

Isle of Man Financial Review

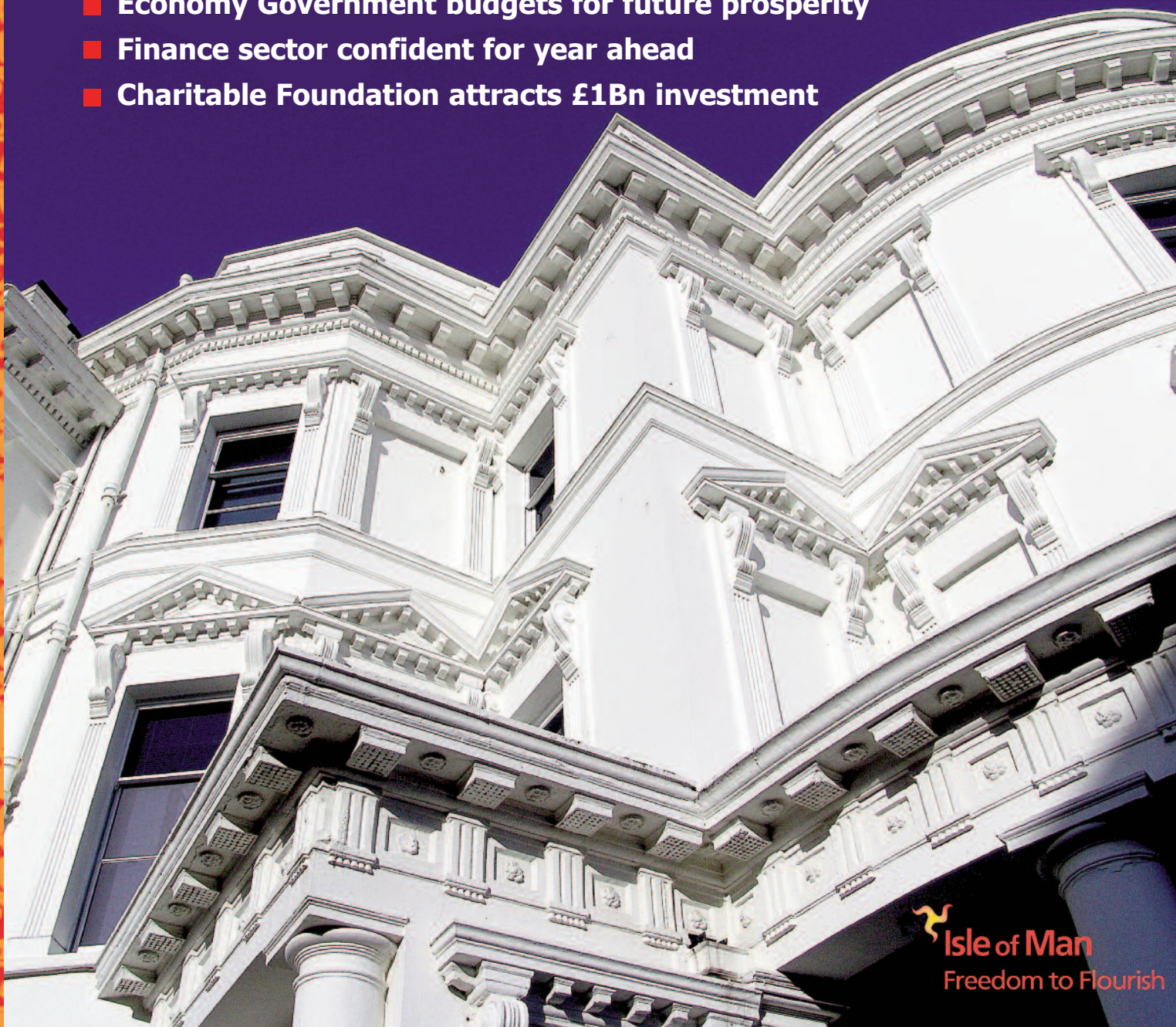
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Island's finance sector confident for the year ahead

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Government budget rises to challenge of revenue shortfall



Allan Bell, MHK
former Treasury Minister - now
Minister for Economic Development

In his last budget before moving to head up the new Department for Economic Development, Treasury Minister Allan Bell MHK showed the Isle of Man Government had risen to the challenge of its revenue shortfall, and adapted to ensure the Island remains an attractive place to do business.

The Budget was prepared against a backdrop of the worst global economic situation seen in the past 60 years, and is positioned to allow the Island to compete strongly and to maintain the attractiveness of the Isle of Man to inward investment.

Minister Bell put forward a Budget for 'change' that combined lower public spending, limited increases in taxation and the strategic use of reserves. The Budget he set out was the first instalment of a five-year strategy to rebalance the Government's finances following the reduction in the Island's share of VAT income from its union with the UK.

The Treasury Minister explained, "This is a Budget that paves the way for change

while maintaining support for the least well off in our society. There are further and greater challenges ahead, but we now have a clear plan to manage the transition to a new era of Government fit for the future."

In many ways the challenge has been lessened because of the success the Island has enjoyed in recent times. The 26 years of unbroken economic growth, record levels of investment in public services and infrastructure have contributed significantly to the Island's economy, making it stronger and more diverse than in any previous slow-down. This puts the Island in a comparatively strong position, as does its ability to draw from reserves.

The Minister continued, "The Isle of Man is not alone in facing fiscal difficulties and we are in a relatively strong position. Our economy is still healthy and we are a resilient and resourceful small nation with a track record of working together when faced with changing circumstances.

"Our ability to deal with such challenges was illustrated when Standard and Poor's recently confirmed the Island's 'AAA' credit rating, commenting that the Government's robust

financial position will enable it to deal with the ongoing budgetary and economic pressures" he said.

Another key aspect of the Government's strategy has been to announce proposals for a major restructuring of Government Departments with a focus on growing the economy to generate new income for the Island through the creation of the Department of Economic Development.

Minister Bell said, "The Budget is part of a wider work in progress. Members of Tynwald recently approved proposals for a major restructuring of Government Departments, with attention focused on generating new revenue streams."

Under the new plan, Government functions have been reorganised under nine Departments, six of which are entirely new and will become effective on April 1.

The Chief Executive Officer for the new Department of Economic Development will be Colin Kniveton, who will take responsibility for securing more inward investment and further diversification of the Island's economy.

BUDGET AT A GLANCE

- Income tax personal allowances increased by 1% to £9,300 for single persons and £18,600 for married couples.
- Personal income tax standard rate stays at 10%, with the higher rate increasing by 2% to 20%.
- Tax cap on total income tax payable per person increased to £115,000 or £230,000 per married couple.
- Thresholds at which higher rate becomes payable remain at:
 - Single Person remains at £10,500 of taxable income;
 - Married Couple remains at £21,000 of taxable income, fully transferable between husband and wife;

Restructuring to focus on growing the Island's economy

The Isle of Man Government is placing greater emphasis on growing the economy as it seeks to enhance its status as a leading international business centre.

The challenge of bringing together various economic strands of Government under the control of one Department is being spearheaded by Allan Bell MHK, who has been appointed as the new Minister for Economic Development.

Mr Bell brings a wealth of experience to this important new position having served as an MHK for 24 years – the last nine as Treasury Minister.

“The creation of a Department of Economic Development is a further milestone in the Isle of Man's progress as a leading centre for international business,” the Minister said.

“The finance industry has been the cornerstone of our economic success in recent years and I look forward to continuing my close working relationship with the private sector in an effort to stimulate further growth.

“This fresh drive for new business and new revenue is particularly important in the current fiscal climate.”

The departmental changes are a core element of the Island's plans to manage a period of financial transition following the revision of the VAT sharing arrangements with the United Kingdom. Other measures designed to tackle the shortfall in public revenues include lower public spending, moderate increases in taxation and the limited use of reserves.

This restructuring represents the most comprehensive overhaul of Government since the introduction

of the Ministerial system in 1986.

It is being viewed as an opportunity to drive forward greater efficiencies aimed at helping the Island to emerge leaner, fitter and even better equipped to face the challenges of the future.

The Island is entering this period of fiscal readjustment on a firm footing, with low unemployment, no external borrowing, sound reserves and a solid reputation as a centre for international business.

The Isle of Man economy, while not immune to the fall-out of the worldwide downturn, has responded positively to changes in the international environment and is expected to have grown by 2.5% during the 2009-2010 financial year.

Economic diversity continues to provide great strength and resilience, with emerging sectors such as e-business, space commerce and the shipping and aircraft registries helping to stimulate new business and employment.

Driving forward this strategy of diversification is high on the agenda of the Department of Economic Development as it builds on the Island's record of 26 years of unbroken economic growth.

Economic Development Chief Executive Colin Kniveton said:

“Maintaining the positive working relationship between Government and private enterprise will be paramount to the creation of new niche sectors to sit alongside the more well-established income generating industries.

“This spirit of co-operation has helped to deliver the resounding economic success of the last two decades – a period in which the Island's GDP has increased fourfold in real terms.



Colin Kniveton,
Chief Executive
Department of Economic Development

“I am confident that we will not only cope with the fiscal challenges that lie ahead, but that the Isle of Man will continue to provide a world-class, business-friendly environment that meets global standards on financial regulation and taxation.”

That optimism appears to be shared by the Island's business community with more than two thirds (69%) of companies taking part in a recent survey saying that they expected to grow over the next 12 months.

Harnessing this potential for growth will be one of the main priorities for the Department of Economic Development. Minister Bell said:

“I am looking forward to bringing together the income generating strands of the economy to help safeguard the future prosperity of the Island.

“The partnership between the Government and private sector is a positive one and I am confident that we can continue to work closely to ensure the Island emerges from this period of global uncertainty in a position of strength.”

Finance sector confident for year ahead

A recent survey of business leaders from Isle of Man based financial and professional services companies revealed confidence levels on the Isle of Man remain strong despite global economic uncertainty and pressures facing finance centres from the international community.

Almost three quarters of financial and professional services businesses admitted they had seen a reduction in turnover since the start of the recession, but looking to the year ahead, almost three quarters of companies said they expected to grow over the next 12 months.

A fifth of those companies expect to grow substantially, and nine out of 10 firms said they expect to post a profit in the next financial year, revealing there is a light at the end of the tunnel for the Isle of Man's finance sector.

Minister, for the Department of Economic Development, Allan Bell MHK, said, "Following a difficult year for financial services across the world, it is encouraging to see that the Isle of Man's finance sector is remaining resilient and positive for the year ahead.

"The finance sector's optimism is enabled by the talent and adaptability of the businesses on the Isle. In addition, our commitment to transparency and meeting the highest standards of international regulation has created the right environment for our finance sector, which is reflected in our OECD white listing as a leading financial centre in transparency and cooperation. The Isle recently received positive endorsements from the IMF and Foot Review and has retained its triple AAA rating from S&P, meaning the Isle of Man is still a great place to do business."

Over half of the Isle's finance companies do not see themselves taking any cost cutting measures over the next year. For those that expect to reduce outgoings, it appears the focus will be on 'people costs' with salaries and day-to-day expenses such as travel and entertainment being the main areas businesses would look to cut back on if necessary, rather than more severe cost cutting measures that have been a mark of the global recession in 2009.

Steven Beevers, Deputy Director Isle of Man Finance, said, "It is a positive sign that so many companies do not envisage taking any cost cutting measures this year, and those that do are primarily considering cutting basic day to day costs if necessary. This survey is a strong indication that businesses in the Isle's finance sector are confident about the future."

Isle of Man Funds Forum 2010

This year, the Isle of Man Funds Forum London Conference will focus on key issues and developments of interest to professional advisors to the funds industry, including lawyers, accountants and other key industry participants.

The half day event will focus on The 'offshore' debate, and will open with a keynote address from the recently announced Minister for Economic Development (former Treasury Minister), Hon Allan Bell, MHK.

In addition to our keynote speakers, who will provide an overview of developments over

the past year and their views on what the future might hold, we will have two dedicated panel sessions.

The first panel session will look at developments in relation to the International Finance Centres over the past year, and where the pressures from the EU, OECD and further afield will take us; it will be chaired by Richard Hay.

The second Keynote Address 'The Post Crisis World - Fragility and Opportunities will be given by Jim Mellon, Co-founder of the Charlemagne Capital Group & Speymill PLC.

The second panel session, which will be chaired by Matthew Jones of AIMA, will focus on the draft EU Alternative Investment Fund Manager Directive, and in particular, what impact the Directive is likely to have on fund and fund manager domicile choice in the future.

For further information about this event and for whom it would be appropriate to attend please contact Isle of Man Finance

email: enquiries.fs@gov.im
or call: 01624 686400



The 'Offshore' Debate - The Future of Funds
London - 23rd April 2010

Island Sees Establishment of £1 Billion Charity

Isle of Man Philanthropist, Albert Gubay has publicly thanked the Isle of Man Government for its help in creating The Albert Gubay Charitable Foundation.

Having made provision for his family, Albert Gubay has spent recent years organising his affairs so that on his death the companies he has built up can be left intact to the charity. The companies in question could already be worth £800 million but he is determined that the end result will be a £1 billion charity that could generate annual income for good causes of at least £20 million.

The charity trustees have already received the bulk of his wealth, and he now has the comfort of knowing that he has started the process that will lead to the fulfilment of his charitable ambitions. In the meantime he continues to work hard on behalf of the trustees to grow the fund that will end up in the charity.

Albert Gubay believes that it is the Isle of Man's new private charity regime that has allowed him the freedom to base the Foundation in the Isle of Man.

The Island was already an attractive location for the establishment of charities, being well regulated, with a good professional and financial infrastructure and with licensed organisations who are used to managing large complex financial arrangements. However, as in other jurisdictions a perceived disadvantage for privately funded philanthropic arrangements can be the degree of regulation attached to charitable status.

Albert Gubay wanted to base his charity in the Isle of Man and to protect potential beneficiaries he wanted it properly regulated.

However, some aspects of existing charity regulation did not seem appropriate for privately funded arrangements.

The Isle of Man's response was the introduction of the Charities (Exemption) Regulations 2008. This new regime does require the approval of the charity and ensures that the legitimate concerns of regulators and potential beneficiaries are met without, for example, the public filing of accounts or potentially onerous investigations into investments.

For a charity to be approved under the new regime, it must meet the following key tests.

1. The initial funds must originate from named persons who must be clearly identified to the Attorney General.

2. The name of the institution must be approved by the Attorney General.

3. The governing instrument must be approved by the Attorney General and in broad terms must incorporate the following elements.

a) No further funds can be solicited or received from any person other than the original donor, and certain persons connected with the donor.

b) The majority of the trustees or directors must be resident in the Isle of Man and all meetings of the trustees, or directors must take place in the Isle of Man.

c) A trustee or director who is regulated under the Corporate and Trust Service Provider licensing regime must be appointed to accept service of notices and other documents.



John Nugent
Chairman,
Albert Gubay Charitable Foundation

d) The Attorney General must be notified of certain trustee appointments.

e) Each year audited accounts must be sent to the Attorney General, together with a certificate confirming compliance with the provisions of the governing instrument.

f) Certain amendments require the prior approval of the Attorney General.

The new Isle of Man regime is aimed at wealthy individuals who want to fund a charitable arrangement which will not collect further funds from the public. It will be particularly attractive to individuals who do not need relief from estate taxation in respect of the funds passing to the charity. This may be where the estate of the individual or the trust that will fund the charity are in any case outside the scope of estate taxation.

Albert Gubay's charity was the first to be approved under the new regulations, but it seems likely that the regime will attract other privately funded charities to the Isle of Man.

For further information contact

John Nugent, Chairman of the Albert Gubay Charitable Foundation Trustees
Tel: +44 (0)1624 652002 or Email: john.nugent@westiom.com.

Fairbairn Private Bank picks up maximum star status

Fairbairn, the Isle of Man based Private Bank, has once again excelled and been granted the prestigious Three Star Status in the Best Companies Accreditation.

Fairbairn Private Bank has been granted 'Star Status' for the fifth year running and this year is one of only 50 organisations, of all industries and sizes, across the entire UK to receive the top accreditation.

Launched in 2006, Best Companies Accreditation has been established to acknowledge corporate excellence in the workplace. This elite accreditation takes the format of a Michelin-style star system with company performance awarded one star for first class, two stars for outstanding and three stars for extraordinary.

Greg Horton, Managing Director of Fairbairn Private Bank, said: "I am extremely proud of our team. During these challenging economic times they have kept focused on the prime task of looking after our clients' needs and have excelled in

supporting one another.

"Our three star accreditation not only serves to raise our business profile in terms of operational excellence and management integrity, but also raises the whole profile of the Bank at a time when good news is scarce in the finance industry."

Fairbairn Private Bank is the first offshore Island based company to receive the Best Companies Accreditation maximum Three Star Status and also recently became the first British offshore Island Bank to expand onshore with an office in London.

Mr Horton added: "This fabulous accolade provides a valuable measure as it compares companies of all sizes and sectors, right across the spectrum of UK corporate life."

Steven Beevers, Deputy Director Isle of Man Finance commented, "I congratulate Fairbairn's for their accreditation. It is great news for Fairbairn and for the Island as a whole.



Greg Horton, MD,
Fairbairn Private Bank

"It clearly demonstrates that the Isle of Man is a jurisdiction where businesses can grow and realise their ambitions. This desire and belief in ability is reflected by Fairbairn in achieving the maximum award possible from the largest employee survey ever undertaken in the UK."



Marsh celebrates 35 years of insurance broking on Island

Marsh, one of the world's leading insurance brokers and risk advisers, recently celebrated 35 years of providing insurance broking services and risk management advice to organisations on the Isle of Man at a gala reception.

The event was attended by over 100 of Marsh's clients, members of the Isle of Man business community and representatives from the Isle of Man Government.

Marsh serves the Isle of Man's leading businesses, providing risk and insurance services to clients across a wide range of sectors, including hospitality

and leisure, financial services companies and Government.

Marsh also celebrated the arrival of Sarah Hewitt, who takes over the helm of the firm's Isle of Man operations from Phil Angus.

John Nicholson, chairman of Marsh in Scotland, Northern Ireland and the Isle of Man, said:

"Last night was a wonderful celebration of the achievements of Marsh on the Isle of Man over the past 35 years. From a 1970s small start-up operation, we are proud to have become an integral part of

the Island's business community and worked with so many of its leading firms."

"Sarah Hewitt added: "I'm delighted to take up the role as Leader of Marsh's broking business on the Isle of Man. Marsh has an illustrious history on the Island and I look forward to helping write the firm's next chapter from our Headquarters in Douglas."

Marsh's commitment to the Isle of Man was highlighted when it chose to domicile the Marsh owned protected cell captive, Mangrove Insurance Solutions PCC Limited, on the Island.

IFG International celebrate 20 years and appoints new Managing Director

IFG International Limited, one of the Isle of Man's leading trust companies has celebrated two successful decades as a key part of the Isle of Man's globally respected financial services industry.

Starting out with a small staff of 25 employees following its first acquisition, IFG International's fortunes have mirrored those of the Isle of Man itself with a sustained period of successive growth. Today, IFG is one of the Island's major employers with 160 staff across four offices.

Guests at the 20th anniversary celebrations included Minister Allan Bell MHK, and the Mayor of Douglas, Councillor Thomas Michael Gelling, Mayoress, Shirley Williamson and key figures from IFG Group plc including Mark Bourke, Chief Executive IFG Group plc, Declan Kenny, Chief Executive IFG International Division

and Brian Lee, the recently appointed Managing Director of IFG International Ltd.

As well as reaching a 20 year milestone, IFG International has recently appointed Brian Lee as Managing Director.

Brian has been in financial services for over 25 years, in which time he has gained extensive experience in onshore and offshore financial services, having held senior positions with both Ogier Group and Allied Irish Banks (AIB), where Brian was Managing Director, responsible for onshore and offshore operations in the UK, the Channel Islands and the Isle of Man.



Left to right: Allan Bell, MHK, Minister for Economic Development; Mark Bourke, Chief Executive IFG Group, Declan Kenny, Chief Executive IFG International Division and Brian Lee IFG Managing Director.

Brian said: "I am absolutely delighted to be joining IFG International Limited which is a dynamic company and am looking to grow and develop the business. I look forward to enhancing the local and international profile of one of the largest trust and corporate services providers on the Island."

IOMA Group welcomes new Directors to IOMA Solutions

The IOMA group is pleased to announce that Mike Hodgson has joined the group as Managing Director of IMPACKT Limited which will trade under the IOMA Solutions banner. In addition, Alex McNee and Paula Coates have joined as Directors.

Mike was most recently MD of Abacus in the Isle of Man, and has more than 30 years experience in financial services. He spent 24 years at Royal Bank of Canada including postings in the Channel Islands, Hong Kong, Taiwan, and Singapore.

Mike has an MBA from Ivey Business School and is a member of the Society of Trust and Estate Practitioners (STEP).

Alex McNee spent 5 years as a Director of Abacus and has a high level of expertise in advising on the establishment and ongoing

administration of a variety of bespoke fiduciary structures. Prior to this Alex worked for Coutts, Isle of Man.

Alex is a member of the Society of Trust and Estate Practitioners (STEP) and holds the Society's Diploma in International Trust Management.

Prior to joining IOMA Solutions Paula was an Associate Director at Abacus, having previously worked as a Tax Manager responsible for both Isle of Man and United Kingdom tax matters in relation to offshore structures.

Paula is a Chartered Certified Accountant (FCCA), a Chartered Tax Advisor (CTA) and a member of the Society of Trust and Estate Practitioners (STEP),

Managing Director at IOMA Solutions, Mike Hodgson,

commented on the appointments: "The three of us have all worked closely together for some time and together have an outstanding depth of experience in the financial services industry. We look forward to leveraging the traditions, breadth of offering and experience of the IOMA group."

Commenting on the appointments, Nigel Wood, Managing Director of IOMA group said: "We are very pleased to welcome Mike, Paula and Alex to IOMA Solutions and believe they will be a valuable asset to the Group. They have significant experience in developing fiduciary services and consultancy and we are excited about what we anticipate to be a very dynamic period of development for IOMA Group."

IOMA Solutions sign a strategic partnership agreement with Vanguard

IOMA Solutions, who specialise in the provision of tailor-made international structures and planning, have announced a strategic partnership agreement with Vanguard W.L.L.

Vanguard will represent IOMA Solutions in the Gulf Cooperation Council region and a joint task force will be formed between the parties to promote the full array of specialised financial advisory services with particular focus on family business governance services.

IOMA Solutions' Managing Director, Michael Hodgson, commented: "We are proud to strategically partner with Vanguard, which will undoubtedly provide a firm base for our company in the

provision of our services to GCC based family enterprises by launching our services in the Kingdom of Bahrain then expanding to other Gulf Cooperation Council countries.

"We will use this opportunity to provide our advisory services that are of the highest quality and meet expectations in the areas of family business governance and advisory and consultancy to financial institutions in relation to their structuring requirements."



Left to right: Mike Hodgson, Managing Director, IOMA Solutions, Paula Coates, Director, IOMA Solutions, Hazem Janahi, Managing Director, Vanguard W.L.L., Alaa Z Ali, Senior Director, Vanguard W.L.L.

Vanguard's managing director, Hazem Janahi stated: "We are proud of the strategic partnership we have struck with an international organisation such as IOMA Solutions, which has over thirty years of experience."

Friends Provident International named Life Insurer of the Year

Isle of Man based insurer, Friends Provident International (FPI) has been named 'Life Insurer of the Year' at the inaugural Gulf Insurance Awards, hosted by Gulf Insurance Review magazine.

A panel of industry experts, alongside the Gulf Insurance Review team, selected the winners of the various categories.

The judges commented on FPI's award: 'Product innovations such as the recently launched Optus scheme coupled with excellent growth in new business make FPI the stand-out life benefits insurer of 2009.'

Matthew Waterfield, General Manager, FPI Middle East, was delighted that FPI's commitment to the Middle East market had received recognition.

"This follows on from our success at the International Adviser magazine International Life Awards 2009 where we won five categories including Best New Product for the Optus Scheme.

"Our customers and business partners can be confident that we will continue to set the benchmark in the industry and work towards building a strong platform for future growth in the region."

Friends Provident International has maintained a local presence in the Middle East since opening a Dubai office in 2004.

John Batty of Isle of Man Finance said "This demonstrates that Isle of Man companies can compete on the World stage and succeed."



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Department for Economic Development
Douglas, Isle of Man IM1 1PG
Tel: +44 (0) 1624 686400
Fax: +44 (0) 1624 686454
E-mail: enquiries.fs@gov.im

 **Isle of Man**
Freedom to Flourish