subject of litigation or a lengthy liquidation process
- a material enhancement in value can be achieved by delaying realisation

In such circumstances, the ability to formally conclude the winding up process can be delayed with the unfortunate consequence that the fund may have to continue, albeit in dissolution, and incur on-going running costs that are no longer commensurate with the value of the residual asset. Such costs can include administrative, management, custody and regulatory expenses, and those responsible for winding up the scheme may find themselves obliged to find an alternative means of preserving stakeholder interests in the residual asset, while avoiding any remaining value being unduly eroded by such costs.

One solution might be to appoint a professional trustee to hold the residual asset on trust. A trust, by its very nature, is ideally suited to the preservation of value for identified or identifiable persons. In this context, the initial beneficiaries of the trust will usually be those appearing on the register of members or partners of the relevant fund at the time of dissolution.

Under the trust instrument, each beneficiary might have an interest in the trust property commensurate with their proportional interest in the dissolving fund. In the right circumstances, beneficiaries can be granted a defined or fixed interest in the trust which is, in some ways, comparable with the rights of unitholders in a traditional unit trust. The exact nature of an investor's interest in the trust, and the duties owed by the trustee to that investor, will depend on the terms of the trust instrument and the governing law of the trust.

Ordinarily, the identity of the beneficiaries will not change during the life of the trust. However, this is more often a reflection of the character of the residual assets rather than because a specific restriction on transfer has been included. In fact, the instrument can be drafted to permit the transfer of interests in the trust, thereby providing a mechanism by which beneficiaries can dispose of their interests if they can find a willing and permitted transferee.

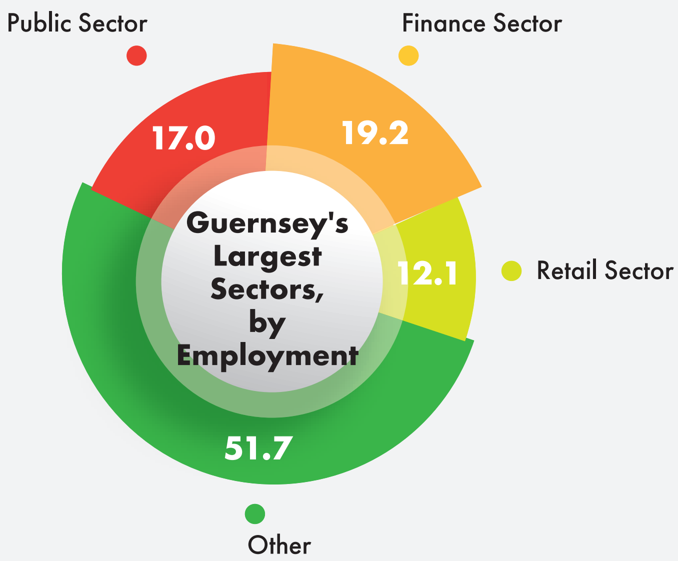
The trustee is duty-bound to operate the trust in accordance with the terms of the instrument and to act in the best interests of the beneficiaries as a whole. Such duties tend to suit collective investment given the commonality of terms upon which participants invest in the first place. That said, such trusts can be drafted to provide considerable flexibility including different classes of beneficiary, restrictions or enhancements to trustee powers and/or the involvement of third parties to act alongside the trustee in its stewardship of the assets.

For example, the instrument may well include provisions enabling, or even obliging, the trustee to appoint an investment manager to oversee the operation of the residual asset during the life of the trust. This can enable the outgoing manager's continued involvement with the residual asset if there remains a need for asset-specific expertise. Equally, the trust can provide for the appointment of a protector whose consent must be obtained before the trustee takes certain action such as disposing of an asset, permitting a transfer of interests or distributing funds. We have also seen the concept of "protected assets" in respect of which the trustee must seek certain permissions before disposing or exercising any rights.

While the principles underpinning the operation of these trusts are quite straightforward, there are several practicalities that should be borne in mind. For example:

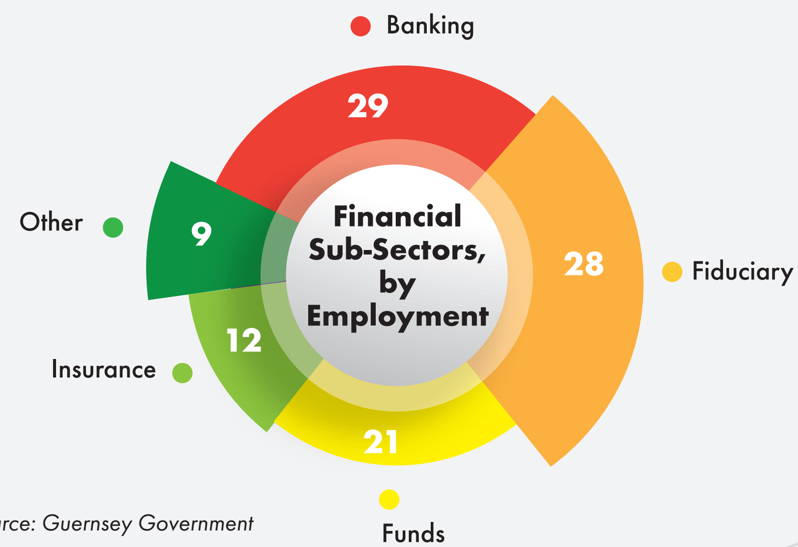
- Those responsible for effecting the dissolution of the fund will need to consider any potential tax consequences that might arise from the transfer of a residual asset to a trustee.
- It is important to ensure that there exists an appropriate right or power to make a transfer of assets to a trustee. This will come down, in part, to the constitution of the fund. In some instances, it may be necessary to seek permission or a resolution of the investors before contemplating a transfer of assets to a trust. In others, it may be advisable to seek court approval for the proposed transfer.
- As with any collective investment structure, regulatory considerations may well come into play and should be analysed carefully. Importantly, the regulatory status of the trust should be considered to ensure that it does not inadvertently stray into regulated fund territory.

Guernsey's Largest Sectors, by Employment



Source: Guernsey Government

Guernsey's Financial Sub-Sectors, by Employment



Source: Guernsey Government

- Ordinarily, the trustee remains subject to a duty to account to beneficiaries and to maintain financial records and prepare accounts. Consideration should be given at the creation of the trust to the optimum manner of keeping beneficiaries informed and ensuring that they have a mechanism by which to hold the trustee to account.
- In circumstances involving the trusteeship of illiquid assets, provision will need to be made for the running costs of the trust. In some instances, this may require the allocation of sufficient liquid funds to cover the life of the trust.
- The trustee remains bound to comply with applicable anti-money laundering principles and, as such, is normally required to identify and verify beneficiaries through customer due diligence.
- The trust instrument will need to include a mechanism enabling the trustee to retire or terminate the trust in appropriate circumstances. For example, provisions should be included to allow appropriate action to be taken in circumstances where it becomes apparent that there remains no realistic prospect of deriving value from the asset or the running costs of the structure can no longer be met.

A trust may be equally useful in circumstances where some of the fund's stakeholders cannot be easily contacted and verified. The appointment of a professional trustee to hold residual assets and to locate, identify and verify investors may be a cost-effective alternative where the person responsible for liquidating cannot, for regulatory or compliance reasons, distribute the liquidation proceeds immediately after realising the assets.

That said, careful thought should be given to the precise nature of a beneficiary's interest until such time as the trustee has satisfied any obligation to verify their identity. The nature of their interest will be important in determining the extent of a trustee's international reporting obligations and should therefore be given careful consideration when settling the terms of the trust.

M&A

Zedra acquires Guernsey-based trust company

13 June 2019

Global trust, corporate and fund services provider Zedra acquired Interben Trustees in Guernsey.

The move was aimed at enhancing Zedra's international pension and employee benefits portfolio and at the same time, it gives the group an entry point into the Nordic institutional market for employee benefits products and services.

Interben provides trustee and administration services to multinationals to support their international pension plans. Interben can trace its roots back to 1987 and has strong links to the Nordic market.

Former owners Storebrand (Norway and in Sweden via its subsidiary SPP) and Mandatum Life Insurance (Finland) are pension providers in their respective countries. The acquisition of Interben provides Zedra with routes into the Norwegian, Finnish and Swedish markets.

Storebrand (Norway), SPP (Sweden) and Mandatum (Finland) will continue to work with Interben and going forward more widely to provide solutions to their multinational clients.

Grant Thornton expands in Guernsey with acquisition of Price Bailey

7 November 2019

Grant Thornton Channel Islands acquired the chartered accountancy firm Price Bailey in Guernsey, in a move the former said would provide "significant opportunities for further growth".

Grant Thornton said that the acquisition would enable the firm to expand into the local business market as well as financial services sectors and outsourced finance functions.

All five Price Bailey staff will join Grant Thornton and bring with them well-established relationships with local businesses. The acquisition will provide Grant Thornton with immediate access to Price Bailey's audit experience and client base. As a result of the acquisition, some of the back-office work currently done by Price Bailey in the UK will now be carried out in Guernsey by Grant Thornton.

Grant Thornton Channel Islands has been operating in Guernsey and Jersey for over 35 years serving local businesses and individuals. The company offers a complete range of accounting, finance and business services. Clients include small owner-managed businesses, large local trading groups, international investment and trading companies, and owner managed companies in the finance sector.

Estera/Ocorian merger completes with Estera founder named as new CEO

10 February 2020

2019 eprivateclient Top Trust Companies Ocorian and Estera have completed their merger, first announced in July 2019. The enlarged business will operate under the Ocorian name with refreshed branding.

With assets under administration of $260 billion, the newly formed Ocorian business offers a range of corporate, funds and fiduciary services across a network of 20 offices globally.

The merger means Ocorian is now the seventh largest corporate, funds and trust services provider in the world by revenue and manages over 17,000 structures on behalf of more than 8,000 plus clients who are financial institutions, large scale international organisations and high net worth individuals.

Speaking with eprivateclient, Farah Ballands, Ocorian's CEO said that private client services were an "important part of our combined history" and "the bedrock of both businesses" and the combined firm's expansion of corporate and fund services had been driven by the private clients behind these structures.

Both Estera and Ocorian clients have responded well to the merger and were already "talking about the firm's services from new and existing locations" and for these clients there would be "no shock change" but "business as usual".

The group now has a network of 20 offices and over 1,250 staff working from jurisdictions including Bermuda, BVI, Cayman, Guernsey, Hong Kong, Ireland, Isle of Man, Jersey, Luxembourg, Malta, Mauritius, Netherlands, Singapore, UAE, UK, as well as representative offices in the US and Africa.

Guernsey's relationship with the UK and EU

Guernsey looks to future with optimism in midst of global political change

Chris Hards,
senior associate,
Ogier in Guernsey

As Guernsey eases out of COVID-19 lockdown, focus inevitably begins to shift from the present to what comes next. While the same discussions are taking place in the UK and further afield, Guernsey's relationship with both the UK and the European Union will be shaped by the post-lockdown priorities as much as by what has preceded it.

Relationship with the UK

The UK general election now seems a distant memory, but the debate over the Crown Dependencies' unique constitutional relationship with the UK was mainly concerned with the prospect of a Labour government headed by Jeremy Corbyn.

That prospect has receded. Nevertheless, but for the priorities of first Brexit and now a global pandemic, it is not beyond contemplation that a Tory government headed by Boris Johnson could try to intervene in Guernsey's affairs if it suited its agenda. It ought not to be forgotten that the initial proposal to enforce a public register of beneficial ownership in Guernsey originated from cross-party collaboration – the threat has not completely vanished with Corbyn's defeat.

Much has been written about the UK's ability to impose legislation of its own on the Crown Dependencies; whether under prerogative powers or by acts of parliament. There are arguments for and against that ability; all rooted in the complex constitutional position of the islands that has evolved over many centuries.

Guernsey's Chief Minister, Gavin St Pier, has however been forthright in his understanding of Guernsey's position, commenting that "should these amendments [public registers] be included in any Act they would lead to inoperative legislation, based on a misunderstanding of the constitutional position. We would challenge it robustly".

Similarly, as a matter of constitutional convention, the UK does not legislate for Jersey without consent from Jersey's elected legislature.

Guernsey and Jersey's positions may well be strengthened by the Supreme Court's decision last year concerning its judicial oversight of prerogative powers. It may be some comfort that the extent of prerogative powers has been confirmed to have a limit capable of judicial determination. Furthermore, it may be reasonable to assume that the basic principle of "no legislation without representation" as enshrined in the European Convention on Human Rights ought to be followed. There are strong grounds to submit that Guernsey has autonomous capacity, and a strong desire, to govern its own affairs.

However, the future of Guernsey, particularly within its financial and fiduciary sectors, is not just a product of its political position. Much will be influenced by the UK's post-Brexit position as it seeks to redefine its global status. Should the UK seek to re-model itself as a low tax, low regulation jurisdiction, there is concern that it may attempt to place itself in competition with the Crown Dependencies. This concern is likely misplaced for a number of reasons, not least:

- Notwithstanding the election of a majority government with an inclination toward lower taxes, the election mandate brought with it an end to austerity. That, coupled with the (albeit short-term) commitments of the government in the present lockdown, means any attempts to shrink the state are necessarily some way in the future;
- The future trading relationship of the UK with the EU remains unknown but it is likely that any attempt to turn the UK into a perceived tax haven would be thwarted by any such deal. In the event of a no-deal Brexit, the UK may take the opportunity to "de-regulate" in a manner akin to the USA's approach. Any such move would not be welcomed by the EU, thereby limiting the UK's ability to compete with the offshore jurisdictions.
- The UK's domestic taxation legislation has for several years witnessed a trend against the use of trusts. Even if a dramatic U-turn were to occur, the oversight and expertise available in the UK is minimal – as has been witnessed in the handling of the UK's register of persons with significant control. It will take many years for the UK to catch-up with the offshore jurisdictions in this regard.

Relationship with the EU

In the past, Guernsey's relationship with the EU has been secondary to and necessarily influenced by the UK's member status. Nevertheless, Guernsey is well-placed for cautious optimism. Never having been a member state, Guernsey has less cause to fear a cliff-edge rupture with the EU.

Even though some details on movement of goods and services will depend on the agreement reached, the States of Guernsey has been working together with Jersey and the Isle of Man to ensure provisions are made for a no-deal scenario between the UK and the EU.

Furthermore, Guernsey's own collaboration with the EU, particularly in regulatory aspects such as transparency and data protection, means it is well-placed to build on its relationship with the EU independent of the UK's post-Brexit trajectory.

The uncertainty of Brexit has paled in comparison to the uncertainty produced by the coronavirus pandemic and this is true of both economic and political projections. Nevertheless, we are of the view that Guernsey has a lot to be optimistic about with regard to the future success of the island in the changing international political conditions.

Guernsey's financial sector

Financial services (not including accountancy and legal services) is the largest sector in the Guernsey economy and comprises 19% of employment in Guernsey and 40% of GVA.

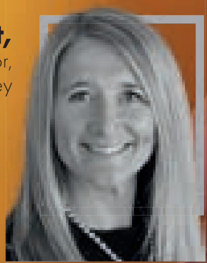
Source: Guernsey Government

FACTS

Intra-island cooperation
with Jersey in turbulent times

Paul Schreibke,
managing director,
Oak in Guernsey

Nicola Gott,
managing director,
Oak in Jersey



During a time of unprecedented uncertainty, businesses such as Oak Group are adapting quickly to maintain high-quality client service across their operational jurisdictions. Paul Schreibke, managing director of Oak in Guernsey, and Nicola Gott, managing director of Oak in Jersey, discuss how their operations are reliant on the effective collaboration of risk, compliance and IT functions across the Channel Islands during this difficult period.

Whilst the financial services industry has seen market crashes and economic crises before, the impact of COVID-19 and the consequent government-enforced lockdown in Guernsey and other Crown Dependencies has resulted in industries in the Channel Islands having to rapidly adapt their operations to meet the changing demands of the crisis.

In these challenging times businesses need to provide clear and consistent information to internal and external stakeholders as they analyse the extent of the impact of the 'corona crash' and potential future market crashes. They need to be able to reassure clients that they are available and it is business as usual, even if that means teams are working remotely. It is also important to ensure that staff feel they are in a safe working environment and have the full support and help they require.

Cooperation from the start

During the pandemic, Channel Island governments have been consistent in providing regular updates and supporting businesses locally with various positive initiatives, recognising the need to work together in these unpredictable times. Oak's offices in Guernsey and Jersey have responded to this pandemic using different yet equally effective approaches, in the same way that Oak believes every client requires a customised solution. Every situation is different and that's key to the way we approach things as a group. While each jurisdiction has its unique style, this is tailored to ensure the end result is what's best for our clients.

Multi-jurisdictional businesses tend to implement varied styles of working in each office. At Oak we ensure that each office has its own approach but also applies the same strategic thinking, especially in this particular case when implementing remote working measures that comply with different government requirements while also supporting our employees across the group. In addition, businesses should be guided by daily updates and guidance from the respective governments and financial services institutions in the locations in which they operate such as the Jersey Association of Trust companies (JATco) and the Guernsey International Business Association (GIBA).

Adopting new technologies

Microsoft recently announced that 2.7 billion minutes were spent on Microsoft Teams on 31 March alone – evidence of the exponential increase in the use of video conferencing tools during this pandemic. One of the most important things we needed to consider as a multi-jurisdictional business in this crisis, was our IT infrastructure.

An organised and intuitive system enables businesses to remain fully operational once the inevitable scenario of working from home presents itself. In the background, whilst day to day business was running smoothly, Oak had already started working on its IT infrastructure. A key objective right from day one of Oak's formation was to bring teams across our offices in each jurisdiction together, (Oak has offices in Guernsey, Isle of Man, Jersey, Luxembourg, Malta and Mauritius). From the outset, this was the answer to enable us all to work together effectively, no matter where in the world our teams are located.

Whilst we are living through a pandemic the communication and IT situation has changed from liaising weekly to daily. Colleagues from our Guernsey, Isle of Man and Jersey offices have coordinated to form Oak's COVID-19 crisis management team and have been in contact daily since February to formulate and implement a response to the crisis. Within a timeframe of approximately 10 working days, the pan-island team had organised and executed home working capability for all employees across the group and launched Microsoft Teams and SharePoint to enable greater cooperation across our business. Collaboration between risk, compliance and operational teams across jurisdictions enabled us to maximise the use of new technology to communicate with clients, employees and other key stakeholders to help manage the potential impact of the crisis to our business ahead of going into lockdown.

A highly organised approach and our continued investment in IT infrastructure enabled the crisis management team and employees to focus on mobilising business continuity plans. This has meant that our customers have experienced little or no disruption to our daily dealings with them prior to the pandemic.

Factoring risk and compliance

When implementing changes in infrastructure and introducing a working from home policy, businesses need to be mindful of the potential risks including cyber security risks as a result of the changes. Given that online threats in the UK have risen as much as six times their usual levels since the COVID-19 pandemic arrived, Oak updated the home and mobile device

> Remote working brings with it new challenges, however barriers of communication can be broken down and the challenges of working in a multi-jurisdictional team can be overcome

policy, sent reminders on Cyber Security and Data Protection, bolstered our Cyber Security capability and continues to look at tools to further improve our resilience. A positive outcome from the pandemic is the acceleration of IT and Cyber Security projects that were already in the pipeline.

Despite the allowances made to substance requirements by tax authorities in both islands during the pandemic, Oak did not need to change our standards of practice in corporate governance - we simply worked off the technology implemented by the team and held virtual meetings over Microsoft Teams instead.

Employee wellbeing

Remote working brings with it new challenges, however barriers of communication can be broken down and the challenges of working in a multi-jurisdictional team can be overcome. This is achieved through regular crisis management and management meetings across businesses, by implementing new solutions and adapting processes to maintain high levels of operational effectiveness across the different jurisdictions. Oak's strategy is focused on the well-being of our employees and we have adopted several measures including a buddy system, to ensure we are supporting them during this crisis. Using the technology recently implemented, we make sure that teams are accounted for and their wellbeing is cared for. We've even set up weekly, virtual socials to encourage a sense of community and togetherness.

Our focus is on creating a family-feel, people-led culture for our employees that ensures our clients continue to receive a quality, personal and cost-effective service. This allows us to grow steadily, placing an emphasis on client service and retention to create value in the business without a need to be overly 'cost conscious'. Maintaining strong relationships with clients is critical to our business so we firmly believe in a personal approach that is supported by technology.

Futureproofing

Having recently celebrated our first year of trading and operating as Oak Group in multiple jurisdictions, Oak embraces a new way of structuring a fund and fiduciary business rooted in long-term investment from local investors in Jersey and Guernsey. The business has funded its acquisitions through investment from a Guernsey-based local listed fund. This committed capital demonstrates that investors are planning for the long term, expecting a 12-13% internal rate of return (IRR) rather than a quick turnaround and the 25-30% IRR that could be expected with private equity. With long term investments at the centre of the business model, the challenging climate presents itself as an opportunity of growth and development.

In the long run, the firms that survive the pandemic will have to master a new environment as the crisis and the response to it accelerate the adoption of new technologies. Change is inevitable, but the shift in technologies presents great opportunities for our industry to be more efficient both in cost and resource. The exit path from lockdowns in the Channel Islands will be precarious, with uneasy clients, a stop-start rhythm that inhibits efficiency, and tricky new health protocols. Here at Oak, we remain confident that by working together as a unified group we will successfully navigate what is sure to be an interesting new normal post COVID-19.

FACTS

Taxes in Guernsey

- Guernsey residents are liable to pay income tax equal to 20% of their income.
- Guernsey has a basic rate of corporation tax of 0% on profits arising. An intermediate rate of 10% applies to certain regulated activities, including banking and insurance.
- Guernsey has no sales tax, no capital gains tax, nor death or inheritance tax.

Source: Guernsey Government

Family offices
why choose Guernsey?

Kerrie Le Tissier,
partner,
Bedell Cristin

Guernsey is increasingly being considered as a jurisdiction of choice for family offices, both for global family offices using the services of its specialist wealth management and fiduciary sector and for families creating (or relocating) their own family offices.

The provision of family office services in Guernsey is not new. Guernsey service providers have been providing a wide range of trustee, banking and investment management services to high net worth individuals and their families and family offices, both domestically and internationally, for the past 50 years.

The jurisdiction's offering has always been attractive due to its political stability, independence, low crime, proximity to both the UK and the EU, tax neutrality and commitment to international standards. There are now a number of single and multiple family offices located in Guernsey and many of Guernsey's 100-plus regulated trust and corporate services providers deliver third party services to family offices. Working alongside them are numerous Guernsey-based private banks, investment managers, insurers, lawyers and accountants who are also experienced in providing discreet, sophisticated and professional services to private clients.

The strength and depth of the experience and expertise within Guernsey's wealth management sector mean it is perfectly positioned to provide specialist services to family offices. Practitioners are already experienced in dealing with high-value, complex, cross-border structures and advising on issues relevant to most family offices, including family and business governance, engaging with the next generation, philanthropic giving and preserving privacy.

It was, therefore, a logical step when the jurisdiction's government, the States of Guernsey, set an objective in its 2018 Financial Services Policy Framework for Guernsey to become "foremost of mind amongst the global financial community for the provision of specialist family office and private wealth services". The government, industry and the regulator, the Guernsey Financial Services Commission (GFSC), have since been working together to develop the jurisdictional offer "to provide the most supportive global environment and eco-system for servicing private capital and wealth".

In addition to the local professional services infrastructure, family offices benefit from the wide range of structures available under Guernsey's modern, robust and innovative legislation. The use of Guernsey trusts for succession planning and asset protection purposes is recognised internationally by private clients, family offices and their advisers. Family discretionary trusts, non-charitable purpose trusts, charitable trusts and family unit trusts can all be created under Guernsey law, with the ability to reserve powers to the settlor and Guernsey's firewall provisions being particularly popular features of its trusts law.

Family offices can outsource trust administration to one of the many professional trustee companies in Guernsey or, alternatively, set up their own private trust companies (PTCs) which are now widely used to act as trustee of a group of family trusts (and may be the family office itself). PTCs are usually eligible for an exemption from licensing where the PTC is administered by a locally licensed fiduciary and the regime permits the family to have full control of the board if required.

Developments in law and regulation in recent years have facilitated the use of a wide range of other private wealth structures by family offices. Guernsey foundations are often used by families from civil law countries where trusts are unfamiliar, or even not recognised, or where families are seeking more control than a traditional trust might permit (and private trust foundations are also now available as an alternative to PTCs). Foundations are particularly useful for family offices because they have legal personality and so can contract and own property, but they are ownerless and can have a continuous existence (until removed from the Register of Foundations). In addition, the flexible legal framework under which Guernsey foundations are set up means their governance can be tailored to the family's unique requirements.

Private investment funds, protected cell companies, family limited partnerships and family investment companies set up under Guernsey law are also often used by high net worth individuals and family offices to hold their investments in a corporate structure, which again might be more familiar or appropriate than a trust. It is also possible to create bespoke structures comprising more than one trust or entity, each holding different types of assets or being controlled by, or benefitting, different parts of a family.

In short, Guernsey's modern, flexible and innovative legislative and regulatory framework accommodates a wide range of structures that can be tailored to a client's specific requirements, which is ideal for family offices, whose needs and objectives can be complex and vary so greatly.

Guernsey is committed to meeting international standards of transparency, anti-money laundering and combating the financing of terrorism, which is particularly attractive to global family offices who are conscious of their own international obligations and reputation. Guernsey was an early adopter of the Common Reporting Standard (CRS) and, in 2017, introduced a central register of beneficial ownership of legal entities incorporated or registered in Guernsey.

However, as Guernsey also fully respects an individual's right to privacy, its central register of beneficial ownership is not public – it is only accessible by competent authorities (such as law enforcement, tax authorities and other regulatory bodies) and only where their interest in the data is legitimate. Guernsey also has its own data protection legislation, following the GDPR principles in force in the UK and Europe, and its service providers uphold the highest standards of professionalism under which they owe a duty of confidentiality to their clients.

Guernsey Finance (which markets the jurisdiction's financial services industry) commissioned an independent research study into global trends in the family office sector, published in May 2019. The study found that family offices and their advisers considered that 'safety, security and stability' – as indicated by high levels of social cohesion, constitutional autonomy, political and economic stability and an independent judiciary, all of which Guernsey offers - were the most important criteria when considering a jurisdiction for a family office.

The study also found that family offices and their founders are demanding greater simplicity and that many are consolidating their structures in one jurisdiction and seeking higher-quality administration. The study acknowledged that economic substance is more easily demonstrated if services are retained in-house or, if out-sourced, undertaken within the jurisdiction of the family office. This is all the more reason for establishing a family office in (or relocating one to) Guernsey - any services that need to be outsourced to a specialist third party provider, such as investment management, can be provided from within the same jurisdiction by experienced practitioners.

Finally, many high net worth individuals and family offices are becoming increasingly conscious of their social and environmental responsibilities. Many are also aware of the investment opportunities in areas such as renewable energy and recycling. Guernsey is on the radar of an increasing number of family offices because of its work in green finance, such as the Guernsey Green Finance initiative and the Guernsey Green Fund, the world's first regulated green investment product.

In summary, Guernsey is the ideal jurisdiction of choice for any family office which values quality, reputation, privacy, substance, stability and security. It offers experience, excellence and professionalism in its service providers and choice and flexibility in the structures available for holding and managing private wealth and investments.

Q4 2019 Funds under management in Guernsey

- Total FUM and FUA has decreased over the last quarter by £17.7 billion (-6.2%) to £268.3 billion. Over 2019, total net asset values decreased by £13.3 billion (-4.7%).
- Guernsey is home to more than 150 fund managers and 30+ global administrators

Source: Guernsey Finance

FACTS

Stronger and more competitively placed

Dominic Wheatley stood down as chief executive of Guernsey Finance, the promotional agency for the island's finance industry, at the end of June. Here he looks back at some of the major issues for private wealth over his five years in post

Dominic Wheatley

Guernsey's focus on the development of family offices in the island recognises the island's core strengths.

Those strengths are security and stability in an uncertain environment, standards of service provision, as the Guernsey industry approaches the 20th anniversary of the introduction of regulation in the sector, and a corresponding strength in depth and professionalism.

The island has promoted its abilities in the family office sector particularly in the past couple of years, and has seen interest rise in the use of the island as a domicile for family wealth.

Guernsey has been providing services to family offices for at least half a century. The use of Guernsey trustees, corporate structures, Guernsey-based banks or investment managers, and Guernsey fund managers among family offices established in London, Geneva and elsewhere is commonplace. In recent years we have also seen more families choosing to establish their own family offices in the island.

The island's aim now is to create the most supportive global environment for the provision of specialist single and multi-family office services, putting Guernsey front of mind of professional advisers, and their client base, for servicing private clients and private wealth.

Local developments being pursued accordingly include revisions to the regulatory regime for the island's private trust company rules, the development of a family investment company offer, and a review of the trust law.

Guernsey has a history of keeping up to date with developments elsewhere – sometimes as leaders, such as in the case of regulation, but more often as followers, building on the best of what others have done before us.

Beneficial ownership registers and privacy

Last spring the long-running issue of public registers of beneficial ownership in Guernsey came to a head in the Houses of Parliament in the UK.

Guernsey, which maintains a private register, has long resisted calls from MPs and agencies to allow public access to such registers.

Last March island politicians, joined by those from Jersey and the Isle of Man, had to argue the point with the UK on both constitutional – on the grounds of the UK legislating for the islands – and policy issues, following intervention from campaigning MPs Margaret Hodge and Andrew Mitchell.

There is still a lack of understanding among parliamentarians that Guernsey and the other Crown Dependencies are part of the solution to harmful tax practices, not the problem.

Guernsey has a complete register of beneficial ownership which is accessible to law enforcement and tax authorities on demand. The information in Guernsey's register of beneficial ownership is more accurate, up-to-date and verified than the UK's public register, which is based on self-declared data and updated only annually. Guernsey's register involves a legal duty to update details when changes are made.

We argue that public scrutiny of our beneficial ownership registers is irrelevant to their effectiveness, and undermines the normal standards of privacy of personal affairs in a way as unreasonable as it is ineffective.

We support privacy, not secrecy. Secrecy means you can hide things from the public and the authorities. Privacy can make the lives of individuals', and even their business dealings, easier, while not providing a shield for nefarious dealings. There is more than a marginal difference between legitimate and reasonable privacy from the prying eyes of the merely curious, and the rights of legitimate public authorities.

As a respected player in a global playing field, Guernsey is not resisting moves to clamp down on financial crime and tax evasion. However, we believe that we have a more effective solution than that adopted by the UK. We will never compromise the high standard of our register by the adoption of an inferior model, and under our action plan, we continue to determine our own policy position.

We are absolutely committed to, and have a demonstrable track record of adhering to, international standards as they emerge. Guernsey meets the highest standards of transparency, as recognised by many international and supranational organisations.

Anyone looking to evade tax or launder money would be foolish to attempt to do so in Guernsey.

Substance

Guernsey was placed on the European Union's whitelist at the earliest opportunity in the process in March 2019. We were delighted but not particularly surprised – Guernsey has long been a jurisdiction of genuine economic substance.

Let's look at the evidence:

- A third of our workforce is employed in financial services;
- we have our large non-executive director community;
- we have requirements to demonstrate that companies are "directed and managed" in Guernsey in relation to the substance activity;
- that they have adequate employees, expenditure in the island and physical presence; and
- that core income-generating activities (CIGA) undertaken are carried out in Guernsey.

So much of these requirements were very much "business as usual" for us, while others have had to make material changes in attempting to meet economic substance requirements.

Economic substance is now a key industry issue and firms and fund managers today look to jurisdictions that can and have met these new global standards. This plays to our strengths. Guernsey has emerged stronger and more competitively placed as a result.

Sustainability

ESG, and more specifically, sustainability, has been a key part of Guernsey Finance's development strategy in recent years, across all the sectors of our finance industry.

In private wealth particularly we have picked up on this trend, and we commissioned research last year on the impact of sustainability on the sector. That report indicated, somewhat surprisingly perhaps, that high-profile protests and campaigns were not yet mobilising private capital into green and sustainable finance.

Our research told us that HNWIs and family offices appeared to be looking for greater confidence in returns and in the green credentials of their investments. It appeared that a framework for unlocking this investment flow was needed, and that is something being pursued by Guernsey, initially with the Guernsey Green Fund, the world-leading regulated green fund product.

We launched the report in London with Guernsey resident and private investor Stephen Lansdown, an early convert to the cause of sustainability. "We have to make it easy to invest," he said. "At the moment you've got to search and investigate and it's hard work.

Number of Banks in Guernsey (2012-2019)

Year	Number of banks	% Change
Dec-12	32	N/A
Dec-13	31	-3%
Dec-14	31	0%
Dec-15	29	-6%
Dec-16	25	-14%
Dec-17	23	-8%
Dec-18	23	0%
Dec-19	22	-4%

Guernsey Fund Statistics

Date	Bank Deposits £mn	Third Party Deposits £mn	Annual change in third party deposits %	Total Deposits £mn
Dec-12	43,515	43,169	-9	86,683
Dec-13	41,272	42,434	-2	83,705
Dec-14	43,147	40,514	-5	83,661
Dec-15	40,261	38,984	-4	79,245
Dec-16	47,540	45,705	17	93,245
Dec-17	50,384	41,375	-9.5	91,759
Dec-18	55,787	41,655	0.7	97,442
Dec-19	58,373	35,226	-15.4	93,599

Source: Guernsey Financial Services Comission

People in the industry are going to need to develop ways of matching buyers and sellers, as this sector is going to be important and is certainly going to grow."

Sustainability is one of the big secular trends that will shape future profitability and losses in the financial services sector. It is the fiduciary duty of wealth managers to identify material risks and avoid large losses due to environmental issues. And Guernsey has been quick to recognise that and to seek to develop the opportunity.

Private capital and private equity

Guernsey's funds sector is not alone in clearly seeing the merging of the private equity and private capital space. Private capital has become a normalised source of financing, while the investment management sector is seen increasingly as a gateway to a direct investment opportunity.

Guernsey Finance carried out research last year which showed a desire for specialist jurisdictions such as Guernsey, which can support this convergence, are aware of the rise in private capital, the desire for bespoke structuring, and which are jurisdictions of substance.

The continued growth of private wealth, well ahead of institutional assets, has driven investment into alternatives in a search for return. The downside is a lack of liquidity, and so there has been a growing focus on building structures to offer liquidity.

Guernsey's funds and wealth sectors have responded to this changing market, introducing new structures and distribution methods as institutional clients look to democratise traditional institutional private fund illiquid products, to secure greater access to private capital.

Meanwhile private capital and family offices are looking for bespoke structures to address specific commercial, legal, regulatory, taxation or operational concerns over their investment. Guernsey's Private Investment Fund (PIF) is proving an ideal vehicle for private capital to invest in private equity.

WE ARE GUERNSEY
WE ARE CONNECTED

WE ARE STABILITY

Guernsey's iconic coastlines are the perfect setting for any activity; offering shelter from surrounding storms and allowing for maximum flexibility.

Similarly, our well-established finance centre provides a safe harbour during uncertain times for businesses, families and individuals alike.

INSURANCE | INVESTMENT FUNDS | TRUST & COMPANY | PENSIONS | INVESTMENT MANAGEMENT | BANKING

E: info@weareguernsey.com
T: +44 (0)1481 720071

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