

UPDATE

Revision of the Private Investment Fund Rules

Update prepared by Frances Watson (Guernsey) and Annaliese McGeoch (Guernsey).

The Guernsey Financial Services Commission (GFSC) has issued the Private Investment Fund Rules and Guidance, 2021 (the **PIF Rules**) which have immediate effect.

Towards the end of last year, the GFSC sought feedback from industry bodies and professionals on proposals to revise the existing Private Investment Fund Rules and most notably to introduce two new additional routes to registration of funds as private investment funds (**PIFs**).

The introduction of the two new routes for registration (neither of which require a Guernsey licensed manager) will be of particular interest to private capital, particularly those seeking to raise using a Guernsey corporate vehicle and complements Guernsey's current flexible funds offering.

Route 1 and Existing PIFs

Route 1 follows the original PIF model, with the continued requirement of a Guernsey licensed manager. All existing private investment funds will be recognised as Route 1 PIFs.

New additional routes for registration

Route 2 (Qualifying Private Investor) PIF

The new Route 2 for qualifying private investors (**QPIs**) allows registration of funds without the requirement of a Guernsey licensed manager where:

- all investors admitted are QPIs, which are either 'Professional Investors', 'Experienced Investors' or 'Knowledgeable Employees' (as defined in the PIF Rules and would include an investor who makes an initial investment of not less than US\$100,000, where the amount invested represents no more than 25% of that individual's investible assets;
- a maximum of 50 investors to be admitted to the fund;
- marketing must be restricted to QPIs only and the offer of units for subscription, sale or exchange must be capped at 200;
- the designated administrator will hold responsibility for ensuring only QPIs are admitted and effective procedures are maintained; and
- investors must receive a disclosure statement in a form prescribed by the GFSC, available [here](#).

Route 3 (Family Relationship) PIF

The new Route 3 for family relationships allows registration of funds without the requirement of a Guernsey licensed manager on the basis of the following:

- all investors admitted must share a family relationship or be an eligible employee of the family. The PIF Rules do not aim to define 'family relationship' on the basis that an element of subjectivity applies;
- marketing must be restricted to the family group; and
- a designated administrator will hold responsibility for ensuring only qualifying family members/employees are admitted and effective procedures are maintained.

Further amendments to the PIF Rules

The Manager Declaration

As part of the process for a Route 1 PIF, the manager will now be required to make a declaration to the GFSC that it has made the appropriate assessment of investor declarations. Upon request, the GFSC can require managers to disclose evidence of the assessments carried out.

New promoter due diligence

New guidance has been issued setting out the expectations which the GFSC have of designated administrators in their due diligence procedures over promoters of PIFs. The guidance note can be found [here](#).

The new Private Investment Fund Rules and Guidance, 2021 can be found [here](#).

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