

Isle of Man financial review

Island centre stage in protecting business



*David Butterworth of Skanco Business Systems:
'Great potential to grow this type of business'*

The Isle of Man is in talks with other leading finance centres to agree supervisory procedures that would allow foreign companies to base their business protection plans in the Island.

Banks, investment businesses and corporate service providers operating in approved jurisdictions can use Isle of Man computer servers for temporary disaster recovery arrangements without a licence from the Financial Supervision Commission.

But as the processing of data from other jurisdictions could constitute regulated financial business - and therefore need to be licensed - the FSC has introduced exemptions for qualifying operations. This means that international companies setting up emergency back-up facilities on the Island will not come under Isle of Man regulations where their home regulator has entered into a 'controlled' agreement with the Island's authorities.

'We are in discussions with a number of jurisdictions with a view to amending existing memoranda of understanding already in place concerning general supervisory arrangements,' said Head of Supervision Neil Kennedy.

CENTRE OF EXCELLENCE

The loss of data following a computer failure is a major risk factor for international business. As the Island is already regarded as a centre of excellence for information technology, the FSC believes it will become the jurisdiction of choice for business continuity planning.

'The Government has given a strong public commitment to the development of e-business,' added Chief Executive, John Aspden. 'We see these exemption regulations as supporting this important initiative whilst also addressing the regulatory issues.'



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ISLE OF MAN FINANCE

Isle of Man Treasury

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Opportunities for new and existing IT providers

If there was ever a story to illustrate today's uncertain times, it must be of the firm in one of New York's ill fated twin towers that vested its business protection plan in the offices of its next door neighbour - the likelihood of both towers being brought down by fire or accident was beyond all probability. But 9/11 changed all that.

Almost overnight, what should have been at the forefront of the collective corporate mind was brought into sharp relief: how do we carry on if the unthinkable happens? Business continuity itself is now big business and many firms - especially those based abroad - must be assured that the place entrusted with their business recovery systems is above and beyond reproach.

Isle of Man businesses were quick to recognise the business opportunities that could be afforded both existing and new service providers on an Island already renowned as a centre of excellence for information technology. New regulations encompassing banks, corporate service providers and investment institutions, now pave the way for international firms to set up emergency business operations on the Island - as long as the jurisdictions concerned have signed special agreements with the Isle of Man authorities.

IDEAL BUSINESS LOCATION

Skanco's David Butterworth was one of those who first floated the idea that the Isle of Man could be the ideal location for such onerous activities and is in serious talks with several major international organisations interested in establishing fallback operations on the Island. His company is already highly experienced in providing disaster recovery systems for leading local financial institutions.

He first became involved in what was then virgin territory more than a decade ago when several of the UK's top building societies were licensed to operate in the Isle of Man. 'They were used to having many branches dotted around the country that were linked to a computer mainframe. If there was a fire in a branch in Manchester's Deansgate, for instance, there was probably another within 400 yards that could carry on the business.'

Moving to a different jurisdiction, however, meant re-thinking the handling of sensitive in-house data that might be needed in an emergency - and that was where Skanco came in. 'Bradford & Bingley' was our first client in this area and it was through working with them that we realised the potential for providing a similar service for other companies.'

PURPOSE BUILT DEVELOPMENT

What began with a small digital facility has grown into a 3,000 square metres purpose built development on the Isle of Man Business Park outside Douglas. The Skanco Restart Centre provides space for 165 workers with access to the latest generation technology, complete with secure work areas, boardroom and executive offices. As well as guaranteeing a constant power supply, the complex has its own 'business continuity plan' - a standby generator capable of powering the whole building. An inner sanctum of steel cages protects the vital file server equipment used by companies to store their duplicate business information. During invocations, the centre deploys 24-hour security in addition to pc controlled card lock systems, secure parking and CCTV.

'When we began formulating disaster recovery plans, the focus was solely on systems continuity, but it soon became apparent that this was only just the beginning,' explained Mr Butterworth. 'Implementing a recovery process involves providing for all aspects of a business, the most important being ample and properly equipped office space for staff so that an operation can transfer its whole business network to a new location and be up and running normally within a very short space of time.'

The obvious next step was to widen the service to organisations in other jurisdictions. 'Most companies have a plan in mind of what they would do in the event of a fire or other unforeseen emergency, but 9/11 and the ever present threat of terrorism changed all that. There is no point in having a disaster recovery system based too close to home.'

'We are currently talking to companies in the Channel Islands, Bermuda, Cayman and Dublin who are very interested in basing their business continuity systems in the Isle of Man. I know there is very great potential to grow this type of business in the Isle of Man.'

www.skanco.co.uk

In Brief

IRISH ADD TO ISLAND'S TROPHY COUNT

Anglo Irish Bank's Isle of Man operation is currently enjoying a period of substantial growth as well as winning a string of prestigious industry awards.

With a deposit base of over a £1bn, the local team's performance significantly contributed to the bank's overall interim pre-tax profits, which soared by 34% to 154.5mn euro (£111mn). And for the third year running it was declared 'best overall deposit taker' by the influential expatriate magazine, Investment International, which regularly monitors offshore investment product providers. In addition, the Isle of Man team was short-listed for the Moneyfacts awards and received 'highly commended' in the International Investment Offshore Fund and Product Awards 'best offshore bank product' section.

The bank's core business in the Island is providing a full suite of wealth management services to English-speaking expatriates. 'Last year we had essentially one personal account to offer clients,' said Mark Gaywood, Head of Client Relationship, Anglo Irish Bank, Isle of Man. 'In the past six months we have added another three, giving us a great product range - and all are Moneyfacts Best Buys, which is a fantastic achievement.'

'Obviously I'm delighted with the progress we've made over the past six months. We have been nominated for three awards, significantly expanded our product and customer base and delivered another excellent set of results. The fact that all four of our personal deposit accounts are Moneyfacts Best Buys is a great endorsement and a credit to the team here. Being recognised as a market leader by one of the most respected independent financial information providers is excellent.'

www.angloirishbank.co.im

CUT GLASS OPERATION

Irish Nationwide's Operations Manager, Karl Tully, had the air of a man vindicated as he strode up to receive the award for Best Offshore Notice Account Provider' at the annual Moneyfacts awards in London - Irish Nationwide (IOM) was narrowly pipped at the post for the cut glass trophy last year by a bank in the Channel Islands. 'I believe the award reflects the quality of our products as well as our high standards of service,' he said. 'We take a personal and flexible approach to service and this enhances the product features.'

www.iniom.com

CMI providing 'a safe haven' in turbulent times

Every cloud, as they say, has a silver lining - even if you have to search for it. Given the parlous state of the stock market, in addition to the general dismal global situation, including war, famine - and now Sars, it is all enough to make even the best of us feel depressed. Not so the offshore businessman whose maxim is not so much, 'don't bring me problems, bring me solutions'; as 'show me the opportunities':

According to Paul Massey, who heads up CMI's Isle of Man operation, there is a palpable air of maybe not quite excitement but certainly 'something about to happen' that will wake up the economy. 'It's been apparent for some time now, almost like the pressure on a dam about to break. While things may appear bleak, life goes on. The fundamental reality is that the vast majority are still in work and being paid and still need to plan for their future well-being. I believe there is a pent-up demand for suitable opportunities. But because the stock markets have been going down, people are naturally more cautious when it comes to investing - they're looking for a safe haven, if you like.'

STRENGTH AND GOOD NAME

And this is where he believes the strength and 'good name' of CMI, coupled with that of the Isle of Man as a properly regulated and successful jurisdiction, has a head start. CMI's suite of Isle of Man companies has been phenomenally successful since first establishing on the Island in 1987 and for several years has been a market leader in the provision of secured/guaranteed protected products, particularly with-profits bonds, writing billions of pounds worth of new premiums across a diversified spectrum of international markets.

While he concedes that with-profits bonds have 'taken a knock' in recent months along with falling stock market returns, Mr Massey says CMI's success and experience means it is well placed to develop more mature products using the same principle. 'Most investors now want a choice with a degree of safety and certainty and this can be attained through growth within a "lock-in" fund designed to provide a floor below which the investment value won't go. We are therefore looking at the addition

of a more mature investment opportunity that will broaden our current product portfolio. A key priority at present is the development of our own fund offerings utilising both in-house and third party expertise. We are lucky to have HBOS to call on in this respect, but we will also look to other best-of-breed expertise where appropriate.'

EXPERIENCED INVESTMENT TEAM

Having a strong and profitable bank parent is undoubtedly a major factor in CMI's ability to cope with what the company freely admits are difficult times for the global life industry. As well as the financial comfort this affords, there is an experienced and highly successful investment team to call upon. The group's asset management arm, Insight, has recently been expanding its operations and expertise with the aim of capturing a larger slice of the investment market business.

CMI's core overseas market remains the expatriate community, where Paul Massey believes there is still plenty of room for significant further expansion. With this in

mind, the company is considering a range of options, including the expansion of its fund management offerings to serve stockbrokers and private banks in Hong Kong where CMI is authorised. New offices in Dubai and Singapore are also being considered.

As fellow director, Dave Schuster, points out, the vital factor in today's world is to be prepared for all possible eventualities at all times. 'To this end, we as a company must have a variety of products in our armoury to suit the changing world situation - and most importantly, offer people a choice of products in difficult times.'

£17 BILLION UNDER MANAGEMENT

His assertion also holds true for the life industry in general in the Isle of Man. The 17 companies that comprise the Isle of Man sector currently accounts for the largest tranche of global business, representing in the region of £17 billion under management.

As chairman of the Isle of Man Insurance Association, Mr Schuster is determined to focus minds on coming up with innovative ideas to ensure the Island not only retains but also significantly increases its share of this lucrative market.



CMI Managing Director Paul Massey:
'Investors want a choice'

Taking business continuity seriously

As one the Island's leading finance sector firms, CMI takes business continuity very seriously. Provision has been made for 100 staff - half the workforce - at the Skanco Restart Centre. 'A recent test demonstrated we could be up and running normally within 24 hours,' said head of IT David Swayne.'

Speed is of paramount importance and staff meet monthly to update procedures. As well as preparing for a major catastrophe, each department has its own business protection plan whereby one wing could be moved in the event of a fire or other disaster.

'We have our own back-up equipment at the centre and duplicate business information is transferred there and onto tape every night,' explained Mr Swayne. 'The test scenario was a boiler room explosion that left key members of our IT staff injured. Fire crews and the media took part to make it as realistic as possible. Our control team organised the move and four staff started re-building the system - we were operating normally in 20hrs 2ms. Two auditors from our Bristol parent company were standing by to verify we were using best practice.'

Insurance Association, Mr Schuster is determined to focus minds on coming up with innovative ideas to ensure the Island not only retains but also significantly increases its share of this lucrative market.

www.clerical-medical.com

Not content with just 'riding out recession'



Economic Adviser Stephen Carse: 'Island facing new and evolving challenges'

The Isle of Man's determination to search out new market opportunities, attract fresh lines of economic activity and secure the profitable operations of existing companies is certainly paying off in the face of current global gloom.

Unemployment is still below the 1pc level - where it has been now for over four years - and growth is being maintained at around 4 per cent to 5 per cent. But this does not mean that the Government is content with just riding out the current international economic recession. On the contrary, it has been active on a number of fronts,

seeking to raise the commercial advantage provided to local operators.

The new funds initiative, the ongoing reductions in company tax and the progression of protected cell company legislation is testament to this. The confirmation of the Isle of Man's AAA credit rating serves as a further endorsement of the Island's overall economic policy. And looking at the longer term, the Treasury has been undertaking an in depth review of its economic strategy.

The Island's refusal to be complacent while the world economy was booming means it is now much better placed than most to weather the current economic turbulence. There is, therefore, some comfort to be had in the knowledge that those job losses that have occurred have not been caused by Island-specific factors. Rather they have related to trading difficulties resulting from the general economic climate or global corporate trends.

In many ways it is surprising in view of the global economic downturn of the past two years, declining stock markets, military conflict in the Middle East and domestic uncertainties over various international tax and regulatory issues, that the Island has not suffered earlier on the jobs front.

Economic Adviser Stephen Carse, charged by Treasury Minister Allan Bell with the task of drafting the report on the economic review, emphasises that by its very nature an economic strategy is not something that concentrates on short-term analysis and policy palliatives.

'The report assesses the changing economic environment alongside the existing strengths and weaknesses of the Island's economy. It proposes how it might be possible, within the confines of a need to at least sustain the current degree of diversification, to restructure and reshape the economic base so as to raise the value of the activity undertaken here:

Issues as wide-ranging as taxation, regulation, market access, marketing and training have all come under the gaze of the report. 'The aim of the review has been to work within the Government Plan to produce a policy framework which, if adhered to, creates a cohesive, coordinated and consistent economic strategy.

'The central objective is one of maximising the return from our limited resources,' points out Mr Carse. 'As an objective, it seems difficult to argue against, but I'm sure certain policy implications deriving from it will generate some lively debate. But that in itself is healthy as the Island is facing new and evolving challenges - and how we continue to deal with these is a matter for us all!'

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MT - at the sharp end of business protection

Not surprisingly, as a company spearheading technological advances, Manx Telecom's business protection systems are based on the new generation of telecommunications. MT has been at the forefront of 3G phones with the Island used as a test bed for the pioneering network. Its Web Park Disaster Recovery Services are also at the sharp end of the new technology. In the event of an emergency, a DR voice system allows staff to carry on working from a remote location as if they were still at their desks.

Focused on protecting voice and IT data systems, WPDR enables employees to continue making and receiving calls from home or satellite offices via secure data connections and remote telephones. Core business systems, such as financial applications, CRM solutions and e-mail services, are replicated in similar systems hosted by the Web Park facility. Dedicated high speed data circuits enable back-up information to be replicated in real time and so provide an up-to-date copy - enabling business to continue from the point of failure.

'Companies dependent on their internet and IT applications have been forced to examine their disaster recovery plans after 9/11; said MT's Business Solutions Manager, Mike Stanton. 'In an effort to get them away from the high risk areas many are selecting very remote locations in which to house their disaster recovery solutions. I'm confident that with its highly resilient infrastructure, the Isle of Man offers the perfect compromise of low risk locality combined with world class connectivity.'

www.manx-telecom.com