

Guernsey - Why Is It a Centre of Fintech Excellence?

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Background

The current digital age brings with it new challenges and opportunities for the finance sector. As far back as 20th July 2015 the States of Guernsey released their report 'A strategic vision for FinTech' drafted by PwC and contributed to by more than 70 representatives of local industry and the FinTech sector including Dixcart Trust Corporation Limited.

FinTech, as defined by the European Commission, is the combination of innovative financial services and the availability of capital through the use of new (digital) technologies.

Broadly speaking FinTech can be currently divided into four sectors;

- payments and currencies (crypto-currencies, currency exchanges, mobile money and payment apps),
- software (any new process or programme designed to improve back and middle office processes),
- data/analytics (tech which gathers and analyses data to produce information to improve business or target customers more efficiently, often referred to as "big data").

FinTech is making a significant impact on the financial services market. Whilst some of this is a natural evolution of the industry, the current rate of change and the level of new opportunities is substantial.

The global growth in FinTech has been rapid and the sector is predicted to continue this strong pattern of growth.

GUERNSEY AS A FINTECH CENTRE OF EXCELLENCE

Guernsey has considerable strengths which make it attractive to the FinTech sector including:

1. Established Trust and Credibility as an Existing International Finance Sector

Guernsey's finance industry has successfully grown over five decades. Professionals have extensive experience, infrastructure is in place and there is accumulated intellectual capital and this has contributed to the Island becoming a leading international financial service centre, with a high reputation.

2. Ability to be Flexible and Agile with Laws and Regulations Providing Ideal 'Test Bed' Conditions

Legislative and fiscal independence allows the Island to respond quickly to the needs of business. The Guernsey Financial Services Commission promotes robust yet pragmatic regulation and is renowned for being approachable, accessible and open to new ideas.

Guernsey is politically and economically stable – with a high grade AA+ credit rating from Standard & Poor's – and it has strong links to the UK and wider Europe.

The Island is therefore an ideal test bed for FinTech.

3. No Capital Gains Tax

The absence of Capital Gains Tax in Guernsey is a substantial benefit as most entrepreneurs look to exit their start-up in three to five years.

This means that the investors and entrepreneurs can reinvest all of their gains in new projects. As most FinTech businesses do not make a great deal of profit in the early years, low taxes on earnings (another benefit for companies registered in Guernsey) are not, in this instance, such an incentive.

4. No VAT on Capital Expenditure

There is no VAT in Guernsey and therefore VAT savings can be achieved on capital and certain operating expenditure, such as marketing costs.

The absence of VAT on capital expenditure equates to savings on initial setup costs, such as the purchase of servers located on Island. Equipment and software costs for a FinTech business are likely to be significant, increasing the savings that may be enjoyed.

5. Access to Capital Including Public Listed Vehicles

Guernsey offers a wide breadth of financial structuring expertise to help maximise revenue potential through a project's lifecycle.

Listings are available through the Channel Islands Securities Exchange, as well as other exchanges.

Guernsey has established a prominent position for itself in providing access to international stock exchanges, particularly the London Stock Exchange. More Guernsey companies have had successful initial public offerings of non-UK entities, than from any other jurisdiction in the world.

6. Data Sovereignty

Guernsey is a self-governing democracy, with legislative and fiscal independence from the UK and EU. It legislates for all of its internal affairs, including data protection.

The Island is recognised by the EU as having adequate data protection regulations. This enables businesses to freely move personal data between the EU and Guernsey.

Guernsey's 'interception of communications' legislation is based on a judicial approval process which is favourable compared to other jurisdictions and has received widespread approval.

7. Island Wide Cyber Protection

Guernsey has a resilient and secure data connectivity within the global network of subsea fibre cables. Six fibre cables connect Guernsey to the UK, France and onwards to the rest of the world.

As an Island, there is the potential ability to 'ring-fence' systems thereby reducing certain cyber threats, such as distributed denials of service (DDoS) attacks.

Guernsey's telecoms providers supply data filtering services which recognise when a DDoS attack is happening, and identifies and blocks the flow of malicious traffic, while allowing through legitimate data.

8. Progressive Company and Intellectual Property Legislation

The Island has developed leading intellectual property legislation which covers a number of areas that are particularly relevant to FinTech, these include;

- Brand protection through trademarks and image rights,
- Copyright, including Digital Rights Management,
- Database rights, protecting the value created when analysing data,
- Patent Re-registration, including 'business method' style patents.

9. Lifestyle and Community

Guernsey is a vibrant yet relaxed place to live and work with high standards of health and education and a strong sense of community.

Guernsey has a broad-based financial services industry (including support services) and all of the Island's businesses and key institutions are in close proximity to each other which means an opportunity for increased face-to-face interaction, in less time.

The Island's location between Europe and the UK places it in a time zone between the US and the Far East. This makes Guernsey a convenient place to carry out business with many different countries.

Summary

Guernsey's existing laws, regulations and expertise mean that the Island is already an attractive location for FinTech.

In the absence of Capital Gains Tax and VAT in Guernsey provide additional incentives to FinTech companies to locate there.

Established activity across the range of FinTech sectors includes; insurance, financial markets, financial modelling, payment service providers, wealth management, platform investors, peer to peer, private equity and insurance.

For further information regarding support for FinTech business in and from Guernsey please contact the Dixcart office in Guernsey: advice.guernsey@dixcart.com or alternatively please speak to your usual Dixcart contact.

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Guernsey registered company number: 6512.