

“Isle of Man Funds Industry on growth path”

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Over the past three years, the Isle of Man funds sector has experienced a period of unprecedented growth, driven by a re-launch of the Island's legal, regulatory and fiscal environment for funds which was introduced in mid-2003.

Prior to 2003, the Island's funds industry was relatively small by comparison to the much larger banking and life assurance sectors, which were long established and very successful. The slower growth of the funds sector was due to a number of historic issues, including the requirement for fund administrators to levy VAT on charges to funds, which significantly impacted the development of the Island's third party fund administration sector.

Effective mid-2003, all of this changed, with VAT on fund administration charges being removed, together with the introduction of a number of key regulatory changes designed to encourage not only the incorporation and domicile of funds in the Isle of Man, but also the administration on the Island of funds incorporated in other jurisdictions such as the Cayman Islands.

From a level of US\$7 billion under administration / management in 2003, the scale of activity in the funds sector has more than quadrupled, with funds under administration / management in excess of US\$30 billion as at 30 June 2006. The Island is now an important and rapidly growing player in the offshore funds sector, particularly focusing on hedge funds and hedge fund of funds. The Island has also become a favourite location for the AIM listing of closed-end funds, particularly property focused schemes.

With this growth in the scale of activities in the funds sector, there has been a rapid expansion in the number of licensed third party fund administrators. Many new, specialist fund administration operations have been established over the past couple of years, giving greater diversity to the Island's service offering to the promoters of offshore funds. However, the established global players such as HSBC and Fortis have also seen a rapid growth in their business levels on the Island, and have significantly increased the numbers of people they employ. In this regard, the fact that the Isle of Man is a very open economy facilitating the easy transfer of skilled resources to the Island, and the recruitment of off-Island funds specialists, all of whom are able to purchase properties on the Island with no restrictions, has been critical in supporting the growth of the fund sector.

Looking to the future, the Isle of Man funds sector will continue to develop and innovate, seeking to remain at the “leading edge” of offshore funds jurisdictions. Indeed, the Island has a unique offering to the offshore funds industry as it is able to support the incorporation, domicile and administration of offshore funds all in one jurisdiction, with very favourable cost comparisons to all competitor jurisdictions and a zero rate of corporate tax. The Island also offers a very strong incentive for high-earning fund managers and promoters to re-locate to the Island, with a very attractive tax liability cap, notwithstanding a top rate of personal tax of only 18%. With the physical space to accommodate major growth and development, the Island is, indeed, now the premier location for offshore funds.