

A Possible Future for the Guernsey Financial Service Sector

Tony Mancini, GIBA Chair

Much has been written about the problems of Guernsey's air links, including the debate on the runway and also on the actual routes and connections available. For the finance sector, and by extension the rest of the economy, the perceived and real problems with air links and, crucially, how they compare with Jersey, comes at a particularly bad time. The unfavourable comparison with Jersey is crucial because of two wider and interconnected developments in financial services.

Economic substance - an equal opportunity for both islands

Firstly, the new economic substance rules on both islands will require more business activity to take place on the island. This will necessitate more travel to Guernsey and Jersey. When a client has no other reason to choose one place over the other (and increasingly there are few differentiating factors), then they are likely to choose to put their business in the location to which they can travel the most easily. Unfortunately, more often than not, this will be Jersey.

Consolidation and globalisation

This is where the second factor comes into play. Over the last two to five years, there has been consolidation within the administration sector of the finance industry. We have seen multi-jurisdictional businesses created out of previously independent and locally owned trust companies and fund administrators.

Five years ago, we had many locally owned and managed businesses which would automatically bring business to their home island. Now, those businesses are part of a global group with offices in most offshore finance centres and a centralised management function.

It is uncommon for those management functions to be centralised in Guernsey. This means that new business is likely to gravitate to the location where the service provider (the administration business) has greater capability, where it is easier to do business and where it is easier to travel to. More often than not, this is not going to be Guernsey.

Outsourcing centre for Jersey

So, if Guernsey does not solve its transport links problem, what is the likely outcome for the finance sector? We have a strong pool of talented, experienced and committed finance professionals. We are particularly good at private equity funds, wealth management and insurance. So the multinational administration businesses will want to continue to access that expertise for the foreseeable future. The problem for the future of Guernsey is that those talented local professionals will be administering Jersey or Luxembourg structures. The real worry is that, if we cannot solve our air links problem soon, Guernsey will rapidly become an outsourcing centre for Jersey. That is unlikely to be positive for the long-term prosperity of Guernsey.