

Ipes – Partnering Private Equity



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One of the major areas of growth within Guernsey's investment fund sector has been private equity. The advent of the island's qualifying investor fund legislation (QIF) has seen a growth in the number of private equity funds domiciling and being administered in Guernsey.

The administration of private equity funds is a specialist area that requires specialist knowledge when dealing with custodians, investors, directors and auditors, in areas such as capital call activity, distributions and transfers of interest.

International Private Equity Services Limited (Ipes) is a Guernsey-based administrator, with offices in Jersey and London, specialising in administering private equity funds.

Julie Jones, commercial director of Ipes, says the level of business she is experiencing supporting investors with fund launches is testament to the attractiveness of the island for investors. She believes the new registered fund regime, designed to attract closed-ended alternative investment funds such as private equity, underpins the role of fund administrators as key business partners for investors in Guernsey.

She said: "Overall, the demand for fund administrators offshore has grown in the last 10 years. Ipes was one of the first players on the scene back in 1998 and has seen the growth of this market. Today there are more than 50 regulated fund administrators on the island and this wealth of high quality, skilled resources helps to ensure Guernsey is an attractive jurisdiction for investment funds."

Non-domiciled funds

Such is the attractiveness of Guernsey's professional community, many funds domiciled elsewhere, in jurisdictions such as The Cayman Islands, choose to be administered in Guernsey. The Island's comprehensive range of memorandums of understanding (MOUs) and bilateral agreements with other jurisdictions is also an attractive factor.

This popularity does create logistical problems for administrators though when board meetings are called in the jurisdiction of domicile.

Ms Jones said: "As with any cross-border activity, administering funds domiciled in other jurisdictions is not without challenges. These range from the purely logistical, i.e. sharing documents with investors spread across the globe and convening meetings with individuals in different time zones, to understanding and working within

subtly different regulatory regimes."

She added: "Modern technology has gone a long way to mitigate the logistical challenges. In many cases filings can now be made electronically. The internet enables information to be shared with investors easily and in real time, while conference / video calling means meetings can be held at any time of the day or night. Ipes has an international client base and it's not uncommon for members of our team to attend board meetings via the phone during the small hours of the morning."

The regulatory effect

The whole private equity industry has come in for intense scrutiny recently from the European Commission and it may become subject to compulsory regulation that means directives with regard to disclosure of financial information, asset valuations, leverage levels or IRR.

This will inevitably have some impact on the administration of the funds and the best PE administrators understand that.

Ms Jones says the pressure for increased transparency has not affected the mechanics of the administration process, primarily because the level of detail required was very much bound by a clear set of accounting standards already, although it has changed the timescales in which this information is now required.

She said: "The challenge this presents for an administrator is therefore one of scale and resource, as such dedicated fund administrators such as Ipes are in a fortunate position whereas smaller, in-house, teams may struggle to meet the increased demand for data. One notable change to the administration process in this regard is a growing interest in outsourcing this type of activity."

Ipes says it is also able to act as a mediator between auditors and investment advisers when it comes to any disagreement regarding the fair value of assets, following the consultation on changes to IPEV guidelines.

Ms Jones said: "One area in which we can really add value is through acting as a mediator between investment advisers and auditors when, as

they inevitably do, questions relating to valuations arise. Through leveraging our strong relationship with our clients and their auditors, Ipes is well placed to facilitate meetings between both parties to expedite the resolution of any queries. This highlights the role a good administrator can play ensuring the smooth running of all stages of the fund cycle and acting as a true business partner to clients."

An intimate understanding of the issues affecting the private equity sector is therefore crucial for an administrator to adapt and provide assistance in a fast moving opportunity driven environment.

Distressed funds

The growth of distressed funds is one product of the economic downturn as private equity fund promoters look for opportunities to attract and utilise investor money.

Ms Jones says Ipes has seen an increase in the number of inquiries regarding distressed funds recently, but is unsure if this will translate into significant administrative work.

She said: "It remains to be seen whether this will lead to such funds being established and if this will translate into administrative work, but it's something we're confident we can handle. A large part of our work is process driven and thus our experience and know how can be applied across a broad range of funds – for instance the type of funds we currently work with include real estate, mezzanine, buy out, VC and fund of funds. That's not to say that it's a one size fits all approach. As part of our client take on process we work closely with clients to really understand their investment strategy, enabling us to tailor our approach accordingly."

Despite the new challenges being thrown up at present in the private equity industry, Ipes is confident that Guernsey will continue to be a popular place to domicile and service those funds. Good regulation, membership of the OECD White List and wealth of expertise, means the extra scrutiny simply plays into the hands of Guernsey as a private equity jurisdiction of choice.