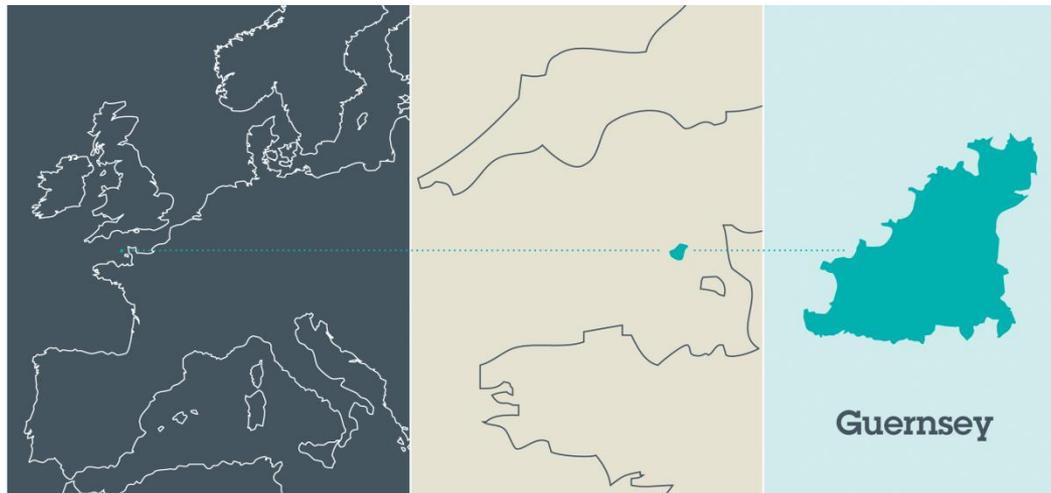


Guernsey – the opportunities with India



Guernsey - in brief

- Situated in Europe 60 miles from the UK and 25 miles from France
- 24 square miles; population 62,000
- Geographically within Europe but not a member of the European Union (EU)
- English speaking
- A British Crown Dependency
- A special relationship with the EU
- Currency is British Pound Sterling (GBP)
- Same time zone as the UK



Guernsey's finance industry – key credentials

- Guernsey has been an International Finance Centre for over 50 years
- 4 pillars of the finance industry:
 1. **Banking** - 32 international licensed banks
 2. **Investment funds** – Valued in the region of half a trillion US Dollars
 3. **Wealth management** - 150 full corporate fiduciary licensees servicing trust and company structures for high net worth individuals (HNWIs)
 4. **Insurance** - Largest captive insurance domicile in Europe, 4th in the world
- The finance industry employs 23% of total workforce and represents a direct contribution of 40% of GDP

Key features of the finance industry

- Guernsey has a long history of being self-governing and self-funding. It is **politically and economically stable** with no national debt
- Attracting quality investments that create a sustainable economy for Guernsey is a major objective of Guernsey's Government. The effectiveness of doing business is facilitated through modern legislation, up-to-date infrastructure and expert service
- **International** banks, insurance companies and other financial institutions have demonstrated their confidence in Guernsey, its workforce and the infrastructure by establishing their operations here
- Guernsey is autonomous but has a close relationship with the UK through the Crown: Guernsey's finance centre is complementary to and plays a positive role in the UK economy. Guernsey companies are widely used to list on the London Stock Exchange

Supported by

- Professional services, including global lawyers, accountants and tax advisers
- The Guernsey Registry for company incorporation
- Guernsey is recognised by the Securities and Exchange Commission (SEC), among others, providing a compliant, well regulated environment
- Guernsey is signed up to the **IOSCO MMoU** (International Organisation of Securities Commissions - Multilateral Memorandum of Understanding)
- The Guernsey Financial Services Commission (GFSC) which provides robust yet pragmatic regulation specifically designed for the protection of investors whilst not over burdening with excess costs and bureaucracy
- There are **no banking secrecy laws** in Guernsey

Guernsey and India

- First official Guernsey Government delegation to India in 2010
- Regular visits since including presence at conferences, our own events and meetings with experts in the Indian market
- Guernsey recognises the importance of the Indian market to the global economy and the opportunities this presents
- Guernsey signed a Tax Information Exchange Agreement with India in 2011

Highest regulatory standards

- Within the first wave of jurisdictions placed on OECD “**white list**” in 2009
- Guernsey has signed TIEAs with 50 jurisdictions, including with India in 2011, and with 19 EU countries and 16 G20 countries; there is a growing network of DTAs including with the UK, Luxembourg, Malta, Hong Kong, Qatar and Singapore
- In 2011, the IMF reported Guernsey as being compliant or largely compliant with 47 out of 49 of the FATF recommendations; the **highest of any jurisdiction so far assessed:**

Jurisdiction	Compliant	Largely Compliant	Partially Compliant	Non-compliant
Guernsey	25	22	2	0
India	5	25	15	4
Mauritius	5	18	20	6
Seychelles	2	2	26	19
UAE	3	17	18	11
Singapore	11	32	4	2
Cayman	14	24	10	1
Luxembourg	1	9	29	10

Taxation

- Guernsey is a low tax jurisdiction, the general rate of corporate income tax is 0%
- There is no capital gains tax or inheritance tax and Guernsey does not operate VAT or GST; there is no withholding tax; and there are no stamp duty or other transaction taxes
- Investment funds are tax neutral with no tax leakage in the fund, tax paid by investors
- Guernsey **meets or exceeds all OECD, EU and UK standards on tax transparency** and information exchange. The OECD's Global Forum again, in April 2013, endorsed Guernsey as continuing to meet the international standards of transparency on obtaining and exchanging information for tax purposes
- Guernsey has committed to US FATCA to report under a Model 1 Intergovernmental Agreement (IGA)
- As a result of our close ties with the UK, a similar agreement with the UK was signed on 22 October 2013

Guernsey's funds industry

Guernsey's investment funds industry – an overview

- Corporate and LP structures are utilised to hold **assets and investments of all types** including: private equity; hedge funds; infrastructure; real estate; and debt
- Increasing number of non-Guernsey funds managed and administered in Guernsey (many Cayman domiciled)
- Guernsey is well used for **cross border GP/LP structures**
- 45% private equity NAV growth in 5 years
- The presence of major names in administration such as Northern Trust, State Street and JP Morgan attracts leading fund managers to Guernsey
- With the need for increasing “**substance**”, it is possible to re-domicile existing fund structures from other domiciles to Guernsey

Fund promoters using Guernsey

- Managers using Guernsey investment fund structures:

Pantheon

Cinven

Global Infrastructure

Better Capital

Alchemy

BlueCrest

Coller Capital

Permira

HarbourVest

Apollo

Ashmore

Starwood

- AIFMD:** Guernsey provides a **dual regime** whereby it is possible to distribute Guernsey funds into both EU and non-EU countries
- Parallel and feeder structures can be established to separate EU investors from non-EU investors for whom compliance with AIFMD will not be required thereby reducing the costs of compliance with the rules

Listings capability – capital markets

- European investors are familiar with and respect Guernsey, thus Guernsey enables access to European capital flows; Guernsey is the **global leader for LSE listings**:



- Speedy access to list on a number of international stock exchanges including Australia, Frankfurt, Toronto and Hong Kong. Guernsey was the original choice for KKR in 2006 to access European investors through Euronext Amsterdam
- Home to the Channel Islands Stock Exchange (CISX), which provides a time and cost-effective means to access capital

Connections between India and Guernsey

- There are significant existing business links between Guernsey and India through investment funds that are listed on the LSE through Guernsey companies which invest into India, across a cross section of industries spanning energy, logistics and mining



*An Indian Gold Explorer
& Mine Developer*



Guernsey's private wealth industry

Private client trust and fiduciary services

- Guernsey specialises in global cross-border private wealth structures which are utilised to hold assets and investments of all types including real estate
- For individuals and families that are globally mobile, there is a need to place their wealth in structures that are legally robust and tax efficient, which Guernsey provides
- Guernsey's fiduciary industry prides itself on offering a full range of top tier services (e.g. 'concierge services') to meet the requirements of clients all around the world
- In addition to the well-known **trust** route, individuals can also structure wealth in corporate vehicles including the **Private Trust Company (PTC)** which is particularly useful where there is a desire to retain control within the family
- With private clients increasingly investing in global markets – including in private equity and other alternative asset classes, **Limited Partnership** structures are utilised

Private client trust and fiduciary services continued...

- Guernsey pioneered the **Protected Cell Company (PCC)** and also offers **Incorporated Cell Companies (ICCs)** which offer the advantage of legal segregation between assets and liabilities as well as the ability to create cells that are bespoke to family members or asset classes (cells are akin to holding companies). A pertinent benefit is consolidated reporting showing wealth and its sources rather than multiple sets of accounts and reports
- Legislation introducing **Guernsey Foundations** came into force in January 2013 the merits of which can be compared with a trust. It is possible to migrate foundations to avail of the robust and flexible regime available in Guernsey
- Guernsey has become the first jurisdiction in the world to introduce **image rights law** and provide a public **register**. Being able to register commercially valuable image rights in an environment which recognises them by statute provides a higher degree of protection from unauthorised use by third parties than is currently on offer in any other jurisdiction

My Guernsey Experience

Raj Ganguly, Managing Director, RKG Consulting Ltd

Guernsey: USPs

- Robust regulation but practical & sensitive to business needs
- Skilled professionals & internationally-minded workforce
- Entrepreneurial rather than bureaucratic approach
- Competitive costs

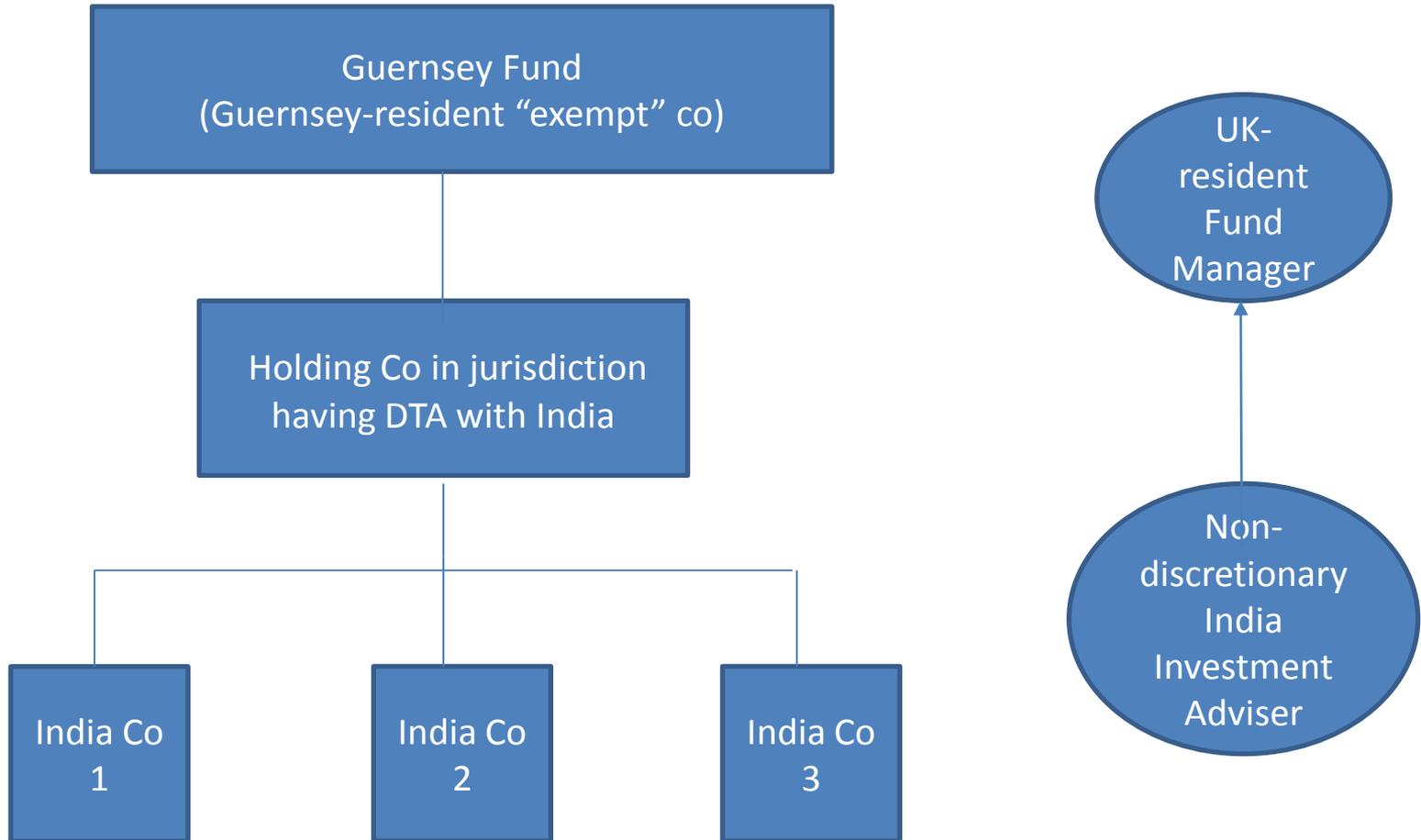
India out-bound

- Guernsey vehicles for London AIM listings
- Holding vehicles for international transactions / M&A
- RBI restrictions of August 2013 affecting Liberalised Remittance Scheme for out-bound remittances (reduced to \$75k) by India-resident individuals & prohibition of investment in foreign real estate
- India residents may set up JVs / 100% owned subsidiaries abroad within the limit of US\$ 75,000 for bona-fide business purposes
- Under Overseas Direct Investment automatic route the limit of the investments that an Indian company may make has been reduced from 400% to 100% net balance sheet worth. Above this limit the approval of the RBI must be sought

India in-bound

- Guernsey is one of the leading European jurisdictions for fund administration & fund business generally. Has advantages over certain well-known EU “funds” jurisdictions in the light of new EU funds rules
- Guernsey still excellent jurisdiction for “feeder” fund for India-bound investments, particularly private equity e.g. infrastructure, FDI in real estate, etc
- Wish list: if there was a Guernsey-India DTA that development would greatly enhance the attractiveness of Guernsey as a India in-bound/out-bound “funds” jurisdiction due to the strengths it already has and mentioned earlier

Guernsey fund into India FII



Guernsey Fund into India FII

- Guernsey: closed ended “investment” company eligible for “exempt” status, only subject to nominal annual fee provided:
 - (a) the company is deemed to be an “investment” company;
 - (b) contracts at arm’s length with Guernsey-resident provider of managerial, secretarial and custodial services; and
 - (c) no investment or other property situated in Guernsey other than relevant bank deposit.
- Once exemption is granted the company will not be resident in Guernsey for purposes of Guernsey income tax on income or gains from India.
- UK tax: the Guernsey company will conduct its affairs so as to avoid creating any PE in the UK. Normally there should be no corporation tax liability in the UK provided there is no UK-source income.

Guernsey - conclusions

- Robust but pragmatic regulation with “can-do” attitude
- “Safe” jurisdiction in terms of banking & custody of funds & asset holding
- Skilled professionals in fund management, banking, insurance, corporate, trust & wealth-management services
- Decent and growing understanding of Indians & India business related issues
- Possibility of a DTA would really enhance Guernsey’s attractiveness as a India in-bound / out-bound “funds” centre of excellence.

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