

The Isle of Man from the perspective of a Fund Manager

By Russell Collister, Isle of Man Assurance

Despite modern communication systems, financial businesses generally prefer to have a physical presence in the largest cities around the world. This is entirely logical. Major trading centres have evolved over many years as a natural place to do business with all the advantages that a mature infrastructure provides. A head office based in a country's trading capital provides a focal point for a company as well as an element of prestige.

Whilst some roles in financial markets still require physical proximity, other tasks, for example telesales, can be located in areas where lower costs are the principal consideration. Economic factors aside, investment managers, amongst others, have also recognised that technology enables them to apply their skills in a more relaxed environment than the hurly burly of central business districts. Investment management is generally a studious occupation, far removed from the image of gesticulating traders in brightly coloured blazers. Investment managers typically prefer to operate in conditions more resembling a library than a trading floor. Here, the hubris of city life can be more of a distraction than a benefit.

Nonetheless, proximity to a major city still ranks highly when choosing a location for an investment management operation. Personal contact with analysts and other market specialists, who usually operate within the same city district, remains an intangible but vital part of keeping abreast of investment markets.

Here, the Isle of Man is a near perfect jurisdiction. Regular short flights to London ensure easy access to one of the world's major financial centres. Telecommunications are excellent. Regulators work hard with market practitioners to ensure a firm but fair regulatory environment. Lawyers and accountants representing international and local firms are plentiful and knowledgeable and the government actively promotes the Isle of Man as a financial centre. The work-force is well educated and grumbles about the shortage of qualified staff are unmistakable signs of a rapidly growing economy.

Despite all of this, the Isle of Man has relatively few resident investment management businesses. In part, this is due to consolidation. Several firms have been taken over or merged in recent years. More seriously, despite many appealing lifestyle qualities, there is little to distinguish the Isle of Man from, say Jersey or Guernsey for a new investment management firm. As a consequence, new businesses tends to gravitate towards more established investment management centres and will continue to do so until a more compelling reason to move to the Isle of Man emerges.

Such a trigger may happen sooner rather than later. The Isle of Man is currently attracting attention as the leading jurisdiction for non-UK companies seeking a listing on London's Alternative Investment Market. This is a particularly important development for the Island as, once an industry standard has been established, it is hard for other jurisdictions to catch up. This was a lesson which the Isle of Man itself learnt, having failed to materially capture the hedge fund administration market from Dublin and the Channel Islands several years ago.

Major breakthroughs of this nature are rare and disguise a significant amount of behind-the-scenes work on the part of both industry and government. The growth of a more broadly based financial services sector makes the Isle of Man a far more attractive proposition than ever before. In turn, this will attract competition and new business, even if the weather remains fashionably immune to global warming.

Russell Collister is the investment director of Isle of Man Fund and Investment Management Limited.