

The Guernsey Private Investment Fund

Last reviewed: February 2024

Introduction

The Guernsey private investment fund (PIF) has become a popular choice for promoters who intend to limit the investor base by number or type. Accordingly, the PIF regime is useful for promoters aiming to launch funds with less than 50 investors as it offers a lighter touch regulatory regime and a fast route to market.

A Guernsey PIF can be an open or closed-ended collective investment scheme and must be registered as a PIF by the Guernsey Financial Services Commission (the **Commission**) under the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (the **POI Law**). The applicable rules (which reflect a lighter touch regulatory regime) are set out in the Private Investment Fund Rules and Guidance (2), 2021 (the **PIF Rules**) ([here](#)).

Registration routes

There are three routes to establishing a PIF in Guernsey:

- **Route 1 (Licensed Manager)**: a 'Route 1 PIF' requires a Guernsey manager licensed under the POI Law (this would be the general partner in a PIF structured as a general partner/limited partnership). As part of the application process, the manager provides an affirmation to the Commission that it has made '*careful and appropriate enquiries*' such that, as far as the manager has reasonably been able to ascertain, the investors in the PIF are able to sustain any losses incurred on their investment at the time they make their investment. The manager's affirmation can be satisfied in a number of ways and the Commission has provided some examples in its published FAQs ([here](#)) of the degree of due diligence that may be sufficient to enable the manager to do so.
- **Route 2 (Qualifying Private Investor)**: a 'Route 2 PIF' does not require a Guernsey licensed manager but all of its investors must be 'Qualifying Private Investors' (**QPIs**), ie investors who are able to evaluate the risks and strategy of investing in a PIF and who can bear the consequences of investment in the PIF; including the possibility of any loss arising from the investment. A QPI must fulfil the criteria of a 'Professional Investor', an 'Experienced Investor' or a 'Knowledgeable Employee' as defined in the PIF Rules. For example, an individual investor who makes an initial investment of not less than USD100,000 or equivalent, where the amount invested represents no more than 25 per cent of that individual's investible assets into the PIF, would be a Professional Investor.
- **Route 3 (Family Relationship)**: a 'Route 3 PIF' does not require a Guernsey licensed manager but all of its investors must share a family relationship or be an eligible employee of the family. A 'family relationship' has intentionally not been defined whereas an 'eligible employee' means an employee of the family meeting the definition of QPI under Route 2.

Timeframe (fast-track)

Subject to receipt of a complete application, the Commission will declare a scheme registered as a PIF in one business day (and with respect to the Route 1 PIF, the licence application for the manager).

Flexibility of form

A PIF can take a variety of legal forms, including as a company, a unit trust, a limited partnership or any other vehicle or entity approved by the Commission.

Where a PIF is structured as a protected cell company or an incorporated cell company, there can only be one investment adviser to the entire structure, ie there cannot be separate investment advisers acting in relation to individual cells.

Offer document

There is no regulatory requirement to prepare information particulars for a PIF and no particular disclosure requirements (other than a Route 2 PIF – see below). However, if produced, the manager, directors, general partner or trustee (as applicable) must take responsibility for their preparation and publication.

Notwithstanding this, promoters of a PIF may wish to prepare a document detailing the salient terms of the scheme, including the risk warnings. For a Route 2 PIF, prospective investors must be given a disclosure statement on the regulatory status of the scheme, investor suitability and risk warnings.

Custody

There is no requirement for a custodian to be appointed to an open or closed-ended PIF.

Investors

- **Route 1 PIF:** there is no restriction on the number of potential investors to which the PIF may be promoted. The only restriction is that no more than 50 investors (legal or natural persons holding an ultimate economic interest) actually subscribe for securities in the PIF. The Commission applies a 'look-through' approach when determining the number of investors subscribed, but a key feature of the Route 1 PIF is that an investment manager acting as agent for investors in a collective investment scheme or equivalent would be considered as one investor. Following the initial year from the date of first subscription, the PIF may take on 30 additional investors per year, up to the overall limit of 50 investors.
- **Route 2 PIF:** no more than 50 investors (legal or natural persons holding an ultimate economic interest) may subscribe for securities. Marketing must be specifically targeted to individual investors who have been identified as QPIs and the number of offer of units for subscription, sale or exchange must not exceed 200.
- **Route 3 PIF:** there is no restriction as to the number of investors (noting that they must share a family relationship or are an eligible employee of the family) or offers made, however marketing must not be outside the family group.

Additional points to note:

- A PIF must have a Guernsey domiciled and licensed administrator (a **designated administrator**).
- The designated administrator must provide the Commission with quarterly statistical updates relevant to the PIF.
- A PIF must be audited by an auditor and copies of the audited annual report and accounts must be submitted by the designated administrator no later than six months following the end of the annual accounting period.

If you require further information regarding the PIF regime please get in touch with one of our contacts listed below.

Contacts

For further information, please get in touch with your usual Mourant contact or, alternatively, a list of contacts can be found [here](#).

This guide 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 guide, please get in touch with one of your usual contacts. You can find out more about us, and access our legal and regulatory notices at [mourant.com](https://www.mourant.com). © 2024 MOURANT ALL RIGHTS RESERVED