

Growth of international bank accounts in the Isle of Man

By Tony Wild, President of the Association of Licensed Banks on the Isle of Man

The banking sector in the Isle of Man accounts for approximately 20% of the Isle of Man's Gross Domestic Product (GDP) and is the lead segment of its thriving financial services sector. Over the last two decades the Island's industry has developed significantly its activities from its core service of deposit taking to provide the full range of banking services to both individual customers and corporates.

All businesses require banking facilities; therefore the banking sector has become a central pillar of the finance sector, integrating successfully with the other sectors of the finance industry. This is reflected in the steady growth in banking over the past 15 years. Growth has varied from 3% to 9% per annum, which adds to the stability of the Island's economy as a whole.

The banking sector is also the Isle of Man's largest employer, and is responsible for around 23% of the Island's working population.

The Isle of Man has attracted a diversity of banking institutions to relocate to the Island through a policy of strong regulation and positive economic growth endorsed by a Government that actively supports and encourages banking.

The Island can boast a density of high calibre banking institutions, offering all the services that private, corporate and institutional clients may need. Many of the leading UK and Irish high street banks are represented together with branches of major UK building societies.

These stand alongside multi-national institutions that represent the global profile of international banking, for example Lloyds TSB Offshore and Royal Bank of Scotland International.

Over the past twenty years the Isle of Man has built a lead reputation as a centre of excellence for expatriate banking, and as clients' wealth has evolved the Island has adapted and become a key player in the mass affluent and high net worth market creating an array of wealth management solutions. Key firms in this market include Fairbairn Private Bank and Barclays Private Clients International.

Illustrating the continued growth and health of the banking sector, the deposit base has increased from £33.1bn to £39.4bn (19%) from end of March 2005 to March 2006. There is no evidence to date of any adverse impact due to the introduction of the EU Savings Directive on 1 July 2005 reflecting the international banking base of the Island.

The value of having an international account

The Isle of Man is an established international finance centre with a firmly established and highly regarded fiscal and regulatory environment. It is regulated by the Isle of Man Financial Supervision Commission (FSC) – the FSC is an independent statutory body responsible for the licensing and supervision of banks, building societies, investment business, collective investment schemes and corporate service providers in the Isle of

Man. A number of independent assessments of the Isle of Man's regulatory framework have been conducted which verify its status, the most comprehensive was the assessment carried out by the International Monetary Fund (IMF). Therefore for customers there is comfort in the knowledge that investments in the Isle of Man will be safe and secure.

With a range of international networks, a European time zone and 24/7 banking the Isle of Man has become the leader in terms of expatriate banking. The Island understands the needs of the international banking customer.

The Isle of Man's Triple 'A' rating was reaffirmed this year by independent ratings agencies Standard & Poor's and Moody's. Standard & Poor's state that the Isle of Man's rating is due to its prudent fiscal and economic policies, underpinned by the Government's net creditor position.

Coupled with the Isle of Man's comprehensive Depositors Compensation Scheme – all licence holders conducting retail banking must be members of the Scheme which was introduced in 1991, the Island being the first international centre to introduce such a scheme. The Isle of Man is considered a secure place to locate an international account.

Moving forward consultation on the proposed tax cap and its possible effects on and the reasons for, setting up a bank on the Isle Of Man

A proposed Corporate Tax Cap is currently under consultation. If introduced, it will cap the amount of tax companies will have to pay. The Island introduced a standard rate of 0% income tax for corporate tax payers in April of this year; however a small number still pay income tax at 10%. This includes companies holding banking licences and those receiving income from land and property in the Isle of Man.

The level at which corporate tax will be capped is uncertain at the moment, but initial consultation documents show that a cap of at least £6 million, just above the current highest tax paid by a company, has been suggested.

The policy is designed to further enhance the attractive environment for large banking businesses to relocate to the Isle of Man and also make it profitable for existing banks and institutions to move operations, including their head office to the Isle of Man. The proposed figure of £6 million means that banks and property companies making more than £60 million in annual profit could benefit from basing their business on the Island.

The Isle of Man already boasts a solid infrastructure, excellent telecommunications system and a wealth of staff highly experienced in the financial sector, therefore if the Corporate Tax Cap is introduced this could be the key element to make the Isle of Man and even more attractive offshore jurisdiction to businesses.

The Isle of Man is considered an established international business centre with a secure political base, a business friendly Government that is keen to see the economy grow. It offers its businesses low taxation, low costs, an experienced and available workforce, skill and expertise in understanding the affairs of the internationally mobile, a reputation amongst Expatriates a centre of excellence for international banking and is a tried and tested jurisdiction for European and Worldwide banking. The strength of the jurisdiction was recently endorsed by International Investment magazine when they awarded the Isle of Man with 'Best International Finance Centre' for the sixth year running.