

Private investment funds in Guernsey

June 2022

Guernsey's Private Investment Fund (**PIF**) regime recognises that for some promoters, the nature of the target investors warrants a more flexible, cost-effective and timely approach to regulation and fund launch, pursuant to the Private Investment Fund Rules and Guidance, 2021 (**PIF Rules**).

It is popular with both new promoters looking to launch their first fund and existing managers looking to provide a simple product to investors very quickly.

A PIF and, where relevant, its associated management entity can be registered (and licensed) by the Guernsey Financial Services Commission within one business day. The application consists of a single form for the registration of the fund and licensing of the manager (where the fund requires one). This provides promoters with a very flexible regulatory environment to allow innovation and expansion.

Depending upon which "Route" you select under the PIF Regime (see *PIF Routes* below), in the application, the manager and/or the administrator have to make certain declarations to the Commission, which allows for an expedited regulatory review and approval process.

Key features

Regulation: a PIF must be a collective investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law 2021 (**POI Law**) and be registered with the Commission under the POI Law. PIFs are subject to the PIF Rules, which can be found on the Commission's website.

Open- or closed-ended: a PIF can be either an open-ended or a closed-ended fund.

Flexible form: PIFs may be established as companies, unit trusts, limited partnerships or such other vehicle or entity as may be approved by the Commission.

Manager: where the PIF is a POI licensed manager PIF (see *PIF Routes* below), the manager must be licensed and domiciled in Guernsey and be responsible for the investment management of the fund as a whole. However, the Licensees (Conduct of Business) Rules and Guidance, 2021 and the Licensees (Capital Adequacy) Rules and Guidance, 2021 do not apply to a PIF manager.

Investors: a PIF may have a maximum of 50 investors. Other investor-related provisions apply depending upon which Route is selected (see *PIF Routes* below).

Documents: there is no regulatory requirement to produce an information document, prospectus or similar. The only document submitted to the Commission is the relevant Form PIF, although the manager may wish to prepare a document outlining the terms and risks of the investments for the investors.

Administration: a Guernsey-domiciled and -licensed administrator must administer the PIF.

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Auditor: a PIF must be audited by a qualified auditor.

Custodian: a custodian is only required for open-ended funds and the Commission will consider the appointment of a custodian or prime broker domiciled out of Guernsey.

Fees: the Commission charges fees for the registration of PIFs as follows:

- *Route 1:* Application fees of £6,050 and annual fees of £5,325.
- *Routes 2 & 3:* Application fees of £3,500 and annual fees of £3,500.

If the PIF is an umbrella scheme or has multiple share classes, additional fees will be charged.

PIF Routes

There are three "routes" to become a PIF:

Route 1 – POI Licensed Manager PIF

To proceed under Route 1, the PIF must be managed by a licensed manager. This licence is provided to the manager as part of the PIF registration process. Once licensed, the PIF manager may conduct management activities but only in relation to the PIF.

In addition to the 50 investor limit, a POI Licensed Manager PIF must be limited to no more than 30 new investors being added over each 12 month period the PIF is registered.

Route 2 – Qualifying Private Investor PIF

To proceed under Route 2, the PIF's investors must meet qualifying criteria consistent with the definition of a "qualifying investor" under the existing Qualifying Investor Fund regime. Additionally, all investors must fit within the definition of a Qualifying Private Investor, being an investor who is both able to:

- evaluate the risks and strategy for investing in the PIF; and
- to bear the consequences of investment in the PIF, including the possibility of any loss arising from the investment.

Route 3 – Family Relationship PIF

To proceed under Route 3, the investors must all share a "family relationship" or an investor must be an "eligible employee" of the family of investors. For these purposes an eligible employee is a person meeting the definition of a Qualifying Private Investor (under Route 2).

The new PIF regime does not define a "family relationship" and thus a common sense interpretation i.e. being related to each other by blood or marriage. The administrator of a Family Relationship PIF is required to declare to the GFSC that it has procedures in place to ensure the investors are qualified to invest in the PIF, so it will be for the Administrator to conduct its due diligence and be comfortable with the family relationship of the investors.

The selection of the correct Route for your PIF is of great importance to ensure you have the best structure to suit your needs.

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Collas Crill's Corporate, Finance and Funds team would be happy to discuss your requirements and select the right PIF route for you.

Key features of the PIF Routes – at a glance

In the table below is a comparison of the three Routes, highlighting the key features of each.

Key features	Route 1 POI Licensed Manager PIF	Route 2 Qualifying Private Investor PIF	Route 3 Family Relationship PIF
GFSC application turnaround time	1 day	1 day	1 day
Maximum number of legal/natural persons invested	50	50	50
Number of investors permitted to be admitted in a 12-month period	30 (if open-ended)	No restriction	No restriction
Marketing restriction	None	Can market to no more than 200 potential investors	Can market only to the family group
Requires an information document	No	No	No
Can be open- or closed-ended	Yes	Yes	Yes
Required to be audited	Yes	Yes	Yes
Requires a Guernsey-licensed manager	Yes	No	No
Manager acting as agent considered one investor	No	No (if appointed)	No (if appointed)
Manager acting as agent considered one investor	Yes	No (if appointed)	No (if appointed)
Requires declaration that investors have ability to sustain loss of investment	Yes	No	No

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Key features	Route 1 POI Licensed Manager PIF	Route 2 Qualifying Private Investor PIF	Route 3 Family Relationship PIF
Restricted to Professional Investors, Experienced Investors and Knowledgeable Employees	No	Yes	No
Restricted to investors sharing a family relationship or an eligible employee of the family	No	No	Yes
Administrator declaration required	That the PIF Manager is fit and proper	That effective procedures are in place to ensure the PIF is restricted to appropriate private investors	That effective procedures are in place to ensure all investors fulfil the family requirement

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