

Listing a fund?

Why choose the Channel Islands.

When it comes to listing a fund, there's plenty to consider, from deciding on who to engage for legal and accountancy advice to finding a service provider to support with the structuring and administration requirements. Then there's the jurisdiction. With so many options available to you, how do you make the right choice? Here's the case for the Channel Islands.

A robust, yet pragmatic, approach to governance

Fund management is a fast paced industry – decisions need to be made and actioned quickly, and red tape certainly doesn't do anyone any favours. Fund legislation in the Channel Islands endeavours to strike that all-important balance between ensuring that standards are maintained, while, at the same time, not being overly burdensome from an operating perspective.

This pragmatic approach to governance is evident across the board. A listed fund incorporated in the Channel Islands (for example, a non-UK issuer listed on the LSE) can take advantage of reduced reporting thresholds on major shareholder transactions, has no requirement to publish a strategic report (which is a requirement in the UK under the Companies Act 2006) and, in certain circumstances, can apply for tax exemption status (under certain rules, a fund may be exempted from submitting income tax returns where a nominal fee has been paid to the local income tax office).

Furthermore, listed funds that comply with the governance code of the stock exchange on which they are listed will also be compliant with local comparable regulatory and reporting treatment (so no double compliance!).

None of this in any way means governance is a secondary consideration. On the contrary, the Guernsey Financial Services Commission (GFSC) and the Jersey Financial Services Commission (JFSC) (the supervisory bodies of Guernsey and Jersey respectively) have outstanding reputations for regulation and supervision, and continue to introduce measures aimed at encouraging and promoting good governance. One of the most notable (and particularly relevant to governance) in

recent times has been the introduction of the local finance industry governance codes.

Guernsey, for example, introduced the GFSC Finance Sector Code of Corporate Governance (the Code) in 2012. Based on the UK corporate governance regime, the Code seeks to ensure that boards of non-listed investment funds are conducting themselves in a prudent and ethical manner, arguably to a standard which is above and beyond most other jurisdictions.

Reputation matters

While a broader issue than governance, it's also worth highlighting the important role that both Islands play in areas such as tax transparency and anti-money laundering. Both jurisdictions follow the recommendations on anti-money laundering and countering the financing of terrorism set by the Financial Action Task Force. As far as tax transparency is concerned, both jurisdictions feature on the OECD's 'white list', which recognises those jurisdictions that have substantially implemented agreed standards of transparency and exchange of information. This matters from a client's perspective because they can be confident they have chosen a reputable jurisdiction – critical in an age where international finance centres (and the companies that use them) find themselves under increased scrutiny.

The facts speak for themselves

A quick look at the numbers gives a good picture of just how popular the Channel Islands are for listed mandates. Over the past few years (2014-16), data from the London Stock Exchange (LSE) has shown that, on average, no less than 120 Guernsey incorporated entities have been listed on the Main Market, the Alternative Investment Market and the Specialist Fund Market of the LSE. In terms of non-UK entities listed on the LSE, Guernsey ranks first followed by Jersey in second place with approximately 90 listed entities.

The Channel Islands collectively boasts more than 200 of the non-UK entities listed on the LSE (and that is not considering any other markets where entities incorporated in the Channel Islands may have listings, such as the NYSE, Euronext and JSE). This speaks volumes as to the competence of the local service providers to adequately service what is a complex and demanding industry.

In conclusion...

From tried and tested legal, regulatory and supervisory frameworks to being home to many of the leading names in fund and corporate services and the legal and accountancy world, it's easy to see why the Channel Islands are leading the way in the structuring and administration of listed funds.