

Guernsey funds and the AIFMD

Service area / [Investment Funds](#)

Location / [Guernsey](#)

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Guernsey *vis-à-vis* the European Union

Guernsey is a Crown Dependency. The Bailiwick of Guernsey (Guernsey, together with Herm, Sark, Alderney and the surrounding islets) is part of the British Isles but independent of the UK. It is neither a member nor an associate member of the European Union (the "EU") and as such is classified as a third-country. Guernsey is therefore not required to comply with EU directives such as the Alternative Investment Fund Managers Directive (the "AIFMD"). Guernsey has, however, passed equivalent legislation in certain areas to facilitate access to EU markets.

The impact of Brexit

The result of the United Kingdom's 2016 referendum does not impact Guernsey's relationship with the EU. However, Guernsey's current "Protocol 3" relationship (whereby Guernsey falls within the common customs area, the common external tariff, and within the EU for most of the purposes of the free movement of goods) will fall away when the UK leaves the EU and will need to be replaced with new arrangements. Guernsey is committed to maintaining the substance of its existing relationship with both the UK and the EU.

Guernsey and the AIFMD

All Guernsey funds are eligible to be marketed into the European Union and European Economic Area ("EEA") in accordance with the provisions of the AIFMD through both:

- national private placement regimes; and
- (once available) the third-country passporting regime.

Guernsey funds with a Guernsey manager which are not actively marketed into the EU/EEA fall outside the scope of AIFMD.

National Private Placement Regimes

Guernsey funds with a Guernsey manager can be marketed in one or more countries of the EU/EEA through individual national private placement regimes ("NPPR") by complying with the requirements of AIFMD Article 42 (which requires that the manager produce annual reports, pre-investment disclosure and regulatory reporting on liquidity, risk management arrangements and leverage) and the provisions of the applicable national regimes.

This reduces costs as the fully panoply of AIFMD requirements do not apply, including that no depositary is needed (although a small number of EU/EEA countries require a depositary in order to permit marketing under the NPPR route).

The GFSC has issued AIFMD Marketing Rules to help ensure compliance by Guernsey investment funds and their managers with the AIFMD's NPPR requirements.

NPPRs have proved highly effective in facilitating marketing in many EU/EEA countries. Guernsey funds continue to be marketed in those countries, thereby avoiding the more onerous and costly AIFMD requirements. In particular, Guernsey enjoys easy access to the major UK investor market, which is expected to continue following the UK's departure from the EU.

AIFMD third-country passporting

A Guernsey manager can opt to comply with Guernsey's equivalent AIFMD regime to be ready for the extension of the AIFMD passporting regime to third countries.

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In July 2015 The European Securities and Markets Authority (“ESMA”) issued its advice to the European Commission, Parliament and Council on the extension of the AIFMD passporting regime to non-EU managers and funds. Guernsey was one of only six jurisdictions to even be considered by ESMA, and one of only two to be approved for the third-country passporting regime without condition.

In July 2016, the “unqualified and positive assessment” for Guernsey was re-iterated, with further jurisdictions approved for the extension of the third-country passporting regime.

Notwithstanding the requirement to do so following such positive assessments, the EU Commission is yet to specify the date by which the third-country passport should be extended to those jurisdictions.

We would expect to see greater clarity following the UK’s departure from the EU although we cannot be sure of how long this might take.

Brexit

For our thoughts on what Brexit means for Guernsey and Jersey, please refer to our briefing [here](#).



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PLEASE NOTE

Please note that this briefing is only intended to provide a very general overview of the matters to which it relates. It is not intended as legal advice and should not be relied on as such.

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