

Guernsey's new Manager Led Product

Service area / [Corporate](#)

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Introduction

In May 2016 the Guernsey Financial Services Commission (GFSC) launched a new regulated investment structure, the Manager-Led Product (MLP).

Under the MLP regime the primary alternative investment fund manager (AIFM) in respect of an alternative investment fund (AIF) must be licensed by the GFSC through the normal licensing process (10 business days). However, significantly:

- AIFs managed by that AIFM will be “registered” by the GFSC (as “registered” funds) and associated entities with management responsibilities (such as general partners of limited partnerships) will be licensed by the GFSC within one business day;
- neither those AIFs nor any associated management entities (such as general partner companies) will be subject to any rules. The principal Guernsey regulations for MLP structures are applied to the AIFM.

The regime applies to open and closed-ended funds and there is no limit to the number of funds or associated licensees in respect of each AIFM. In focusing regulation on the AIFM, this approach is consistent with that adopted by the EU directive on alternative investment fund managers (EU AIFMD).

Use

The MLP regime is intended to be used by AIFMs seeking to market an AIF into an EU member state under its national private placement regime (NPPR). In addition, it is anticipated that the MLP regime will assist Guernsey AIFMs in utilising the EU AIFMD third country passport (once available) in order to market in the EU. For that reason, the MLP regime anticipates that the AIFM will opt into the Guernsey AIFMD Rules – which replicate the rules of the EU AIFMD.

Until the EU AIFMD third country passport has been extended to Guernsey it is unlikely that a Guernsey AIFM would wish voluntarily to submit to the additional regulatory burden of Guernsey's AIFMD Rules. For that reason the GFSC has indicated that significant derogations from the MLP regime requirements may be available.

Applications and regulatory oversight

Once the AIFM has been licensed it can obtain registration of AIFs it manages and licensing of associated management entities by simply notifying the GFSC through the application form MLP, enclosing certificates of incorporation and the relevant fee.

On application, the AIFM makes certain warranties to the GFSC in respect of the underlying fund. The underlying fund is, within one business day, “registered” by the GFSC but is not, as a “registered” fund, subject to the Registered Collective Investment Scheme Rules 2015 or the Prospectus Rules 2008.

The AIFM is subject to GFSC regulatory oversight in accordance with the POI Law, the Licensees (Conduct of Business) Rules, 2014, the Licensees (Capital Adequacy) Rules, 2010 and the AIFMD Rules (subject to derogations). However, associated licensees (such as general partner companies) are not subject to these Rules. The Guernsey administrator and, if any, the custodian or trustee of the AIF must be regulated by the GFSC.

Advantages of the MLP regime

Regulation of a single licensed AIFM provides an efficient fund formation process likely to appeal to AIFMs with multiple AIFs. The regime provides a faster and more efficient route to market and avoids any duplication of regulation of licensees. In addition, the fact that associated licensees are not subject to any rules could lead to a significant reduction in administration costs. The regime is open to new AIFMs and existing licensed managers can also opt in as AIFMs quickly and easily.

Conclusion

In conjunction with the new private investment fund regime (see client briefing here), the MLP regime reflects the Guernsey Financial Services Commission's pragmatic approach to investment fund regulation while continuing to maintain high regulatory standards. In addition, the GFSC has stated that it expects to make further announcements in relation to its supervisory strategy in the first half of 2017.

A copy of the Guidance Notes issued by the GFSC in respect of the MLP regime and application process is available [here](#).



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