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Regulation prompts fund managers to reconsider domiciles and avoid burdening costs

- AIMA: AIFMD could potentially cost hedge funds \$6bn
- KPMG: Over 50% of UK's largest companies have considered re-domiciling or co-domiciling
- Clear Path Analysis: Countries with competitive tax regimes will make companies consider fund relocation

London: A greater focus from regulators and investors has led to an increased number of hedge fund and private equity managers actively considering strategic moves to more favourable domiciles. Emerging regions are particularly appealing to investors and as such managers are now looking at the business potential of setting up a presence overseas.

Regulation has been a key driver for this trend following the 2008 Madoff scandal and a general shift towards greater transparency across global financial markets. 2011 has been no exception with laws being tightened and new proposals such as the Alternative Investment Fund Managers Directive (AIFMD) under discussion.

With such operational and regulatory concerns at the front of manager's minds, the 'Re-domiciling & Co-Domiciling for Fund Managers' report by **Clear Path Analysis**, seeks to uncover why these funds can add value to a businesses and assesses the key decisions that must be considered. This report takes a look at several of the key fund jurisdictions from each geo-political region: Guernsey (non-EU/Europe), Bermuda (non-EU/Caribbean) and Malta (EU).

Fiona Le Poidevin, Deputy Chief Executive at Guernsey Finance, points out the importance of regulatory changes: *"Now is time for managers to look at re-domiciling or co-domiciling. The global financial crisis came to a head in 2008, but more than three years later, the wave of repercussions continues. This is particularly true in the Eurozone but also across global markets."*

"The financial crisis has brought a renewed focus on improved standards including a raft of regulatory proposals e.g. AIFMD. Guernsey's position outside the EU will enable it to offer a less prescriptive regime for funds not touching this marketplace and this is no doubt helped by the fact that Guernsey has a tax exempt regime for collective investment schemes."

According to one survey published by KPMG, more than half of the UK's largest companies have looked at or are actively considering the prospect of leaving the UK. As a result fund domiciles are optimistic about further growth.

Cheryl Packwood, Chief Executive Officer at Business Bermuda, highlights the significant increase in business and fund moves throughout 2010: *"Since Bermuda's launch in 1986 as a domicile for fund managers, its investment management industry has grown significantly. Data published last year by the Bermuda Monetary Authority, revealed 1,165 fund and segregated account companies registered in Bermuda and over 300 unit trusts with the combined net asset value of \$183.61 billion. This compares with \$147.30 billion in 2009."*

She notes that: *"Now, more than ever, an international fund manager needs a domicile that combines stability and trustworthiness with ease of doing business and incentives to counterbalance the myriad of uncertainties in today's global economy."*

A recent paper from the Alternative Investment Management Association (AIMA) estimates that fund managers will be hit with a potential \$6bn cost. The paper suggests that the AIFMD will virtually force hedge funds to consider re-domiciling to new jurisdictions to mitigate the cost impact.

The process of moving funds has become a much more straightforward affair remarks **Emaliese Lofaro, Manager, Regulatory Development Unit at Malta Financial Services Authority**: *"There is flexibility in Malta's regulatory framework allowing a range of fund types and fund structures. Part of Malta's attractiveness as a fund domicile is also undoubtedly due to the Passporting Regime under the UCITS Directive and in the near future, the AIFMD."*



"She states that inward Redomiciliation of companies trading in securities and real estate in particular is on the rise in Malta: *"In 2010, three companies trading in real estate were redomiciled into Malta. In the area of securities, redomiciliations made a considerable increase between 2008 and 2010."*

Notes to Editors

To obtain a full copy of the **Clear Path Analysis** report 'Re-Domiciling and Co-Domiciling for Fund Managers' and/or speak with one of the commentators please email ClearPathAnalysis@humbrophy.com or call +44 (0)20 3440 5656.

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