**Manager Led Product**

**Summary**

The Guernsey Financial Services Commission (“the Commission”) is consulting on proposals to introduce a new regime: the Manager Led Product. The proposal recognises that AIFMD focusses on the manager the stringent regulatory and supervisory standards imposed, obviating duplicative requirements at the level of the fund.

**Introduction**

This consultation arises from discussions held by the Investment Supervision and Policy Division (“the Division”) with government and stakeholders over the course of the first quarter of 2016. The discussions centred upon ensuring that a proportionate risk-based level of product regulation would be imposed on any Alternative Investment Fund Manager (“AIFM”), established within the Bailiwick of Guernsey, seeking to market into Europe under the National Private Placement Regime arrangements.

The Manager Led Product would place regulations on the AIFM only. Any fund would be registered under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (“the POI Law”) within 24 hours of receipt of notification: any general partner or manager formed solely for the purpose of such fund would be licensed in an identical timeframe.

By virtue of the AIFM’s sponsorship neither the fund nor general partner(s) (or manager(s) formed solely for the purpose of such fund) would have rules imposed upon them.

The main attraction of this product is that it would allow one AIFM to absorb all the incidence of conduct and capital adequacy rules, permitting many fund structures – whether limited partnerships or other – to exist under its banner.

The Division believes there may be scope to extend the suite to include a similar offering marketed outside the European Union, however further cost-benefit work is required before a conclusion is reached.

**Key features of the proposed Manager Led Product**

1. The AIFM would be licensed under the standard application procedure and a condition placed on its licence to submit statistics for underlying funds.
2. The incidence of capital adequacy requirements would fall on the AIFM. There would be no further requirements at the level of any general partners, or other managers formed solely for the purpose of a fund structure; they would however still be required to comply with the relevant solvency provisions under primary legislation, for example the Companies (Guernsey) Law, 2008.
3. Investor protection would be ensured through the Commission imposing the AIFMD Rules, 2013 and the Licensees (Conduct of Business) Rules 2014 on the AIFM. There would be no conduct of business rules on general partners, or other managers, formed solely for the purpose of a fund structure.
4. Investor protection would be further enhanced through the ongoing responsibility of any designated manager (administrator) and designated custodian (trustee), named under section 8 of the POI Law, to comply with the Licensees (Conduct of Business) Rules 2014. The scope would still cover the activities of any designated manager (administrator) and designated custodian (trustee) in respect of funds registered under the proposed Manager Led Product.
5. The AIFM would notify the Commission of any general partner, or other manager formed solely for the purpose of a fund structure, requiring licensing. The notification would include a warranty from the AIFM that all directors (or equivalent) of the vehicles are fit and proper. Forms PQ would be submitted under the Online Submission process in the normal manner.
6. Within twenty-four hours of receipt of notification the Commission would register the fund under section 8, and license any general partner or manager (formed solely for the purpose of such fund) under section 4, of the POI Law.
7. The registered fund would not be subject to the Registered Collective Investment Schemes Rules 2015. Investor protection would be provided through the key features cited at points 2, 3 and 4 above.

**Conclusion**

It is envisaged the Manager Led Product would lead to more managers opting into the Guernsey AIFMD regime.

**Consultation Questions**

The Division would welcome any comments, but in particular would ask for views on the following:

1. What do stakeholders identify as the benefits of the proposed Manager Led Product?
2. Whilst the National Private Placement Regime remains, can stakeholders see scope to vary the AIFMD Rules, 2013 for example in respect of depositary requirements?
3. Should the AIFM be required to make any further warranties at the time of notification at either the fund or manager (formed solely for the purpose of the fund structure) level?
4. What are stakeholders’ views on the 24 hour period from notification to licensing/registration?

**Comments and Enquiries**

Enquiries may be sent to: Mlepage@gfsc.gg

The consultation period will close on 29 April 2016