

Isle of Man financial review

Lloyds TSB picks Island for main expat centre

Lloyds TSB has picked the Isle of Man as the new hub of its expanding expatriate banking operation. The offshore unit in the Island, which currently employs 475 staff, will in future handle all new business enquiries and account opening from around the world.

The main service centre for non-UK national customers has been switched from Swansea to the Isle of Man, a move that is helping to create in the region of 50 new jobs by the end of the year.

Underlining the decision are two new senior appointments - Chris Sutton, who assumes the role of International Expatriate Banking Director, and Mark Johnson, who is in charge of Strategy and Business Development. They will now work alongside Island Director, Tony Wild.

The amalgamation of the Welsh office with the existing centre in the Island, which serves the bank's non-UK based expatriate clients, means all of the expatriate and 'in-patriate' clients of Lloyds TSB Group will now have their day-to-day banking needs serviced through the Isle of Man.

Lloyds TSB also has extensive operations in Jersey and Guernsey and therefore the bank's decision to choose the Isle of Man as the new centre of its international operations has been widely welcomed in the Island.

SKILLED WORKFORCE

'We looked at the current situation in a very hard-headed way and found that the Isle of Man suited our purposes,' explained Mark Johnson. 'In particular, we have access to the numbers of staff we require with the requisite skills - certainly more than in other jurisdictions.'

'We have a significant presence in all three islands and the decisions we take in any given situation are based on the nature of the resources available that will enable us to grow the business over a period of time - we do not regard the islands as being in direct competition with each other.'

• Focus on 'international personal banking service' - page 4



Chris Sutton and Mark Johnson who have joined Lloyds TSB's expanding expatriate centre in the Isle of Man



OTHER ARTICLES IN THIS ISSUE

- Anglo Irish Bank sets up funds HQ in Isle of Man
- Walbrook offers complete corporate relocation service
- Emirates Group spurs spate of global pension plans
- EIFs drive growth in funds sector
- Snapshot of buoyant Island economy
- Treasury 'revising up' future growth prospects
- Focus on 'international personal banking service'

ISLE OF MAN FINANCE

Isle of Man Treasury

www.isleofmanfinance.com

Anglo Irish Bank sets up funds HQ in Isle of Man

Anglo Irish Bank is basing the headquarters of its new fund administration business in the Isle of Man.

The move follows a raft of measures introduced by the Treasury to further boost funds activity in the Island. The most recent, including zero tax on company profits and the removal of VAT from management fees, have been designed particularly to attract more third party administrators to establish here.

Richard Bolton has joined Anglo Irish Trust Company with the direct brief to develop its new operation. A BA (Hons) university graduate and Associate of the Institute of Chartered Secretaries and Administrators, Mr Bolton has over 14 years experience in the fund administration industry.

His particular expertise is in the areas of private equity and fund-of-funds, gained through previous senior management positions with a number of the Island's leading fund administration companies. He has also worked in stock-broking and accountancy.

SERIOUS FUNDS CONTENDER

'Anglo Irish has chosen to headquarter its fund administration operation in the Island for many reasons, explained Mr Bolton. 'The Isle of Man's reputation as a serious contender in the mutual fund administration industry has received new life-blood following recent changes to the legislation allowing licensed administrators to administer Overseas Funds.

'This, coupled with the recent removal of VAT implications for Isle of Man fund companies - and the streamlining of the Experienced Investor Fund legislation, has provided a solid platform for Isle of Man based service providers to increase their global fund offering to a level higher to that of their competitors in other jurisdictions.

CAPACITY FOR GROWTH

'The Island remains one of the few offshore centres in the European time zone with the capacity to absorb significant growth in the funds sector,' added Mr Bolton. 'Staff already employed in this sector are generally well educated and locally based, giving the client the combination of good service and consistency that they don't always receive in other jurisdictions.

'The Government's proactive approach to working with businesses within the financial sector to promote the Island's services is seen as another positive factor for the jurisdiction, along with the recently announced business incentive scheme to encourage inward investment.'

Mr Bolton said he was looking forward to developing the new operation that he believed would contribute to the continued success of the Anglo Irish Group - 'a progressive and forward-looking business that was currently generating exceptional profit levels.'

PRESTIGIOUS INDUSTRY AWARDS

As well as contributing to the group's record interim pre-tax profits of €228.6 million, the Isle of Man operation has significantly added to its silverware, triumphing with two more prestigious industry awards - taking 'Best Offshore Notice Account Provider 2004' at the annual *Moneyfacts* awards and 'Best Offshore Product Range 2004' at the *International Investment* awards, as well as being highly commended in other categories.

Anglo Irish is a bespoke business bank with a private banking arm. The bank provides business banking, treasury and wealth management services, but focuses on particular corporate activities in each of these areas. Its core business in the Isle of Man is providing a full suite of wealth management services to English-speaking expatriates.

PACKAGE OF ENHANCEMENTS

The legal, regulatory and fiscal environment for funds in the Isle of Man was recently reshaped following a package of enhancements. 'Proof of concept' was then achieved through a series of target presentations to London-based legal firms and investment managers, demonstrating that any previous problems associated with the location of funds business in the Island had been completely resolved.

The Fund Managers Association believes that significant future growth in the local industry can be achieved by encouraging the establishment of further third party administration operations that will, in themselves, bring significant new business to the Island.

This year has seen a concerted marketing drive by the FMA, working in partnership with Isle of Man Finance, to promote the opportunities now offered by the Island following these important changes. Included has been a number of presentations to the industry at high profile international conferences around the world.

• *EIFs driving growth in funds sector - page 3*

e-Business

Walbrook offers complete corporate relocation service

The level of interest from global business in setting up in the Isle of Man has prompted the Walbrook Group to gear its local operation to offering 'a complete relocation service'.

Companies can be hesitant in making a major move without the support mechanisms in place to guarantee continuity of client services. This is where Walbrook steps in with its unique corporate 'hand holding' package.

As each business is very different in the way it operates, the work is approached on a 'project' basis. A dedicated team takes over the organisation on the ground, using its local knowledge and expertise to handle all the basics of staff recruitment, work permit applications and housing, as well as more weighty legal and regulatory matters. It will then carry out interim bookkeeping and accounting, open bank accounts and pay staff - in fact, everything that will ensure a company's seamless move.

SMOOTHING THE WAY

On average, Walbrook will be involved in this intense transitional stage for about six months, before stepping back and handing over the reins to the new local management. Just recently, the company smoothed the way for a Canadian corporation to move to the Island in this way.

Walbrook separated by management buyout from the UK partnership of Deloitte Et Touche last December. Nick Williamson, who heads up the 40 strong Isle of Man team, has seen the operation's focus widen in recent years from private client trust administration to providing a full range of services for business, including the comprehensive corporate relocation package.

He believes there is particular scope for attracting more companies involved in the burgeoning e-gaming industry because of the 'portable' nature of the business and has been working closely with the Treasury's E-Business Division.

STOCK MARKET LISTING

'We have worked with three large corporates over the past 18 months,' explained Mr Williamson. 'One was a Canadian money transmission service handling payments for on-line casinos and their clients. This was a substantial exercise, including the setting up of an Isle of Man company to enable the operation to gain a London AIM listing.' Bringing the necessary parties of lawyers and brokers together to help companies gain a listing on the London Stock Exchange is one of Walbrook's key business services.

'We have also been working with another corporate based in Cambridge that is very interested in setting up on the Island,' he added. 'It is currently refining software for an inter-active gambling football game. Another on-line gaming company based in Switzerland is also very interested in having an Isle of Man operation. Many businesses in Switzerland are uncertain over their tax and regulatory future and are looking to set up alternative operations elsewhere.

'Employment remuneration and payroll planning is an additional area of keen interest for us at the moment. A US investment bank with a big operation in London that was formerly paying its employees through an operation in the British Virgin Islands, is now switching this function to the Isle of Man.'

Nick Williamson believes the Isle of Man meets business demands more fully than many other jurisdictions and offers 'real benefits and opportunities for international corporate enterprise.

Emirates Group spurs spate of global pension plans

A government led initiative to attract multi-nationals and wealthy expatriate workers to base their pension provision in the Isle of Man, is steadily gathering momentum.

Close to forty schemes have been registered since the International Retirement Benefit Schemes Regulations came into effect in January, 2002 and the Insurance and Pensions Authority has granted twelve new licences to specialist pension scheme administrators.

TAX NEUTRAL SCHEMES

The legislation provides for the setting up of regulated tax neutral international arrangements for corporations and individuals who may be resident in any jurisdiction outside the Isle of Man.

One of the first schemes to be approved by the IPA was a provident fund structure established for the Dubai based Emirates Group to fund end-of-service benefits for more than 2,000 of its employees in the UAE. Established in 1985, Emirates is one of the fastest growing airlines in the world, flying to more than 66 destinations in 46 countries. Anglo Irish Trust Company is providing Island based trusteeship and management services to the scheme.

LEADING GLOBAL MARKET

The Isle of Man is building a considerable profile in this important new area of the global market and the IPA, supported by major players in the industry, has worked to ensure that the new regulatory framework is widely understood by the pension sector's major decision-makers, including key intermediaries and benefit consultants in London.

'From an anticipated relatively slow start, there is now an absolutely clear momentum building,' said IPA Chief Executive, David Vick. 'We are very pleased with the way this area of new business has started to develop.'

'In the two years since the regulations came into being, we have spent a considerable amount of time talking to specialist advisers to make sure that our regulatory framework is properly understood. We are now seeing this work come to fruition with several very large international pension schemes being registered here.'

A GOOD BALANCE

With the increasing focus on good corporate governance, Mr Vick said the regulations achieved 'a good balance,' whereby the member could be assured of high levels of protection for their future pension provision, and the employer benefited from a regime that allowed flexibility in the scheme design.

This was clearly important as it allowed employers and scheme designers to tailor solutions to meet the individual needs of international businesses and enabled the Island to accommodate a wide range of pension, retirement and provident fund structures, he added.

The move has been so well received by service providers in the Island that several established accountancy and legal firms have extended their commercial arms specifically to handle the volume of new enquiries being generated. Simcocks, who twelve months ago set up a branch office in London, is expanding its operation to keep up with demand for a wide range of services from its growing client base in the City.

Senior recruits include a consultant actuary with close links to the international oil industry and an experienced funds specialist, who is relocating to the Isle of Man from the Cayman Islands. Another South African solicitor has also joined the firm, which has strong links with the Continent and has geared several of its pension products to appeal to the market there.

MORE BUSINESS COMING

Tim Boles, who is Managing Director of Simcocks Pensions, said significant interest was being shown in Isle of Man international pension structures. His company has established links with a network of global intermediaries and is currently working on several large new schemes, including one that would cater for around 12,000 employees.

'One proposed scheme is for a large natural resources company in Eastern Europe,' explained Mr Boles. 'This business came to us through an operation in Poland - our global reach is very wide. A joint venture with Anglo Irish Bank allows us to use their reach in Dubai and other areas. We also have a good entrée into the expatriate community working in the Houston oil industry through contacts in the British Virgin Islands. Closer to home, we are working on a number of international pensions for the expatriate employees of an international hotel chain in Asia and the Middle East.'

Mr Boles said Simcocks was also being contacted by Isle of Man based organisations with

clients around the world: 'They wish to utilise this unique pension infrastructure to their and their clients' mutual advantage,' he added.

The authorisation of large, high profile schemes clearly underscores the Isle of Man's development as a quality international pensions centre capable of offering bespoke solutions that meet the varied corporate requirements of blue chip global business.



Views of the extensive Douglas financial district



EIFs driving growth in funds sector

Isle of Man funds have also received a substantial boost following the introduction last year of a package of legal, regulatory and fiscal enhancements. The biggest success story has been the flexible Experienced Investor Fund, which is unique to the Island. The EIF has quickly become a market leader and is now responsible for driving growth in the sector.

The total value of funds under administration has steadily increased and exceeded \$11.4 billion by the end of the last quarter. New figures expected shortly are likely to show a further increase.

Snapshot of buoyant Island economy

Treasury 'revising up' future growth prospects

The Isle of Man has enjoyed one of the world's most buoyant economies for more than twenty years. And despite a recent slow down in the pace of expansion, reflecting the global trend, growth is still running in the region of five per cent.

NEW JOB OPPORTUNITIES

Economic Adviser Stephen Carse paints a picture of renewed optimism across the sectors. This year has seen growth in employment, government receipts, new company registrations, non-domestic electricity consumption and, most importantly, new job opportunities.

Vacancies have risen substantially with 788 jobs recorded on file at the Job Centre at the end of June. This is 170 more than the previous month's figure and the highest total since August 2001. The Island has a working population of 41,000 and this increased volume of new job opportunities is one of the strongest indications of how fast the economy is growing.

DEMAND FOR LABOUR

The report forms the most up-to-date economic snapshot of how the Island is faring in the face of strong international competition. The report comprises our findings to mid-year - it is not dealing with micro economics, but is

about the broader health of the Island's economy', explained Mr Carse.

'We still focus on the labour market and on-off Island movement of population as the best indicators of how the economy is performing. And there have been definite signs of a pick-up since the start of this year, particularly in the number of job vacancies and a renewed inflow of population that reflects the demand for labour.

'We will continue to see instances of reorganisations in individual companies - it's part of belonging to the global economy and of competing in the international marketplace. The important thing to recognise is the underlying strength of the Isle of Man's economy', pointed out Mr Carse.

HEALTHY UK OUTLOOK

The Island can also take heart from how the UK economy is functioning at present. The report notes that it is growing faster than at any time in the last four years, with GDP rising by 3.7 per cent in the year to June. And whilst this might be a touch too strong from the interest rate perspective, a healthy UK economy generally bodes well for the Isle of Man in view of the importance of the UK market for many Island companies.



Economic Adviser Stephen Carse:
'Growth rate still running at around five per cent'

The Treasury is currently considering revising marginally upwards its forecasts for current and future growth of the Island's economy, following publication of the latest set of National Income Accounts.

The report shows the economy in 2003 still performing robustly in the face of adverse global pressures. The 5.9 per cent growth rate was much better than expected and took the Island's per capita national income to 10 per cent above that of the average across the then fifteen Member States of the European Union.

Focus on 'international personal banking service'

(Continued from page 1)

Lloyds TSB has a significant head start in repositioning itself in the burgeoning international market. Its highly popular 'Overseas Club' has been meeting the particular needs of expatriates for over 15 years and now boasts a suite of tailored accounts in sterling, dollars and euros.

For security reasons, British banks still hold sway in many areas of the world, particularly the Middle East where Lloyds TSB has a significant client presence amongst foreign nationals as well as British expats. One of the world's biggest banks, Lloyds TSB also enjoys the market distinction of a 'AAA' credit rating. From its imposing base in Peveril Buildings, opposite the Douglas Sea Terminal, its offshore arm operates a 24/7 state-of-the-art global banking service via telephone and the Internet. The focus now is on consolidating these services and building on their product range.

'The Overseas club has grown steadily over the past 15 years and we are seeing no lessening in demand for its services', said Mark Johnson. 'This area of business is no longer the preserve of the traditional British worker who is going abroad for a given period of time. It is now a much broader business universe embracing a whole new global working community - which is reflected in our wide product range.'

MORE TAILORED PRODUCTS

Where international financial planning was once based purely on tax considerations, the demand now is for tailored products and services geared to particular segments of the market, such as retirement. Lloyds believes it is therefore crucial that its services are backed up by expert support and technical advice.

'We intend to become Lloyds TSB International Personal Banking Service - and this means

tailoring our products even more to people who are living and working abroad. This involves providing the services and expert support that is necessary when operating in a foreign environment. One of the Overseas Club's chief selling points is the ability to provide currency accounts to individuals in sterling, dollars, euros, and several other currencies. Access to a network of global contacts and expert tax advice is another benefit.

'We are very bullish about the future growth prospects for this important sector', added Mark Johnson. 'The important thing for the Isle of Man is that the Government continues to demonstrate a level of flexibility that creates the right overall climate for business while at the same time developing the underlying social infrastructure.'



Lloyds TSB