

Private Equity Administration in the Channel Islands

The Channel Islands has a history of close links with the City of London in terms of providing a tax efficient, well regulated and safe base for fund structures and corporate vehicles.

Supporting investors with fund launches has traditionally kept Channel Islands based fund administrators busy and this in itself is testament to the attractiveness of the islands for the investment fund community.

The Channel Islands have always maintained high standards in regards to regulation, and the jurisdictions' inclusion on the OECD White list has confirmed this status. Given the increased scrutiny on the industry, quality of regulation is more important than ever in the eyes of investors – and in some cases there is a migration to the Channel Islands away from non-white list jurisdictions.

Fund vehicles in Jersey and Guernsey

Recently introduced legislation in Jersey (the Unregulated Funds regime) and in Guernsey (Self-Certifying Qualified Investor funds legislation) has added to the jurisdictions' appeal, through expediting and simplifying the launch process for investment funds. Additionally, in both islands, the legislation has further underpinned the role of licensed fund administrators as key business partners for investors locating in the Channel Islands.

Ipes was established in 1998 and is a leading specialist provider of fund administration services for the private equity industry. The firm is headquartered in Guernsey and has offices in Jersey and London, employing more than 110 multi-skilled professionals.

Tabatha Hawkins, marketing manager at Ipes, says that the demand for fund administrators offshore has grown significantly in the last 10 years.

She said: "As one of the first players on the scene back in 1998, Ipes has seen the development of this market. Today there are more than 50 fund administrators in the Channel Islands and this wealth of high quality, skilled resource helps to ensure they are an attractive jurisdiction for investment funds – both to domicile in, and as a base for, administration."

Barry McClay, Operations Director at Ipes points out: "A number of "big" players within the industry including the likes of Terra Firma and Permira have offices in the Channel Islands, further demonstrating the jurisdiction's appeal."

Administering funds domiciled elsewhere

Jersey and Guernsey are highly attractive locations for servicing funds domiciled abroad, due to their success in establishing bilateral agreements or MOUs with jurisdictions around the world.

Ms Hawkins says that any cross-border activity, involving the administration of funds domiciled in other jurisdictions is not without challenges.

She said: "These challenges 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. 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 and 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!"

Ms Hawkins says that a skilled fund administrator, such as Ipes, and the

ipes

Barry McClay
Operations Director
International Private Equity Services Limited
+44 (0) 1481 735830
barry.mcclay@ipes.com



experience of its team can really add value.

She said: "Ipes works closely with a network of legal and other professional advisers in all the jurisdictions in which our clients operate. This enables us to ensure our clients' funds are run legally and professionally, regardless of domicile."

The effect of European legislation

The European Commission's directive on Alternative Investment Fund Managers (AIFM) has the potential to affect jurisdictions such as Guernsey and Jersey, which are outside the EU, it also has the ability to affect the interaction between fund managers and administrators because of requirements for increased transparency or reporting.

Barry McClay, Operations Director says that "Ipes is closely following the directive's progress to see what the impact of the legislation might be".

He said: "The outcome of the debate around issues regarding "Equivalent" status for non EU countries will be important from a Channel Island perspective. Whilst there is much politicisation of the debate, at the root is a concern for investors and greater transparency and this is something a skilled fund administrator is well placed to support."

"As a business, Ipes is actively supporting the Guernsey funds industry in making its case heard and also ensuring that our clients are lobbying the BVCA/ EVCA and their respective Governments. We are also talking to our clients to ensure that LPs are also engaged in the lobbying process as many of the potential measures may impact their returns" he adds.

Working closely with clients

In addition to offices in Jersey and Guernsey Ipes also has a London office, which is of benefit in terms of the breadth of support the administrator can provide. Mr McClay says: "As well as supporting the launch of offshore funds, we're also able to provide onshore back office support to GPs wanting to address their fixed cost base or free up their time to enable them to focus on their core business, rather than day to day administrative tasks. While modern technology means business doesn't have to be conducted face to face anymore, having a London office makes holding physical meetings easier and, as a people business, we see this as advantageous."

The proximity with which Ipes works with both clients and investors means that it can pick up fund trends quickly. For instance, Ipes report seeing an overall reduction in the size of new funds being raised as well as GPs working with their investors to review and in some cases reduce commitments. Also of note in the current climate is an increased interest in distressed debt funds.

There are also a number of follow-on funds being arranged, based on the good performance of a first fund. "One trend that's coming through loud and clear at the moment is the importance of a strong track record in the eyes of investors in the current market" concludes Mr McClay. "This applies not only to PE houses but also to administrators and jurisdictions used – and this certainly plays to the strengths of the CI".