



Guernsey fund market update

Service area / [Investment Funds](#)

Location / [Guernsey](#)

Date / [October 2020](#)

Introduction

Ahead of Guernsey Finance's Funds Forum on 2 November 2020, we take a look at some of the latest developments in the Guernsey Investment Fund Market.

Travel Restrictions

The global pandemic continues to dominate political and business news. At the time of writing, Guernsey has had a tiny number of active cases for more than 4 months. As a result, persons arriving in the Island from locations with active cases must quarantine. The length of quarantine depends upon the perceived risk in that location. In addition, Guernsey has introduced business tunnels through which business travellers from the UK can spend a day in the Island without any quarantine but subject to social distancing and other restrictions.

These new guidelines make travel to Guernsey possible but company policies or restrictions imposed by other countries means that for some, travel to Guernsey for meetings may not yet be practicable. [Guidance issued](#) by the Guernsey International Business Association (GIBA) in March states that in the present exceptional circumstances a pragmatic approach to compliance with substance requirements will be adopted.

The European Union (EU) has not issued any COVID-19 guidance. However, HMRC in the UK has noted that existing legislation and guidance already provides flexibility to deal with changes in business activities necessitated by the response to the COVID-19 pandemic. HMRC helpfully notes

that they do not consider that a company will necessarily become resident in the UK because a few board meetings are held there or because some decisions are taken in the UK over a short period of time.

However, it has now been more than 6 months since the initial outbreak and consequential lockdown, and there remains uncertainty as to when more normal travel arrangements will resume. Therefore, consistent with the GIBA guidance businesses should consider appointing alternate directors to achieve substance compliance and where necessary consider adjusting board composition. Companies are also advised to maintain relevant records to demonstrate why compliance has proved impossible and utilise virtual conference facilities if possible. More information can be found on our dedicated COVID-19 site.

Self-managed funds

Draft Guernsey legislation responding to the proposal to include self-managed funds within the scope of the substance regime has been circulated to industry groups for consideration. The legislation will not have effect from 1 January 2020 as originally proposed but is expected to take effect later this year. In summary, it is anticipated that any Guernsey fund which does not appoint an external manager will become subject to the substance requirements.

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Migration of Limited Partnerships

In July Guernsey introduced rules permitting the migration of overseas Limited Partnerships to Guernsey and Guernsey Limited Partnerships to overseas. A detailed description of how the legislation works can be found [here](#). Notably, the new rules for the first time permit investment funds structured as limited partnerships in other parts of the world to migrate to Guernsey instead and vice versa. The legislation provides that no new Limited Partnership is created by the migration; rather the Partnership continues in that other jurisdiction with all of its assets and liabilities intact and does not affect any partnership interests, any act done before the migration or the rights and powers of the limited partnership or any partner or any other person before the migration.

Green Funds

Guernsey was one of the first jurisdictions to [introduce a Green Fund product](#) in July 2018. Since then seven Green Funds have been launched in Guernsey with a total net asset value of £2.7 billion. Further strengthening its commitment to the Green movement, Guernsey [released the Green Private Equity Principles](#) on 1 June 2020, a voluntary guide to best practice for General Partners. The aim of the principles is to guide General Partners towards the goal of sustainability and fighting climate change, with a focus on both the investment process and the portfolio itself. It remains to be seen whether the pandemic has positively assisted with the shift towards sustainable investing becoming the new normal, but with everything pointed in that direction before 2020 it seems inevitable that the global crisis will push business and individuals to rethink their priorities.

Coronavirus (COVID-19) resources

We have produced guides and briefings to assist you in assessing and mitigating the extensive challenges presented by the coronavirus.

This content is housed in a dedicated [coronavirus \(COVID-19\) resources hub](#) and includes guidance in relation to workplace disruption and employment law best practice, immigration, restructuring and insolvency, economic substance requirements and considerations for directors and lenders.



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PLEASE NOTE

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