

Why Isle of Man? – From the perspective of a fund administrator

By Gordon Wilson, Caledonian Fund Services, Isle of Man

As a participant in the hedge fund industry, you'll likely be a highly commercially focused person with very little time for detailed jurisdictional reviews. As a cut to the chase, this short article aims to answer why should you consider Isle of Man and what's in it for you if you do.

First some key statistics, it's a well regulated jurisdiction, with a 'A' credit rating from Moody's which demonstrates its financial stability as a result of 20 years of economic growth and budget surplus and one of the fastest growing economies in Europe. It's a self governing British Crown dependency and not a member of the EU but has a special and limited relationship allowing free trade with the EU. The Island has excellent infrastructure including a first class transport and telecommunications system. There are just over 80,000 people living here and it measures approx 225 square miles with around 800 miles of roads. The size of the Island and the lack of population density create a freedom which sets the Island apart when compared to other finance centres. There are frequent daily flights to London City and London Gatwick, numerous other UK airports, including Dublin and the Channel Islands. Ferries travel daily to the UK and Ireland.

The Manx Government is the oldest continuously established government in the world (having been established over 1000 years ago) and has created a unique partnership approach with our industry working together with the business community to proactively develop new and existing businesses on the Island. This commitment to continued economic expansion is again a unique feature of the Island allowing newly established industries to flourish. Finally, from a fiscal perspective, the Government demonstrated its friendly attitude to economic expansion by recently introducing a zero rate of corporate tax on all business, except licensed Banks and a cap on personal income tax of £100,000 per annum (introduced April 2006). Additionally there is no inheritance or capital gains tax.

So to answer the first question, you should consider the Isle of Man because it is convenient to get to, it has a solid financial foundation, it's well regulated, it's easy to do business in and it has a very attractive tax structure for businesses and higher earning individuals.

The Isle of Man's hedge fund industry has, from a small base, recently experienced significant growth in terms of value of assets either managed or administered or both, by Isle of Man based service providers and now accounts for about \$50 billion of assets. Whilst the Island's hedge fund industry is proud of what has been achieved, there is recognition that the Isle of Man is not an automatic choice for those considering hedge fund domicile or servicing, and in the autumn of 2006 a group was formed to review the Isle of Man hedge fund offering in light of international trends and to establish a strategy for it's continued growth.

The group reported in February this year and laid out a framework comprising an institutionally focused, benchmarked hedge fund offering, complimented by a supportive

licensing regime for hedge fund management and certain associated regulatory changes. Full details on this report are available on the Isle of Man Fund Management Association website: <http://www.fma.org.im/>.

The Isle of Man Government has given its support to the recommendations of the review group and the necessary legislative and regulatory changes are currently being worked on, with an overall view to increasing funds under administration to a figure of \$100 billion and funds under management on the Island to \$50 billion by 2010.

So to answer the second question, the Isle of Man is tailoring itself as a domicile of choice for your fund and/or your international fund management vehicle and this, combined with the convenience of the location its attractive fiscal regime and its commitment to the expansion of the economy, make it a place that you must consider.

***Gordon Wilson** is Managing Director of Caledonian Fund Services (Europe) Limited ("CFSEL"), a regulated fund service company in the Isle of Man. CFSEL is part of the Cayman based Caledonian Group of companies and utilises the Advent Geneva hedge fund accounting system complimented by Paladyne and provides shareholder servicing on Mantra by HWM. Caledonian's global fund services operations recorded annual growth in AUA of over 15% in Q1 2007 and made the top 10 fastest growing global fund administration companies in a recent survey. The views expressed in this article are the personal views of the writer.*