

UPDATE

Guernsey Green Fund

Update prepared by Frances Watson (Partner)

In 2018 Guernsey launched a world-first green fund product. The launch is part of Guernsey's plans to become the 'go-to' international finance centre for green finance, and the Guernsey Green Fund has the objective of seeking a return for investors while mitigating environmental damage.

Guernsey Green Fund

Investors in a Guernsey Green Fund are able to rely on the Guernsey Green Fund designation, provided through compliance with the Guernsey Green Fund Rules, to represent a scheme that meets strict eligibility criteria of green investing and has the objective of a net positive outcome on the planet's environment.

Global perspective

Following the publication of its Sustainable Finance Action Plan in March 2018 the EU Commission has published a series of legislative proposals which aim to incorporate sustainable finance into the investment process and harness 'the vast power of capital markets in the fight against climate change and promoting sustainability'. The proposals address three main areas – establishing an EU sustainability classification system, formalising investors duties and disclosure obligations in relation to environmental, social and governance (ESG) factors and the creation of low carbon and positive carbon impact benchmarks.

Guernsey at the forefront of development of green and sustainable finance

In November 2018, the United Nations' Financial Centres for Sustainability (UN FC4S) launched its European arm in Dublin, Ireland, with Guernsey as one of nine financial centres involved.

In 2018, Z/Yen, the publisher of the global financial centres index, singled Guernsey out as an emerging global player in green finance and in recent weeks development has gathered pace as TISE, the Guernsey headquartered exchange, launched a bespoke green segment and the Guernsey Financial Services Commission (the GFSC) published a paper on suggestions for the development of green insurance.

Guernsey Green Fund Rules

Under the Guernsey Green Fund Rules, 75% of a fund's assets by value must meet specified Green Criteria. Permitted investment areas include renewable energy, efficient energy generation, energy efficiency, agriculture, waste and waste water and transport. The Guernsey Green Fund Rules use an internationally-recognised set of green criteria, developed by the joint finance group of multilateral development banks.

What types of fund can become a Guernsey Green Fund?

Any existing or new investment fund regulated in Guernsey can become a Guernsey Green Fund.

Certification Process

The Guernsey Green Fund Rules allow Guernsey Green Funds to be designated using one of two options. The option depends on who certifies the Guernsey Green Fund's underlying investments compliance with the Green Criteria.

Route 1 funds require certification from an independent third party with adequate expertise to provide a reliable and accurate assessment of the Green Fund's ability to meet the Green investment criteria.

Route 2 allows certification by the Guernsey licensed administrator or manager for the Fund.

Guernsey Green Fund logo

Regulatory approval by the GFSC can be obtained in up to five days.

The GFSC will designate the Guernsey Green Fund on its website. A Guernsey Green Fund can use the kitemark logo on its marketing and information materials (in accordance with the GFSC's guidelines on logo use).

Contacts



Frances Watson
Partner, Mourant Ozannes
Guernsey
+44 1481 739 331
frances.watson@mourant.com

This update is only intended to give a summary and general overview of the subject matter. It is not intended to be comprehensive and does not constitute, and should not be taken to be, legal advice. If you would like legal advice or further information on any issue raised by this update, please get in touch with one of your usual contacts. © 2019 MOURANT OZANNES ALL RIGHTS RESERVED