

A guide to Guernsey investment funds: Structures, regulation, and setup

Briefing Summary: 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.

Service Area: Investment Funds

Location: Guernsey

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Why Guernsey for investment funds?

Guernsey is one of the world’s largest offshore finance centres, with a thriving funds industry. As of June 2023, over 1,100 investment funds and sub-funds were domiciled in the island with a total net asset value of over US\$ 420 billion. When funds not domiciled in Guernsey but under management and administration there are included, this brings the totals to over 1,500 investment funds and sub-funds with a total net asset value of over US\$ 515 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 domicile[1].

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.

Guernsey fund structures

Registered, Private and Authorised Investment funds

Guernsey funds are broadly split into three categories:

- "registered" funds;
- "private investment" funds and
- "authorised" funds.

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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.

Registered funds

Registered funds now make up most collective investment schemes and are regulated under The Registered Collective Investment Scheme Rules, 2021. Registered Funds can be open ended or closed ended funds. Registered funds are those which have been registered with the GFSC through a process of obtaining a representation of suitability from the administrator. The administrator must be a Guernsey body holding a licence under The Protection of Investors (Bailiwick of Guernsey) Law, 2020 (the "POI Law") which then scrutinises both the fund and the fund's promoter, in place of the GFSC. Subsequently, the administrator will provide assurance and warranties to the GFSC that the promoter of the fund is suitable, and that the documentation surrounding the fund is considered to satisfy the regulatory requirements. Unlike private investment funds, there are no qualification requirements for investors and there is also no limit on the amount of investors allowed in the fund. However, a registered fund must appoint a qualified auditor. Specifically, in the case of an open-ended fund, they must have a designated custodian or trustee.

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Private Investments funds (PIFs)

There are two types of private investment funds ("PIFs"), namely Qualifying Private Investment Funds ("QPIFs") and Family Private Investment Funds ("Family PIF"). A QPIF is only open to qualifying private investors, which includes professional investors, experienced investors, knowledgeable employees, high net worth investors, UK professional clients, EU professional clients, US accredited investors and licensee warranted investors. Whereas, a Family PIF is open to high net worth individuals who share a family relationship or are an employee of the family. They cannot be marketed outside of this group of people. For both of these types of PIFs, there is no limit on the number of investors, there is no requirement for a prospectus or disclosure document, audit or a Guernsey manager. Although PIFs cannot be offered to the general public, there is no limit on the number of people to whom they may be offered to. However, should the fund choose to appoint an auditor, then the auditor should have physical presence in Guernsey. PIFs can also either be open or closed ended. PIFs are regulated by the GFSC and much like registered funds, they will receive their approval from the GFSC once they have obtained a representation of suitability from the administrator. The administrator is required to undertake sufficient due diligence to ensure that the correct category of investors are admitted into the QPIFs or Family PIFs respectively.

Authorised funds

There are four classes of Authorised funds: Class A, B and Q which are open-ended funds, and Authorised Closed-ended Funds which are (as the name would suggest) closed-ended. Class Q funds have certain restrictions on the types of investors who are able to invest, such as they can only be marketed to qualifying professional investors. The GFSC will grant authorisation for the funds, after they have reviewed an application which provides the nature and purpose of the funds and details such as the administrator, custodian or trustee. Subject to certain requirements regarding the type of investors depending on the class of the fund, authorised funds have no limit as to whom the funds can be marketed to, and there is no limit to the number of investors in authorised funds. Authorised closed-ended funds must have a designated administrator who undertakes the administration of the fund. The administrator must be established in Guernsey and have a licence under the POI Law.

Open-ended vs. closed-ended funds

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.

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 so[2]. 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.

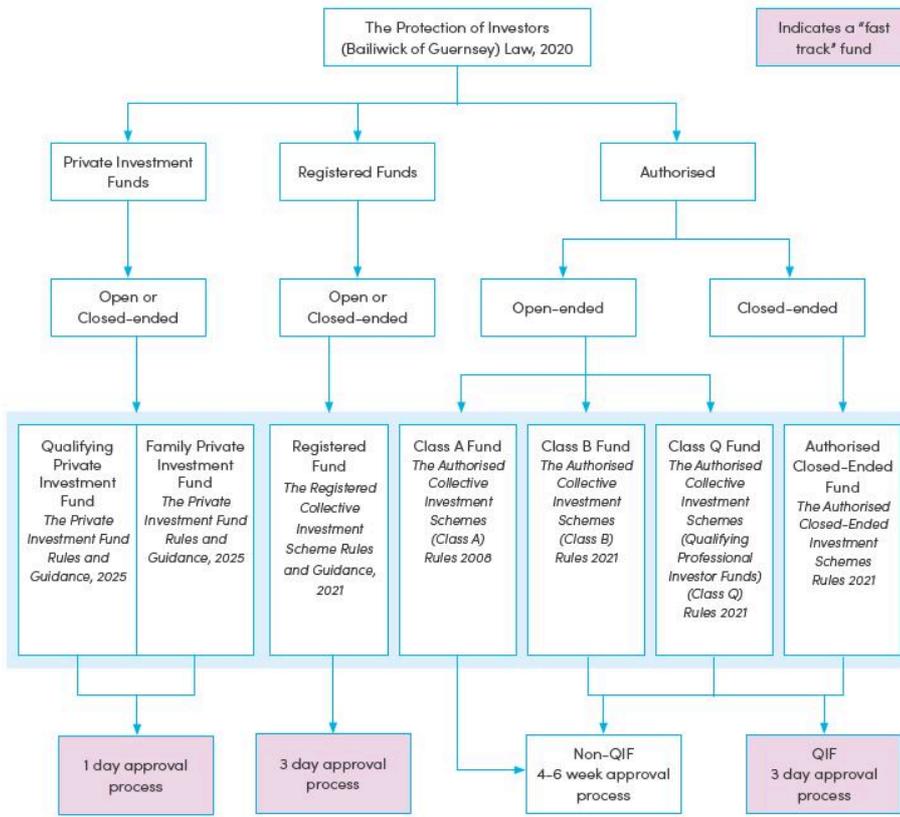
What constitutes a fund in Guernsey?

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.

Guernsey fund setup timeline and process



[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.

FAQs

How many investment funds are domiciled in Guernsey, and what is their total NAV?

As of June 2023, over 1,100 investment funds and sub-funds are domiciled in Guernsey with a combined net asset value (NAV) exceeding US\$420 billion. Including externally domiciled but Guernsey-administered funds brings the totals to over 1,500 funds and a NAV of more than US\$515 billion.

What makes Guernsey an attractive funds jurisdiction?

Key advantages include:

- Political and legal stability characterized by functioning democratic institutions and independence in domestic governance in connection with Guernsey's legal and financial sectors.
- Tax neutrality
- A flexible, risk-based regulatory regime
- Experienced service providers and global market access

What qualifies as a Guernsey "fund"?

A fund—officially called a "collective investment scheme"—is defined as the:

1. pooling of multiple investment contributions into a diversified portfolio,
2. under third-party management,

allowing individual investors to spread their risk in a way not typically achievable via single-investor or single-asset structures, of which typically fall outside this definition.

What regulatory regimes exist for private funds?

There are three main fund categories:

- Authorised Funds
- Registered Funds
- Private Investment Funds (PIFs)
Authorised funds undergo full GFSC review unless they are qualifying investor funds (QIFs), which follow the faster route used by registered funds and PIFs.

What's the difference between open ended and closed ended funds?

- Open-ended funds allow investor redemptions at NAV (with no mandatory frequency or time limit on payments).
- Closed-ended funds operate with a fixed pool of capital and no routine redemption option as the prices are determined by market demand and supply and may differ from the NAV.

Who can manage or administer a Guernsey fund?

- A Guernsey-licensed administrator must oversee all Fund types.
- An open-ended fund also needs a locally licensed custodian or trustee (except in limited cases).

Are Guernsey funds recognised internationally?

- Guernsey funds are widely recognized and often listed on major stock exchanges.
- The jurisdiction is also compliant with international standards on anti-money laundering and investor protection.

What is the typical time frame for setting up a fund in Guernsey?

- Depending on the fund type, the setup process can be streamlined, with certain funds like registered funds eligible for fast-track approval, sometimes within a few days.
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