

Isle of Man

# Financial Review

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## Island emerges well from UK review of offshore finance centres

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## International News

# Island emerges well from UK's OFC review

The strongest recognition yet of the Isle of Man's role in attracting foreign investment into the City of London is contained in the findings of the UK Government's review of its offshore financial centres.

UK Chancellor Alistair Darling commissioned the review to identify the opportunities and challenges generated for British offshore financial centres by the turmoil within the global financial markets.

The review asserts that 'the Isle of Man makes a significant contribution to the UK economy by providing a gateway to route funds into the City and by servicing the financial needs of many UK nationals living abroad.'

The findings come at the same time as the confirmation by Standard and Poor's that the Island has maintained its 'AAA' sovereign credit rating.

Chief Minister Tony Brown described the report as a 'positive,

constructive and independent assessment of the Isle of Man's status as a well regulated and cooperative jurisdiction with a sound and diverse economy that was able to cope with and adjust to global economic crises.'

He continued: 'Government will need time to consider the report in detail but we welcome its broad findings which recognise the work that the Isle of Man has done over the past decade and acknowledges that our actions to diversify our economy, measure and control public spending and build financial reserves during periods of economic growth have provided us with the resilience we have today.'

'It is especially pleasing that the Government had either already implemented the report's main recommendations or were committed to doing so.'

The report recommends that 'international pressure must also be maintained on competitor jurisdictions to raise their standards on tax transparency, financial sector regulation and the combating of financial crime.'



Chief Minister  
Tony Brown MHK

The Isle of Man recently enacted its Proceeds of Crime Act 2008 to address recovery of criminal assets and money laundering issues, and has established a robust new regime for dealing with external assistance requests. Work to progress legislation dealing with other concerns is underway.

The Treasury is also consulting with the Financial Supervision Commission and the finance industry to develop proposals focusing on ways in which the Island might continue to provide affordable depositors' protection and best respond to any future bank insolvency, whilst maintaining international confidence in the Isle of Man.

## Island 'stronger and fitter for future'

Chief Minister Tony Brown has assured the Island's business sector that we are in a strong economic position and is looking to identify new opportunities to secure further business and diversify the economy.

'The key to future success is our ability to remain positive and provide the level of confidence and stability necessary to sustain

international business,' he said. 'It is essential that the Island's tax regime aids its business competitiveness while at the same time the Island is accepted as a responsible jurisdiction by the international financial community.'

He continued: 'Whilst we are not immune to the major changes developing out of the economic crisis, we need to consider the future in this context, and we may need to do so in conjunction

with other jurisdictions, to ensure we remain competitive.'

'The Government will, of course, endeavour to secure the Island's future in this swiftly changing world and is working in partnership with business and will consult with relevant business representatives to assess the potential impact of any changes that the international community might be considering that could affect the Island.'

## International News

# Island will consult on future tax regime

Treasury Minister Allan Bell MHK has given an assurance that any further changes to the Isle of Man's business tax system will be subject to full consultation and the usual legislative process.

Mr Bell said that consultation with relevant parties has commenced as part of a review of international developments but that no immediate changes were planned.

The Minister's comments confirm that Government had been watching the way international sentiments and standards had moved in response to the global economic crisis.

'Over the last decade the Isle of Man Government has adopted a policy of compliance with best international standards as such standards emerge, develop and are modified. This policy of adherence to international standards, underpinned by the key principles of fiscal sovereignty and

economic stability has been supported by Tynwald on more than one occasion, and has resulted in the Island continuing to develop its economy successfully in the world market and making significant changes to its tax system.'

'The generally accepted international tax standard is that developed by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes and the ninety or so countries taking part in it; augmented within a European Union (EU) context by the principles of the Code of Conduct on Business Taxation.

'The Government is committed to maintaining and growing the economy, and to ensuring that all interested parties are made fully aware of international trends and are able to contribute their views in relation to the Isle of Man's future positioning.'

'Reviewing international



Treasury Minister,  
Allan Bell MHK

developments and the Isle of Man's taxation regime so that it is in keeping with the key responsibilities outlined will take some time. An open and consultative process has commenced and Treasury will ensure that updates are provided regularly. Any decisions regarding changes to the business tax system will be made only after extensive and in-depth consultation and would, of course, be subject to the normal legislative procedures of Tynwald.'

## New exemptions under work permit rules

The Isle of Man Parliament approved the Control of Employment (Exemptions) Order 2009.

The Order, which came into force on January 1, 2010 exempts certain employments, the great majority of a temporary or intermittent nature, from the requirement for a work permit.

The Order will make it easier to do business in the Island by reducing the administrative burden placed upon employers whilst protecting the essential interests of Isle of Man workers.

One of the main changes will be to

increase the general exemption period where a permit is not required from 3 days to 10 working days a year. With a very small number of exceptions, this general exemption will apply across the board.

The exemption does not cover all employments and is subject to certain conditions.

There is a longer exemption period for certain higher level employees of international companies. This is in recognition of the fact that such companies need to be able to move staff between jurisdictions; the exemption period is a maximum of 48 days year in this case.

A new exemption category covers persons relocating businesses to the Island or establishing a branch or subsidiary of a non IOM business here.

Allan Bell, Treasury Minister was delighted with the changes and commented: "We have put in place measures designed to make the Island a much more attractive proposition for employers – and especially to internationally based companies considering setting up a headquarters here or seeking to transfer top level executives for a short period of time".

A guide to the to new work permit rules can be downloaded from the DTI website: [www.gov.im/dti](http://www.gov.im/dti)

## City banker praises Island for deft handling of financial crisis



Ian Cheyne, former Head of Lloyds TSB together with Tony Wild, Island Director of Lloyds TSB Isle of Man

A respected name in City banking circles has praised the Isle of Man Government for the deft way it has handled the fallout from the global financial crisis.

Iain Cheyne, former head of Lloyds TSB International and the man who chaired the review of the Island's banking sector two years ago, said he congratulated the Isle of Man on 'steering a steady course through the financial turmoil' and urged bankers to support the Government by 'sending a positive message' back to the various bank head offices.

The sector should support Government in putting in place the findings of his review, he added, and 'get out there and market the Isle of Man.'

Reflecting on the components of the international banking crisis, Mr Cheyne highlighted what he termed as 'important learning points for the Isle of Man sector'.

'There was a distinction', he said, 'between what had happened in

banking and the wider global recession.'

'The banking crisis was not global,' Mr Cheyne pointed out, 'but concentrated in Europe and the US, with many countries not suffering from this phenomenon. What was indeed a global issue was the recession and this was about a global imbalance between the spenders in the West and the savers in the East – and the two issues had become inter-related.'

Making comparisons with the secondary banking crisis of the 1970s, Mr Cheyne recalled how interventionist the UK government had been at that time with banks being asked to support each other to ensure they looked after customers' interests: 'This compares with today where banks have been nationalized and the moral hazard has been poorly managed.'

He went on to describe criticism of offshore business as 'part of the blame game' that was distracting attention away from the core problems that needed addressing. 'The underlying problem of

regulatory failure is more difficult to tackle and while the idea of a supra-national regulatory body is a good one, it could be a challenge to get in place with so many countries protecting their own interests. On the positive side, the redrafting of Basle 2 was welcome although a long hard look at the risk agencies and accounting methods is required.'

He suggested the sector should give greater emphasis to 'loan to value' ratios, exercise caution in handling derivative products and consider the view that retail and investment banking should again be separated. He also called on bankers to understand their customers' relationships with other banks so that they were more fully aware of their overall exposures. And he added the warning that it was often when economies were coming out of recession that there was the most danger of businesses failing.

Mr Cheyne has been invited to speak on the Island as a guest of the Isle of Man Bankers' Association.

## Fund News

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# Isle of Man remains a leading centre for global funds industry

Isle of Man Finance was one of the co-hosts of the prestigious BVCA Summit in London.

The global financial crisis has hit the private equity industry more than most with the past 12 months proving a particularly tumultuous period.

The BVCA summit convenes the principal players from around the world. The main focus of the event was to discuss a new strategy for the decade ahead. The elite international gathering allowed the Isle of Man to set out its stall as an effective and viable alternative for offshore funds business.

Isle of Man Finance's, Brian Donegan said: 'It has been a hectic period for the industry, but we are starting to see more evidence that a positive future is on the horizon. It is estimated that there is US\$1 trillion of unspent capital and with asset values still sitting at low prices, acquisitions will be very cheap which presents huge opportunities. Coupled with an improved pipeline for IPOs for the next 24 months there is suddenly a positive outlook for the sector.

'This is the first time Isle of Man Finance has played such a prominent role in such an event aimed at the private equity industry and it has been of great value. We have made many

inroads with this sector and have received a high level of interest in our proposition.'

The Isle of Man is the leading offshore jurisdiction for non-UK AIM listed companies and Isle of Man Finance was able to further promote the Island's low cost operating environment, established base of non-executive directors and its robust economic and legal framework.

'The event was a great success and a good opportunity to promote the Isle of Man's proposition as a leading international business centre with particular emphasis on it being a credible alternative jurisdiction for fund business,' said Mr Donegan.

## News in brief

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### Island's finance sector attends London awards

A delegation from the Isle of Man recently attended the annual Accountancy Age Awards at Battersea Park Arena in London.

The prestigious event is the most important in the UK profession's calendar.

Treasury Member Alex Downie, MLC, who hosted a table of guests from Vantis, Shipleys, Smith & Williamson and Lewis Silkin, presented the main award which went to Group FD of HSBC for Outstanding Industry Contribution.

The event was an opportunity for Isle of Man Finance and Isle of Man E Business to promote sector skills and services to the almost 1000 guests from leading accountancy firms at the awards.

### Euro zone expert rallies business

Barclays Wealth senior euro area economist Sandra Horsfeld told local business leaders that 'the near term looked positive, both for the economy and financial markets, and explained that she is generally confident on the recovery continuing into 2010.

The distinguished analyst addressed a seminar hosted by Barclays' quarterly 'Signpost' publication that monitors the global economic climate.

Also speaking at the event were Vice President Peter Sutton who outlined the work of the bank's Isle of Man Treasury Centre and Investment Manager Peter Murphey who illustrated to the audience Barclays Wealth's range of investment solutions and services.

### American Manufacturer expands workforce on Island

A company designing and manufacturing fluid system technologies in the Isle of Man is part of a major global support system for a leading US developer and provider to the world pharmaceutical, petrochemical, oil and gas industries. Headquartered in Ohio, Swagelok is also heavily involved in research and development in the alternative fuels sector.

The Isle of Man operation designs and manufactures valves and regulators for shipment worldwide. It also makes highly complex and sensitive aerospace engine components. The local workforce has now expanded to 180 making it one of the largest in the Island's growing manufacturing sector.

## Legal News

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Isle of Man based law firm Cains is preparing to consolidate all of its expertise within a new Isle of Man head office.

The firm plans to make the move later this year.

As a part of the process, group company Equity has changed its name to Cains Fiduciaries. It is now a subsidiary of Cains Advocates advising clients in the fields of international financial services, e-business, space and satellite, shipping and capital markets.

Oliver Webster, Director of Cains Fiduciaries, said: 'We are increasingly working more closely with our legal colleagues in Cains Advocates to provide an integrated multi-skill service to our institutional and ultra high net worth clients. It therefore makes sense to come under the umbrella of the internationally recognised and respected Cains name.'

Andrew Corlett, Managing Director of Cains Advocates, added: 'We are very optimistic about the prospects for Cains Fiduciaries and its growing importance within the Cains Group.'

'We will shortly be adding a number of new staff to Cains Fiduciaries to enable us to broaden and deepen our service offering.

During 2010 we expect to relocate all of the Cains Group Isle of Man staff to a new head office that will assist in delivering an integrated offering to our clients. We believe the future of the group will be orientated towards increasingly higher levels of coordination, skills and service delivery.'

Cains is one of the leading law firms involved in aiding foreign companies to float on AIM, the London Stock Exchange's alternative market for growing companies.

Its success in this area resulted in Cains Advocates receiving the Queen's Award for Enterprise for international trade earlier in 2009.

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Just a few months after establishing on the Island, leading international law firm Appleby has become first winner of the prestigious new Practical Law Company (PLC) - Which Lawyer - Offshore Law Firm Super League.

The title recognises the firm's ability to help global companies solve complex problems arising from conducting cross-border business. And it is evident that the firm's new base in the Isle of Man was integral to it securing the award.

The citation states: 'Appleby has transformed itself into one of the largest offshore players through a series of mergers and new office openings over the last few years. Its most recent merger, with leading Isle of Man firm Dickinson Cruickshank, has been a significant factor in it securing first place in the super league.'

Nick Veradi, Local Group Head, Corporate & Commercial, said: 'This is a piece of really good news as it firmly puts an Isle of Man legal firm into the Super League. Our merger was a significant factor in Appleby's increased rankings making us one of the largest offshore law firms

with over 800 staff in multiple jurisdictions.

'This is particularly good news for the Isle of Man because for the first time we now have a law firm that has a global network in no fewer than 11 jurisdictions – all of which are becoming more and more aware of the Island's proposition.'

The PLC Which Lawyer Offshore Law Firm Super League comprises nine elite law firms that qualified for inclusion based on their existing endorsements by PLC Which Lawyer in two or more offshore jurisdictions, plus extensive research of PLC's general network, client feedback and lawyer peer reviews.

Appleby led the field with 42 individual lawyer recommendations and jurisdictional recommendations, more than any other firm in both categories.

Following the Isle of Man merger, Appleby now has 74 partners globally.

Sean Dowling, Isle of Man Managing Partner, added: 'We are delighted to have achieved this accolade. Our goal has been to become the leading provider of legal, fiduciary and administration services across the offshore world and it is particularly important that our market leading position has been recognised by practitioners and clients through PLC Which Lawyer's extensive research.'

## Manufacturing News

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### BLADON JETS AND JAGUAR LAND ROVER WIN FUNDING FOR GAS TURBINE ELECTRIC VEHICLE PROJECT

A consortium led by Isle of Man based micro gas turbine company Bladon Jets has secured investment from the Technology Strategy Board to develop an Ultra Lightweight Range Extender (ULRE) for next generation electric vehicles.

The objective of the consortium, which includes luxury car maker Jaguar Land Rover and leading electrical machine company SR Drives, is to produce the world's first commercially viable – and environmentally friendly – gas turbine generator designed specifically for automotive applications.

Backing for the project was secured in a hotly contested £15 million funding competition organised by the Technology Strategy Board to

support the advancement of the mass adoption of low carbon vehicles and is a key part of its wider programme to stimulate technology-enabled innovation and to help boost UK growth and productivity.

The ULRE will incorporate a Bladon Jets patented, axial flow gas turbine engine coupled to a high speed generator utilising SR Drives' proprietary switched reluctance technology. Design of the ULRE's packaging for vehicle integration will be overseen by Jaguar Land Rover, who will call on their long experience of developing innovative automotive technologies – including the Rover gas turbine cars produced in the 1950s and '60s.

Bladon Jets Executive Chairman Paul Barrett said "Winning this Technology Strategy Board award is a really significant event for Bladon Jets and for the future of low carbon vehicle development in the UK. We are delighted to be working

with our partners Jaguar Land Rover and SR Drives on this project and look forward to seeing our micro gas turbine engine play a major role in the renaissance of the British automotive industry".

Chris Corlett, Chief Executive Officer of the Department of Trade and Industry on the Isle of Man, was pleased with Bladon Jets announcement, 'This is an excellent example of an Isle of Man company competing with the very best in the world and succeeding,' he said, 'This partnership with such a prestigious marque as Jaguar Land Rover clearly demonstrates that Island based companies can manufacture niche products that are clearly sought after by the very best.'

'This project exemplifies how the Island is at the cutting edge of research into, and development and exploitation of, technology and innovation, to increase economic growth and improve the quality of life.'

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### About Bladon Jets

Bladon Jets is a world leader in the development of micro gas turbine engines. Its patented, breakthrough axial flow technology enables the production of highly efficient, small gas turbine engines that are ideally suited for use in hybrid electric vehicles – providing a lightweight, multifuel alternative to the 100 year old reciprocating engines used in the majority of cars today.

A Bladon Jet turbo-generator as compared to conventional piston driven generators in Hybrid Electric Vehicles is one twentieth the weight and size of a conventional internal combustion engine. It reduces overall fuel consumption and allows freedom of industrial design, and reduces emissions due to higher fuel efficiencies, has inherently cleaner combustion and faster cold start.

**The Technology Strategy Board award is a significant milestone in Bladon Jets' mission to make the micro gas turbine the engine of choice for the Hybrid Electric Vehicle.**



## Manufacturing News

Lombard Manx is among several established local companies to benefit from increased business opportunities created by the Isle of Man's successful ship and aircraft registers.

The company, part of the RBS Group, has appointed a new Area Director Gareth Rowlands, formerly Relationship Director within the commercial property team, and overall business head for Lombard in the Isle of Man, to manage the operation's expansion strategy.

Mr Rowlands, who has worked for the RBS group for over 25 years, has extensive experience at senior management level within the RBS corporate, retail, international and premium banking divisions.

He said he was delighted to be joining Lombard at this particular time: 'Liquidity is highly coveted and there has never been a better time for businesses to benefit from asset finance

'In addition to financing traditional assets, such as motor vehicles, plant and machinery, IT and office equipment, Lombard also has a strong marine and aviation proposition and has funded a number of boats and planes over the past 12 months. I see continued growth and opportunities for the company and look forward to shaping its strategy by building on the good work done to date.'

Victoria McEneaney, Regional Director, RBS International Isle of

Man, added: 'With his wealth of knowledge and experience, particularly within the RBS Group, Gareth is the natural choice to lead Lombard. He has brought some strong business ideas to the table and I look forward to seeing them implemented over the coming months and years.'

Island's aircraft register is looking forward to a very busy New Year.

Established on 1 May 2007 with the Nationality prefix 'M', the register has grown at a rate far exceeding all expectations.

November 2009 was a record month for new registrations with another 12 new aircraft added to the register making it home to over 200 aircraft registered overall.

The registration of aircraft in the Isle of Man brings new business opportunities for local Corporate Service Providers, Lawyers and Banks.

Following its recent annual conferences in Geneva, Zurich and Lugano on the advantages of registering corporate aircraft in the Island, SMP Partners are discussing new aircraft business opportunities with its international clients.

Specsavers is one of many successful global companies to register their aircraft in the Isle of Man. Two Hawker Beechcraft aircraft registered M-SPEC and M-SPEX enable the company to travel quickly and efficiently to support their international business.

An additional service to the normal corporate jets is the registration of airliners which are either parked or between leases. Normally on the register for only a short time the Isle of Man is the only register able to assist banks and leasing companies by registering aircraft quickly and efficiently.

Despite the current global financial crisis there are still many very successful international businesses that need a secure corporate jet as an efficient cost-effective business tool to enable their company's continued growth and success, pointed out Brian Johnson, Director of Isle of Man Civil Aviation.

'Most of us know how difficult and time-consuming normal air travel can be; trying to conduct urgent international business with delays and inconvenient routes greatly reduces the efficiency of company executives.'

'A business jet enables you to fly direct to your final destination, or conduct multi-country visits in one day. And while flying you have the ability to continue working as well as making telephone calls and sending emails.'

'To be efficient these aircraft need to be registered quickly and economically. The success of the Isle of Man Aircraft Registry - the only dedicated corporate aircraft register in the world - is based on its highly efficient service for corporate aircraft and with a very competitive scheme of charges,' he added.



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 **Isle of Man**  
Freedom to Flourish