

## Qualifying Investor Funds

The Qualifying Investor Fund (QIF) Rules were introduced by the Guernsey Financial Services Commission (GFSC) in 2005 to **fast track the authorisation process for funds with only qualified investors**. The QIF Rules can be applied to Guernsey domiciled **open and closed ended funds** as well as to non-Guernsey schemes being administered from Guernsey.

The GFSC have issued a comprehensive **Guidance Note** on the QIF Rules including information on qualifying investors as well as the structure and authorisation of a QIF, details of which are summarised below.

Significantly, and for the avoidance of doubt, the Guidance Note states that the GFSC **will consider** applications on behalf of **newly formed promoters** and/or investment managers. The Guernsey administrator seeking the fund's authorisation will need to consider the track record and experience of the controllers, directors and management, taking into account their previous employment history.

### Structure

A QIF that is open-ended must also comply with either the Class A, Class B or Class Q Guernsey Rules, as appropriate.

The promoter and/or investment manager should be an institution in good standing.

The Guernsey administrator making the application on behalf of the QIF must also ensure that the promoter and/or investment manager are **fit and proper** and in doing so should take into account their integrity, competence and solvency.

### Authorisation Process

In order to consider authorising the fund or granting the requisite consent the GFSC must receive a copy of the application form **signed by the proposed administrator** of the fund. The form contains the following requirements:

- a) Confirmation from the proposed administrator that they have performed sufficient due diligence to be satisfied that:
  - i. The promoter and associated parties are fit and proper,
  - ii. Effective procedures are in place to ensure restriction of the fund to only Qualified Investors,
  - iii. The economic rationale for the proposed-fund and any attendant risks are clearly disclosed.
- b) Submission of personal questionnaires in respect of controllers, directors and senior managers of the promoter and fund.
- c) Payment of the application fee.
- d) Submission of certified final copies of the principle documents of the fund.
- e) For open ended funds legal certificates as appropriate.

The GFSC will issue the necessary authorisation **within three working days** of receipt/resolution of all of the application issues.

## Qualifying Investor Funds (CONTINUED)

### Qualified Investor

Qualified investor means: a professional investor, an experienced investor and/or a knowledgeable employee.

Such an investor is deemed able:

- a) To evaluate the risks and strategy of investing in a QIF.
- b) To bear the economic consequences of investment in the QIF including the possibility of any loss arising from investment.

### Case Studies

- A client established a Guernsey domiciled open ended protected cell company with multiple cells investing in hedge funds. This structure was chosen because under the QIF Rules subsequent cells/funds could be launched within a very short time frame.
- The QIF Rules were particularly appropriate for a closed ended Guernsey company investing in Spanish Property, as this was the first fund for the promoter and therefore had no previous specific fund management track record.
- PFS has also successfully launched the first art trading hedge fund using the QIF route. The fund will invest in art of the Impressionist, Post Impressionist, Modernist and Contemporary movements or other high quality art taking advantage of both long-term, more than one year, and short term trading opportunities.

### Contact Us

To find out how Praxis Fund Services can assist you with fund formation and administration contact:

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