

Funds - Domiciles Report for Investor Services Journal April 2007

By Brian Donegan

In the Isle of Man's 2007 budget speech, delivered last month, the Treasury Minister announced the completion of a major report to review the Island's fund sector. This report was produced by the Funds Review Group, formed to identify reforms and enhancements which will secure the future growth and development of the industry, and with the ultimate objective of achieving the Fund Management Association's vision of having \$100 billion of funds under administration and \$50 billion of funds under management on the Island by 2010.

The Review was chaired by international funds expert Paul Smith, ex-Global Head of HSBC's Alternative Fund Services Division, and produced 'The Smith Report' which announced a number of recommendations for the future of the Island's funds sector. These recommendations include an investment of over £500,000 from the Marketing Initiative Fund, the introduction of a new more flexible funds package to attract City based fund managers, and changes to the current investment business licensing system.

A new specialist fund has also been proposed, featuring a \$100,000 minimum initial subscription, flexibility to base management and/or administration in other jurisdictions, no restrictions on investment strategies, and a 'light touch' regulatory approach.

This and other suggested reforms are designed to make the Isle of Man attractive for the domiciliation of specialist institutional funds (focused on the alternative and closed fund sector), and to position the Island as the preferred offshore location for the establishment of front and middle office operations for fund managers.

If the recommendations outlined in the Smith Report are introduced, the impact on the Isle of Man funds industry, as well as the wider benefits for the financial services sector and the Island as a whole, will be far reaching.

Outcomes are expected to include an increased tax contribution from the funds industry, a cohesive, consistent and well-resourced marketing programme, and the attraction of specific functions of alternative fund management to the Island, which will bring high value jobs consistent with the Government's economic strategy.

Further, the implementation of the recommendations will result in a more competitive platform on which to develop business; it will provide the Isle of Man with the ability to develop a funds industry which will better utilize the intellectual capital of the workforce and provide an environment of higher job satisfaction and career opportunity and development.

(400 words)