

**T**HE Eurozone and all its challenges helped to make financial services a difficult environment in which to operate in 2011.

More than three years after the global financial crisis, the local financial services sector continues to experience but, broadly speaking, ride the wave of repercussions. The innovation of the various sectors in Guernsey has enabled many businesses to overcome the issues faced by all and turn 2011 into a year to be celebrated. As an international finance centre, the island cannot be completely immune from worldwide issues. But many key indicators go some way to confirming that the island is performing more strongly than many of our closest competitors.

Last September, The Banker magazine published rankings based on financial and economic data which placed Guernsey as the number one specialist finance centre in Europe, leaping ahead of Jersey – and second globally, behind the Cayman Islands.

Given that these rankings were compiled on a consistent set of data, based on the results to 2010, Guernsey Finance says that the island is probably doing even better now than the results suggest.

'These rankings substantiate what we have thought for some time – that Guernsey has proved more robust in the face of the global financial crisis and its aftermath than many of our competitors,' said Peter Niven, chief executive of Guernsey Finance.

The value of deposits held by banks in Guernsey was boosted by exchange rate factors during the third quarter of 2011 and so although the figures went up, they did represent a 1.6% decline on the previous year in what is an exceptionally 'challenging' area of business.

The value of investment funds under management and administration in Guernsey fell by 3.4% in quarter three, but a total of £271.1bn still represents 11% growth year on year.

The island is especially seeing strong growth in alternative and niche funds, especially private equity.

'The ongoing challenges in the global economy have had a knock-on impact on the funds industry,' said Michel Davy, managing director of Ipes Guernsey. 'But last year we saw a growth in client assets under management in excess of 20% and those figures were echoed by the statistics for closed-ended funds, which saw an 18.7% increase in total net asset value.'

'Fund-raising timelines are being extended, with launch rates remaining lower than pre-crisis. However, the overall trend is in the right direction and Guernsey continues to be a destination of choice for private equity funds.'

'This is particularly positive given concerns around the potential impact new EU legislation might have on the offshore funds industry.'

Mr Davy said Ipes started the year with a 'spirit of optimism' following a move to new premises. 'That provided us with a platform for growth and that's very much what we saw in terms of our clients and team and community-based activities,' said Mr Davy.

Seven new mandates were secured over the year, with highlights including Crescent Capital, Turkey's first clean energy-focused private equity fund, and a significant piece of London Stock Exchange-listed funds work.

Ipes' successful year was not only recognised in the island, the company won the European Specialist Fund Administrator category in the 2011 Funds Europe Awards, a leading industry accolade.

**O**ne of Guernsey's emerging attributes is the ability for local vehicles to list on the Channel Islands Stock Exchange – which now has more than 4,200 securities listed – as well as Euronext Amsterdam, the stock exchanges in Toronto, Australia and Frankfurt and the London Stock Exchange, among others.

Data direct from the LSE to the end of December 2010 shows that there are more Guernsey-incorporated companies and securities listed on its markets than there are entities from any other competitor jurisdiction. And last May, Guernsey received approval for its companies to list on the Hong Kong Stock Exchange (HKEX).

# RIDING THE WAVE

Guernsey's non-fund investment sector, the asset managers and stockbrokers, has also continued to see growth, with gross assets under management reaching £85.1bn – up 19.5% year-on-year.

From an insurance perspective, 2011 was a period of consolidating the island's position as the largest captive insurance domicile in Europe and number four in the world. Despite the maturity of our captive industry and the prevailing soft market conditions, there was a steady flow of new licences issued, with particularly strong growth in new cell formations, both protected and incorporated cell companies.

There has also been a very positive response from clients and potential sources of business to the decision taken at the start of 2011, when the island announced that it would not be currently seeking equivalence with Solvency II, the EU's proposed regulatory regime for insurance and reinsurance entities.

Guernsey will continue to meet the standards of the International Association of Insurance Supervisors but its proportionality principles mean that the island is offering a more attractive environment for captive owners and other niche insurers.

**T**he island's fiduciary sector boasts more than 150 licensed providers, ranging from large multinational organisations to locally-owned boutiques, who together hold more than £350bn-worth of assets in trust and company structures.

Guernsey's heritage in fiduciary services was a significant factor in the island becoming the location of choice for Qrops. Qualifying Recognised Overseas Pension Schemes, and related products – a sector which now is facing its own pressures, sparked by concerns over new legislation from the UK government.

But so far in the field of overseas pensions, Guernsey has displayed an ability to adapt and be fleet of foot.

It will need to maximise these characteristics to remain in business with Qrops and to unlock the potential from other niche areas, such as providing the financial infrastructure around films and cleantech.

And further legislation is being developed to enable Guernsey practitioners to offer clients an even greater choice, particularly in terms of fiduciary services, including an aircraft registry, image rights and intellectual property, and foundation laws, which are expected to be attractive to some emerging markets where trust law is unfamiliar.

**T**he financial services sector's key message for some years now has been its standing as a well-regulated and transparent finance centre.

This reputation was enhanced in 2011 with a robust and positive report from the International Monetary Fund, which commended high standards of financial regulation, supervision and stability, along with a robust criminal justice framework.

The OECD's Global Forum endorsed the island's continued commitment to tax transparency and exchange of information and a Financial Stability Board report prepared for the G20 meeting in Cannes in November recognised Guernsey as being within the top tier of jurisdictions adopting international standards and demonstrating strong commitment to financial stability.

Fiona Le Poidevin, deputy chief executive of Guernsey Finance, believes that the sector is well placed to continue growth in 2012.

'The waters ahead are unlikely to make for plain sailing, but we will take the necessary steps to ensure that the conditions remain in place for Guernsey to continue as a leading international finance centre well into the future,' she said.

**James Falla** takes an overview at what proved, despite circumstances, to be a broadly encouraging year for financial services



**CASE STUDY: Sydney Charles Group**

Philip Lepp, pictured, founded the Sydney Charles Group five years ago. He believed he had identified a gap in the market for a high-end insurance business which could be based in Guernsey, but work internationally with high net worth clients. He said that the island was a superb base to operate from.

'People assume that is because of the island's tax status, but actually it is more relevant for us because of the excellent professional network of accountants, lawyers and so on who play a role in assisting us to work at an internationally high level. Their expertise and understanding is of such a high calibre that we can operate effectively elsewhere in the world.' The business has grown to encompass all personal and commercial insurance, specialising in professional indemnity, fine art and valuable and collectables.

'Clients tend to have complex lifestyles with homes around the world, coupled with yachts and cars, and we aim to make all elements of their insurance needs simple.'

Mr Lepp said it was important that every client should enjoy the fruits of their labours.

'People with beautiful jewellery or art don't want to be told that they have to keep it out of sight. It is only right that they get to use and enjoy them.'

An investment and pensions arm of the business was added in 2010 in response to requests from clients, offering a broad range of insurance products and investment advice. Sydney Charles's UK arm, fully FSA regulated, has recently been launched and is meeting strong demand for pension and investment plans that make best use of Guernsey's position. A formal launch and seminar is being held in London this spring to promote the benefits of having a business connection with the island.

'I have no doubt that the future success of this business – and, indeed, many others – will depend on our ability to introduce tailored products and solutions for our clients. It is no longer enough to rest on the laurels of superb service, although obviously we still adhere to that: clients and corporate contacts want to be confident that we are constantly assessing what we offer to ensure that it matches their requirements,' said Mr Lepp.



**CASE STUDY: Ipes**

Established in Guernsey in 1998, Ipes has grown to become one of Europe's leading providers of fund administration and outsourcing services to the private equity industry.

130 professionals now manage assets of more than \$40bn from Guernsey, Jersey, London and Luxembourg, working for more than 90 clients, with more than 300 funds and 5,000 investors worldwide.

'We've pioneered a specialist approach to private equity fund administration, based on trust, expertise and working in partnership with clients,' said Guernsey managing director Michel Davy, pictured.

'This focus has enabled us to invest in the development of our team and our systems so we can operate as an expert partner to private equity.'

'It's an approach that seems to work.'

Mr Davy said Guernsey has traditionally been the base for the private equity asset class in the offshore world, with a track record of innovation. This was important but also needed to be built on with increasing levels of competition from other markets.

Mr Davy added that he was keen to keep his team on the road, building the business based on a client-focused approach. Promotion, he said, was necessary to reinforce key messages about the island and build interest for the next fund. The company has a wide reach across Europe, with 90% of its business from the region, half of that from the UK and the remainder in France, Germany and eastern Europe. Last year it picked up business from clients in Russia and Turkey.

'We've been working closely with the industry bodies to promote Guernsey funds in Russia so it was particularly satisfying to see this investment paying off, both for our business and the island,' said Mr Davy. Ipes was recently ranked second-largest fund administrator in Guernsey, based on assets under administration.

*'The waters ahead are unlikely to make for plain sailing, but we will take the necessary steps to ensure that the conditions remain in place for Guernsey to continue as a leading international finance centre well into the future'*

*Fiona Le Poidevin, deputy chief executive, Guernsey Finance*

## Essential advice, Expertly delivered.

International Insurance Broking & Financial Services. Delivered Globally to Private Clients, Trust Companies and Corporations.



**SYDNEY CHARLES GROUP LIMITED**

INSURANCE | INVESTMENTS | PENSIONS & RETIREMENT PLANNING

[www.sydneycharles.co.uk](http://www.sydneycharles.co.uk)

PO Box 612 16 New Street  
St Peter Port  
Guernsey GY1 4NZ

T +44 (0)1481 739970  
F +44 (0)1481 739971  
E [info@sydneycharles.co.uk](mailto:info@sydneycharles.co.uk)

**“Experienced professionals that provide a top-notch service.”**

Ben Edwards, Syntaxis Capital

(We have such a good relationship with our clients they can even write our headlines for us.)

Ipes is regulated in each of the jurisdictions in which it operates. For more information, please see our website.

**Our facts**

- 14 year track record
- 90 clients
- 130 people
- 300 funds
- 5,000 investors

Your trust, our expertise. One partnership.

To find out more, please contact Michel Davy, Managing Director, Ipes Guernsey.

E [michel.davy@ipes.com](mailto:michel.davy@ipes.com)  
T +44 (0)1481 735850  
W [www.ipes.com](http://www.ipes.com)

