

For offshore please read international!

By Catherine Turner, The Maitland Group, Isle of Man

'Well-run jurisdictions of all sorts, whether nominally on or offshore, are good for the global financial system.'

Well, we would say that, here in the Isle of Man, wouldn't we! Backdrop to the Island's annual Budget flagged up zero business tax, triple 'A' credit rating, state-of-the-art communications, top class public services, space for expansion – and, that fundamental yardstick of economic success, a growth rate to die for (currently bordering on 8 per cent).

But the quote is actually from the Economist, that highly respected trade organ of City thinking, which published a recent survey of offshore financial centres. While the magazine had historically been somewhat hostile towards OFCs, the report marked a shift towards a much more benign view of the role of offshore finance – even going as far as to concede that general concerns previously had been 'overblown.'

It's not all that surprising views have been polarised and that some 'onshore' commentators have taken so long to come round. Key in 'offshore' on the Net and the screen is flooded with 45,800,000 results. In financial terms, definitions are as negative as 'low-tax, lightly regulated jurisdiction for the formation of offshore companies and investment of offshore funds' to the downright insulting 'place for hiding criminal and terrorist funds'.

Up until recently, this so-called offshore community had operated in a fashion not so different from the Internet itself, with the reputable and the less so operating side by side in a communal global marketplace; perhaps the somewhat tarnished reputation for 'offshore' was born out of this unhappy alliance. But international initiatives spearheaded by the OECD, the FATF and the IMF have been steadily weeding out the rogue elements and encouraging the bone fide to strengthen their internal regulations.

Positive role

The Isle of Man has been one of the chief beneficiaries of this ongoing process, receiving plaudits for the positive role it plays participating in respected bodies that govern, or set standards for international financial activities and their regulation. For instance, it's a little trumpeted fact that the Chief Executive of the Isle of Man Financial Supervision Commission routinely takes part in IMF surveys of other jurisdictions.

Reputable offshore financial centres play an integral role in international finance and trade, offering huge advantages in certain situations for both corporations and individuals, and facilitate legitimate risk management and financial planning. So isn't it about time we 're-branded' these well-regulated jurisdictions to reflect what they actually are – international finance and business centres, operating in accordance with international standards of best practice?

It's not just the super rich that benefit from investing or basing companies in the Isle of Man. Specialised new technology start-ups are thriving here – encouraged not just by our favourable tax regime, but the facilitating nature of the Island's Government

and professional services. The Island's trump card is its proven ability to come up with bespoke solutions to the increasing and varied demands of a global market. It is a sort of economy of scale in reverse.

Today it's London that's seen as the number one financial centre in the world; a huge amount of global capital seeking access to capital markets is flowing into the City - and the Isle of Man is being used increasingly as the jurisdiction of choice to gain access to these markets. London rather than New York is now the centre of play and the Isle of Man is only a few miles away doing business on the back of it. - The Island now boasts more Top 100 AIM listed company incorporations than any other offshore (or international!) jurisdiction. As Manx law firm Cains put it, the Island is operating in exciting times.

Quiet revolution

Lloyds TSB is only one mega bank that has been restructuring its Isle of Man based offshore operations to take full advantage of what are its more properly defined international activities. But this quiet revolution in semantics has been taking place in the wider industry over a number of years. Modern banking, fund management, insurance and shipping could not operate without effectual international arms. And for those seeking an operating base in the European time zone, the Isle of Man is fast becoming the centre of choice.

Operations like Cayman National, which has had a presence in the Island for over 20 years, chose the Isle of Man to further expand its global banking, trust and corporate services. Included was the launch of a new fund administration operation. ILS chose to centre its corporate and trust activities in the Isle of Man 15 years ago. One of the longest established providers of fiduciary services, the company recently opened branches in Switzerland and Turkey. It has also entered into joint ventures with partners in Dubai and Hong Kong. Its global reach covers a hugely diverse and widely spread client base – from a Ukrainian Vodka distiller seeking a listing on the AIM, Australian gold mine developer and Indian satellite television channel owner, to movie producers in the US.

Then there is Fortis Intertrust, the world's leading provider of corporate and trust services. Its core business is supplying international financial solutions to corporate and individual clients working in complex fiscal, legal and financial environments. Owned by the Belgian/Dutch banking and insurance giant, Fortis is currently in the process of pumping a further £5 million of new investment into its Isle of Man operation, which is already the hub of its tax and IT operations.

'Ready, willing and able'

But whether successful centres like the Isle of Man continue to prosper will depend on the dexterity of their forward planning. Treasury Minister Allan Bell has spelt out what is required in stark terms: Government is ready, willing and able to provide the 'enabling' mechanisms – but it is up to the industry to come up with the goods. Mr Bell uses the rapidly expanding funds industry as a case in point: it has just delivered a radical new package of proposals to the Treasury to facilitate further growth in the sector - which aims to secure \$50 million in assets under management and \$100 million under administration by 2010.

In today's shrinking world, international blue chip companies, respected high street names and small niche start-up operations all compete in a hyper-sophisticated global marketplace. As well as the attractions of zero tax, risk-based regulation and absence of red tape, Island institutions have developed the wherewithal to offer bespoke, highly personalised financial services and it is this that marks it out from the field.

The Isle of Man's radical move to a standard zero rate of corporate tax has had a dramatic effect on raising its international profile as a progressive jurisdiction in which to conduct serious business. Now the Treasury is committed to a raft of major 'follow-up' initiatives designed to sustain the momentum and drive business forward. As Mr Bell says, the latest measures might not sound as sexy as zero tax, but they will be the 'rock on which the Island's future prosperity will rest.'

This enviable state of affairs has not come about by chance. It takes a prodigious amount of time to build a reputation of substance. Surely it is now time that the offshore financial centre – or, more precisely, the international financial centre, was universally welcomed in from the political cold.