

Regulator's clarification on Guernsey private funds will fuel growth

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Clarification to managers' responsibilities when setting up Private Investment Funds in Guernsey is likely to build on the growing traction of the product.

The PIF regime is less than 18 months old, but the Guernsey Financial Services Commission has moved to clarify a requirement for managers to provide a warranty in respect of investors' capacity to assume loss, to a requirement for a declaration.

The use of the term "warranty" had perhaps led to an initially over-cautious approach in the marketplace – but despite the misunderstandings, Bryon Rees said that the model was still gaining traction in the market.

Bryon said: "The FAQs provide a most welcome clarification to the PIF regime which we expect to end any ambiguity about the nature and extent of managers' responsibilities.

"The PIF is based on a close relationship between investors and managers, and the requirement for managers to make a straight-forward declaration to the regulator regarding investors' ability to sustain losses should not be onerous.

"The new FAQs have been published at a time when the PIF option is gaining traction and momentum, and we fully expect these helpful FAQs to build on that traction by clarifying the rules for the wider market.

"This clarification further demonstrates the willingness of the regulator to listen to market participants concerns and to act and clarify rules where issues arise, even when the rules are relatively new."

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Meet the Author



[Tim Clipstone](#)

Partner

[British Virgin Islands](#)

[Guernsey](#)

E: tim.clipstone@ogier.com

T: [+44 1481 752265](tel:+441481752265)

Key Contacts



[Bryon Rees](#)

Partner

[Guernsey](#)

E: bryon.rees@ogier.com

T: [+44 1481 752312](tel:+441481752312)

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