

Guernsey Green Finance – a world first and a force for good which also makes economic sense

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We have all heard the increasingly stark and startling messages across the media relating to the environment and climate change. Sometimes, however, it is difficult to see why such a strong and clear message takes so long to get through. The WWF has stated that "This is the last generation that can save nature".

That is why it is so refreshing to know that Guernsey is taking a leading role on the world stage and using its strengths to produce significant positive impact.

The Guernsey Green Fund, launched in July 2018, is a world-first regulated green fund product. To be eligible for designation by the Guernsey Financial Services Commission as a Guernsey Green Fund, a collective investment scheme must be established with the objectives of seeking a return for investors, spreading risk and mitigating environmental damage. Considerable flexibility has been deliberately built into the regime. A fund which applies for Guernsey Green Fund designation can be established under any of the existing Guernsey fund regimes whether closed or open ended, authorised or registered but must also demonstrate compliance with the Guernsey Green Fund Rules and provide assurance that the fund is run in accordance with green criteria. In particular, at least 75% of assets by value of a Guernsey Green Fund must meet the "green criteria" set out in the Guernsey Green Fund Rules and there are restrictions on how the balance can be invested. Certification and assurance of compliance can be provided by certification from a suitable independent third party or a declaration from either a Guernsey licensed fund manager or administrator. By allowing such flexibility Guernsey is able to provide a regime which can accommodate the needs of modern business structuring whilst at the same time providing a robust regulatory framework which will give investors the confidence they need that funds are indeed being deployed as advertised. A number of suitably regulated and experienced service providers, including some of the big four accountancy firms in Guernsey, have launched verification services and related products to support Guernsey Green Funds.

Guernsey based TISE (The International Stock Exchange) has also launched a new segment open to all types of green investments from bonds to funds and investment vehicles as well as trading companies. As with the Guernsey Green Fund, to be eligible for listing, at least 75% of assets must be invested in activities with a positive environmental impact and there are requirements for compliance to be verified by a suitable independent third party.

The Guernsey Financial Services Commission is consulting on green insurance products and with the increase of family office presence in Guernsey, and reported increases in family office ethical investing allocations in their portfolios it must only be a matter of time before the fiduciary sector in Guernsey follows suit to provide a wide suite of options.

Guernsey has a long established finance industry and existing expertise which is being brought to bear on Guernsey Green Finance. The small land of Victor Hugo's "Toilers of the Sea" has also long fostered a deep entrepreneurial spirit. This combination of innovation and expertise is where Guernsey is at its most powerful. A strong endorsement of Guernsey's world-leading position in this regard is its acceptance as the eighth member alongside financial centres including London, Frankfurt, Paris and Zurich, into the United Nations FC4S group (Financial Centres for Sustainability) launched in Dublin in November 2018.

These are exciting times for Guernsey's finance sector and Guernsey is now well placed to take an international lead in Green and sustainable Finance and help to write the future of the sector on the international stage. The combination of expertise and innovation and the ability of the government and regulator to respond quickly to developments in a way which is very difficult for larger jurisdictions will serve Guernsey well in this regard.

A population of 60,000 on a small island in the English Channel can do their bit for the environment by recycling at home and working on local green and sustainable projects, but via the Bailiwick's financial expertise and networks this small population can have a positive impact on a global scale much more significant for the future of humanity by an order of magnitude.

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