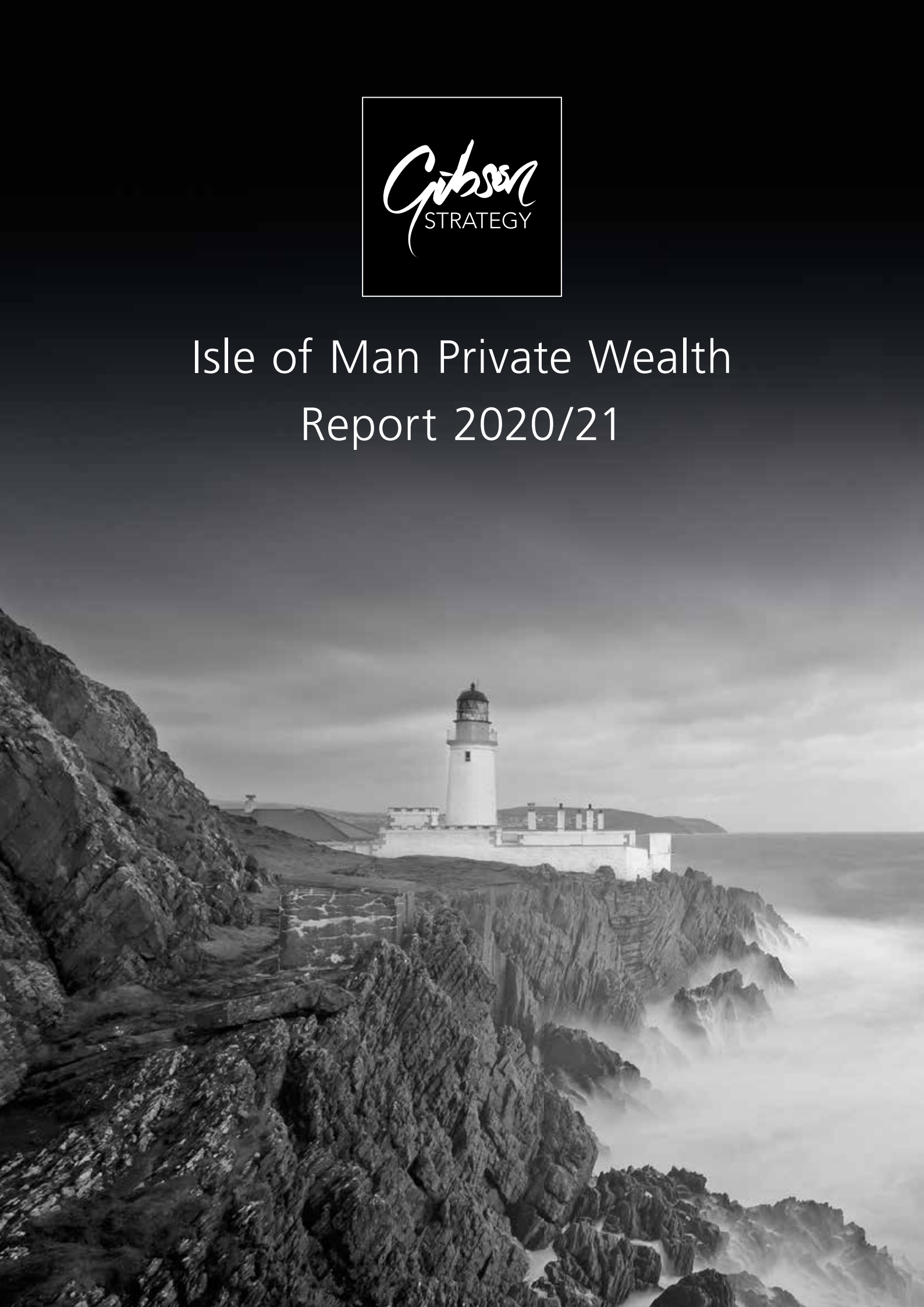
Gibson STRATEGY

Isle of Man Private Wealth Report 2020/21



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Foreword Welcome to the Isle of Man Private Wealth Report 2020/21

Dear Reader,

We are delighted to present this Isle of Man Private Wealth Report 2020/21. A total of 41 Isle of Man based individuals participated in the independent research study, comprising 16 private clients (HNWs, UHNWs, HVRs, entrepreneurs) and 25 private wealth professionals (trustees, investment managers, family office professionals, private bankers, insurance brokers, estate agents, lawyers, tax advisers). All have taken part in qualitative interviews, sharing their expert views and experiences on the Isle of Man private wealth sector.

In section one, we set the backdrop to the Isle of Man and its private wealth sector, including its history; Island life; population; and international finance centre. We include details of the Isle of Man Financial Services Authority; Finance Isle of Man; private wealth in numbers and relocating to Isle of Man.

In section two, we investigated Isle of Man real estate and private wealth themes, specifically Isle of Man private clients; relationships, trust and loyalty; investment management; insurance and pensions; trust and corporate services; yachting and aviation; digital; succession planning; philanthropy and sustainability; and global citizen.

Finally, in section three, we researched the current unprecedented COVID-19 pandemic and the future trends in the Isle of Man private wealth sector.

We would like to thank all the participants who kindly shared their insights and in particular our sponsors – Finance Isle of Man, ILS World, Old Mutual International, Prospect Capital, Rossborough and Turnstone.

We hope you enjoy reading the report and welcome your feedback. We are committed to assisting global private clients and global private wealth professionals with thought leadership in order to help influence their private wealth strategy. If you require any further information, please do not hesitate to contact us. We look forward to working with you in the future.

Yours faithfully,



Dr Stuart Gibson CEO,
Gibson Strategy Limited

Executive Summary

Isle of Man Real Estate. Younger wealth creators are moving to the Island and buying real estate. UHNWs prefer to build bespoke homes rather than live in existing properties available on the market. Personal safety is the major factor for wealthy families buying property on the Island.

Living in the Isle of Man. Abundant space to grow is a significant benefit. Tax cap is a prominent driver. New HVRs creating employment opportunities. Low unemployment but skilled workers still needed. Anonymity rather than notoriety. Diverse immigration including north of UK, South Africa, US and China. Political and economic stability - a big plus.

Isle of Man Private Clients. Diversity of HNWs - young, old, male, female, entrepreneurs, retirees. Entrepreneurs have an absolutely laser focus on what has to be done. No such thing as retirement for an UHNW. Drivers for UHNW wealth - money, power, lifestyle, personal safety, enjoyment, security for family and the next generation.

Relationships, Trust and Loyalty. Honesty and openness most important in creating trust. Trusted relationships critical in building long-term loyalty. Institutional brand reinforces trust in the private wealth professional. Culture influences the creation of trust and loyalty.

Investment Management. Service, quality and relationships are extremely important in selection criteria rather than price. Isle of Man investment managers compete on an institutional, rather than jurisdictional, level. Global complexity of private clients include: UHNWs, HNWs, entrepreneurs and expats. Professionals deal with gatekeepers such as lawyers or tax advisers at larger family offices. Differences in the comprehension of risk between the wealth creators and second/third generations.

Life and Pensions. Life companies account for 17.5% of Island's GDP, employing 2,000 staff. Joint promotional activities between government and Manx Insurance Association. Large diversification of sectors making up the Isle of Man GDP. Global and multi-jurisdictional clientele.

Trust and Corporate Services. Vast amount of services offered for private clients and corporate clients. Different structure available for asset protection, succession planning, tax planning or philanthropic causes. Choice between owner managed versus private equity owned models. Increasing specialism in aviation and yachting; and digital including cryptocurrencies, eGaming and eSport.

Aviation and Yachting. World class shipping and aviation registry on the Island. Multi-jurisdictional solutions available for global clients. Flag state extremely important. Isle of Man professionals provide full yacht and aviation management services.

Digital and Technology. Private clients and wealth professionals have polarised views on cryptocurrency. There remains a sceptical attitude towards investing in cryptocurrency. The Isle of Man has a world-class reputation as an e-gaming jurisdiction, which continues to grow.

Succession Planning. Educating the next generation is critical in effective succession planning. Succession planning is more about estate planning than tax planning. Asset protection is essential in intergenerational wealth transfer. Next generation is younger and more entrepreneurial.

Philanthropy and Sustainability. Very diverse philanthropic causes. Extremely important to include the next generation. Varied opinion in remaining anonymous. Varying amount of involvement or commitment to philanthropy. Intrinsic link to green and sustainable philanthropy.

Global Citizen. Explosion in growth of global citizens. Increasing complexity of global citizens. Global citizens driven by lifestyle rather than tax. Political safety a key influence. Proximity to the UK a distinct advantage. Emotional link with home country important.

Coronavirus COVID-19 Pandemic. The impact of coronavirus COVID-19, whilst sudden and unprecedented, has shown that the Isle of Man's private wealth professionals and businesses are resilient, adaptable and were generally well prepared. As a consequence, the Island's private wealth sector and its private clients will hopefully successfully emerge from this pandemic on a positive path.

The Future. Still concern and uncertainty over Brexit. Geopolitics never more interesting. Strong regulation is positive but also a burden for service providers. Political and economic stability of the jurisdiction is crucial for the successful future. Further consolidation of the private wealth service providers.



1.1 Isle of Man – A Brief History

Isle of Man is located off the North West English coast, in the middle of the Irish Sea, at roughly equal distance from England, Ireland, Scotland and Wales. The Island is 30 miles long, thought to have been formed approximately 85,000 years ago, when melting glaciers meant sea levels rose, isolating Mesolithic Britain from mainland Europe.

The Isle of Man is part of the British Isles; it is a self-governing kingdom; a Crown dependency (since 1828) belonging to neither the UK nor the European Union. Under the supervision of the British Home Office, the Island governs its own internal affairs and has its own parliament (known as Tynwald), laws, traditions and culture.

The first inhabitants of the Island are understood to be Celtic tribes; it is presumed that these immigrants were from Ireland, as the current Manx Gaelic language closely resembles Irish Gaelic. The Celtic god of the sea, Manannán, is where the Island's name originates. The Island converted to Christianity in the fifth century; this is generally attributed to an Irish missionary, St Maughold.

Legend has it that Maughold was an Irish prince and a pirate, baptised by St Patrick, who then, as a penance for his previous crimes, ordered Maughold to give himself to God in a wicker boat with no oars. Maughold apparently arrived on the Isle of Man at the headland known today by his name. He lived a life of austerity and piety in a mountain cave. The local people chose him as their bishop. A church and graveyard dedicated to St Maughold remain. There is also a holy well and a ledge of rock called St Maughold's "chair" nearby. Pilgrims reportedly sit on this chair to ask for the saint's help, and drink the water of the well, which is said to prevent poisoning.

In the early 800s AD, the first Scandinavian travellers arrived. These Vikings began to settle on the Island around 850 AD. The Island connected the Viking outposts of Dublin, North West England and the Scottish Western Isles so was an important staging post before eventually coming under the rule of the Scandinavian Kings of Dublin. In AD 979, the Vikings established the Island's self-governing parliament, known as Tynwald. An annual ceremonial meeting is still held in July at Tynwald Hill, where new laws are declared.

King Edward I (Hammer of the Scots) took possession of the Island in 1290, which led to England's first claim to the Isle of Man. Over subsequent decades the Island's ownership alternated between Scotland and England until it was eventually decided in favour of the English. King Henry IV granted the Island to Sir John Stanley in 1405, on a feudal basis, with fees and homage promised to all future kings of England.

During the fifteenth and sixteenth centuries, the Isle of Man was an important centre for the illegal contraband trade because of its convenient offshore location. The Smuggling Act was passed in 1765 by the government at Westminster, in an attempt to legislate against such trade. Manx-folk referred to it as the Mischief Act. Manx is the term used to describe people or things that belong to, or concern the Isle of Man and the people who live there.

Evidence of the Industrial Revolution points to the building of the largest waterwheel in the world on the Island in 1854. The Laxey Wheel, which is 72 feet in diameter, was built to pump water from the lead mines some 200 fathoms below. The economy of the Isle of Man also began to change at this time, with the arrival of tourist income, mainly transported then, as it still is today, by the Isle of Man Steam Packet Company. This company, which began in 1830, is the oldest continually operating passenger shipping company in the world.

In order to accommodate the rush of visitors to the Island, its infrastructure was adapted with the building of the Isle of Man Steam Railway, Manx Electric Railway and Snaefell Mountain Railway systems. Since its inaugural race in 1907, a considerable number of leather clad tourists arrive on the Isle of Man each year during May and June for the Tourist Trophy (TT) Races, an annual motorcycle sporting event. It is reported that in 2019 the number of people visiting the Isle of Man TT Races reached its highest level for a decade; over 46,000 people travelled to the Island during the period, a 4% increase on 2018, with the number of repeat visitors rising slightly to 65%.

The Three Legs of Man is the Island's symbol of independence and it is supported by a peregrine falcon and a raven. The falcon refers to Henry IV's granting of the Island to Sir John Stanley in return for his gift of two falcons, whilst the raven is in reference to Odin, the Norse God, who was generally described as having two ravens as companions. Although there is much debate about which way the three legs should run, its meaning is not contested; Quocunque Jeceris Stabit – 'Whichever way you throw me I stand', an attribute to the independence and resilience of the Manx people.



1.2 Isle of Man - The Island

Official name:	Isle of Man
Geographical area	221 sq miles / 572 sq km
Coastline	99 miles / 160km
Terrain	The Island has a varied terrain. There are two mountainous areas, which are divided by a central valley running between Douglas and Peel. The highest point is Snaefell, in the northern areas, reaching 620 metres (2,034 ft) above sea level. The north end of the Island is a flat plain, consisting of glacial tills and marine sediments. The south of the island is hillier, with clear-cut valleys. To the southwest of the island there is an islet, the Calf of Man, which has steep cliffs; this is administered as a bird sanctuary by the Manx National Heritage.
Capital	Douglas
Official language:	English
Currency	British pound sterling / Manx currency of the same value (1:1)
Government	Self-governed dependency of the British Crown
Population	84,077 (2020 est.)
Economy	Financial Services, Manufacturing and Tourism
Districts	The Island is split into 24 districts comprising 16 parishes, 4 towns and 4 villages, all of which have individual local government boards, or commissioners.
National symbol	The Three Legs of Mann
The Isle of Man Flag	

Geographic location

The Isle of Man is located in the middle of the Irish Sea, roughly equidistant between England, Ireland, Scotland and Wales. It has a small islet, the Calf of Man, to its south. The Isle of Man is about 30 miles (48 km) long by 10 miles (16 km) wide, its main axis being southwest to northeast.

Languages

English is the official language. Manx Gaelic is known to approximately 2% of the population.

Climate

The Island has a benign climate, with cool summers and mild winters. There is a significant variation in rainfall across the Island, though the average is high compared to the rest of the British Isles. The extreme south and over the north plain are the driest parts, with the hilly interior and Snaefell being the wettest areas. The Island suffers from less frost and snow than other parts of the British Isles. Temperatures are generally cool with a recorded maximum of almost 29°C.

Is the Isle of Man tax free?

The Isle of Man is not tax free; it is self-governing with its own system of taxation.
The Island's residents have some of the lowest rates of tax in Europe. They do not pay Capital Gains Tax, Inheritance Tax nor Stamp Duty.

Government

The Isle of Man Government Agencies consist of Departments and Divisions, Statutory Boards and Offices. Working parties and Commissions work to meet the needs of both business and local communities, creating new legislation, cutting red tape and reducing bureaucracy. Each of the eight Government Departments is a separate legal entity with its own functions, powers and responsibilities. A Minister represents each Department on the Council of Ministers.
The Departments account for the largest portion of Government's personnel and budget; they are the primary agencies through which public services are provided.
Each Department's Minister exercises the functions of the Department, which also has one or more members, who are Members of Tynwald. The Governor in Council appoints these members; the Minister may give them the authority to exercise any of his functions on his behalf, either

"The Isle of Man takes its responsibilities as an international business centre very seriously" [1]

individually or collaboratively, with him or any other person or persons.
The eight government departments are as follows:

- Cabinet Office
- Education, Sport and Culture
- Enterprise
- Environment, Food and Agriculture
- Health and Social Care
- Home Affairs
- Infrastructure
- The Treasury

Is the Isle of Man part of Great Britain, the United Kingdom or the British Isles?

The Isle of Man is not part of the United Kingdom (UK), nor is it part of the European Union and therefore it is not represented at Westminster nor in Brussels. The Island is a self-governing British Crown Dependency - as are Jersey and Guernsey in the Channel Islands - with its own parliament, government and laws. On behalf of the Crown, the UK government is ultimately responsible for its international relations. The Queen, the 'Lord of Mann', is the Manx Head of State and is represented on the Island by the Lieutenant Governor.
The Isle of Man is one of 187 permanently inhabited islands within the British Isles, of which Great Britain is the largest. Great Britain consists of four countries, England, Northern Ireland, Scotland and Wales, which also make up the sovereign state known as the UK.

What are the Crown Dependencies?

The Crown Dependencies are the Bailiwick of Jersey, the Bailiwick of Guernsey and the Isle of Man.
The Crown Dependencies have their own directly elected legislative assemblies, administrative, fiscal and legal systems and their own courts of law. The Crown Dependencies are not represented in the UK Parliament; they have never been colonies of the UK, nor are they Overseas Territories, such as Gibraltar, which have a different relationship with the UK. The constitutional relationship of the Islands with the UK is maintained through the Crown and is not enshrined in a formal constitutional document.

Does the Isle of Man have the same legal system as the UK?

As the Isle of Man is a separate jurisdiction from the UK, it has its own legal system. The Manx legal system is based on principles of English common law and closely follows precedents set by the English Courts, if there is no already established conclusive Manx precedent. Manx law has developed to suit the Isle of Man's own needs and circumstances, distinctly in relation to tax, company law and financial supervision issues.

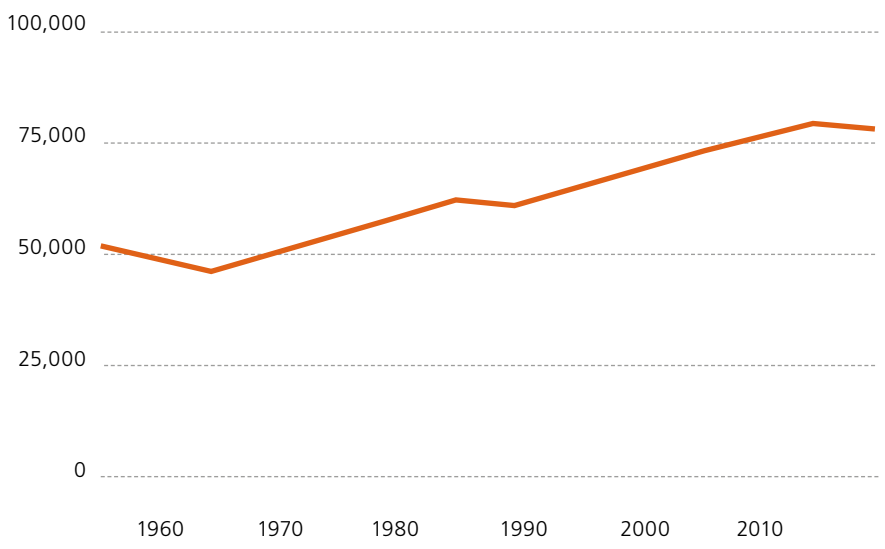
The working population

The total economically active population, according to the 2016 Census, was 42,777.

[1] https://www.gov.im/news/2018/jun/21/new-legislation-will-strengthen-efforts-to-combat-financial-crime/

1.3 Isle of Man - The Population

Figure 1: The total resident population for the Island in April 2016 was 83,314.[2]



'The Isle of Man in Numbers 2019 Report' highlights:

- During 2018, there were 717 births and 903 deaths, resulting in a natural change of -186 for the year.
- As of 1st January 2019, there were 60,917 registered electors on the Isle of Man.
- During 2018 there were 8,600 passports issued.
- During the year to 31 March 2018 there were 856 immigration applications received, of these 541 were new applicants, 284 Variation of Leave applications and 31 Indefinite Leave to Remain applications.

- British citizenship is one of the six different forms of British nationality. Some of these were defined in the British Nationality Act 1981, which came into force on 1 January 1983. The forms of nationality are:

  - *British citizenship;*
  - *British overseas citizenship;*
  - *British overseas territories citizenship;*
  - *British national (overseas);*
  - *British protected person; and*
  - *British subject.*

British nationality is complicated and is defined in law. Whether a person has a claim to British nationality can be determined by applying the definitions and requirements of the British Nationality Act 1981 and related legislation to the facts of their date and place of birth and descent.

[2] The Isle of Man in Numbers 2019 Report (issued May 2019)

Figure 2: Resident population by country of birth

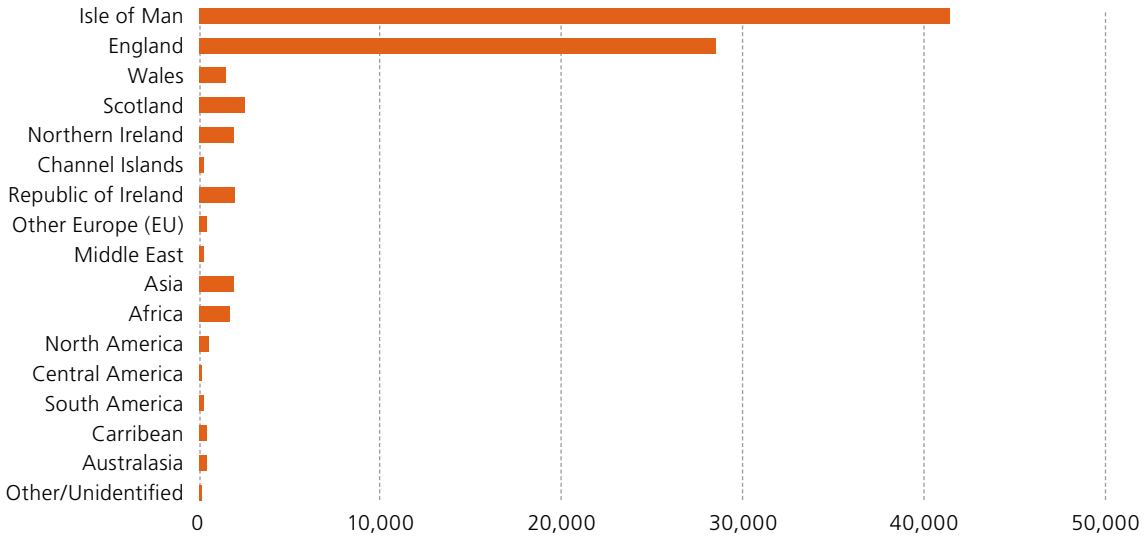
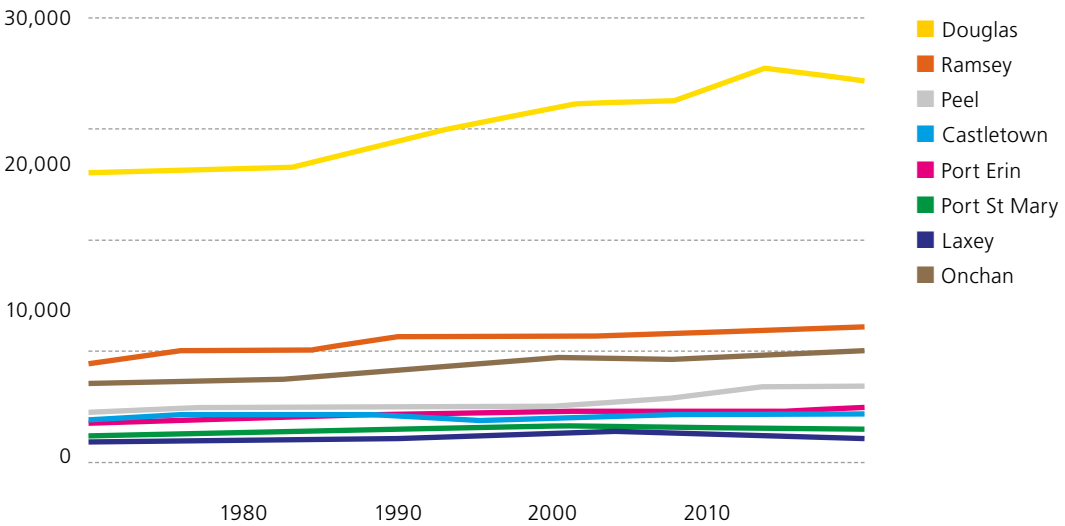
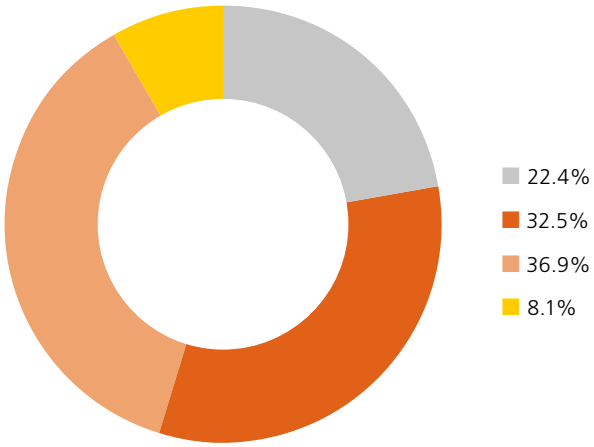


Figure 3: Population in key towns and villages



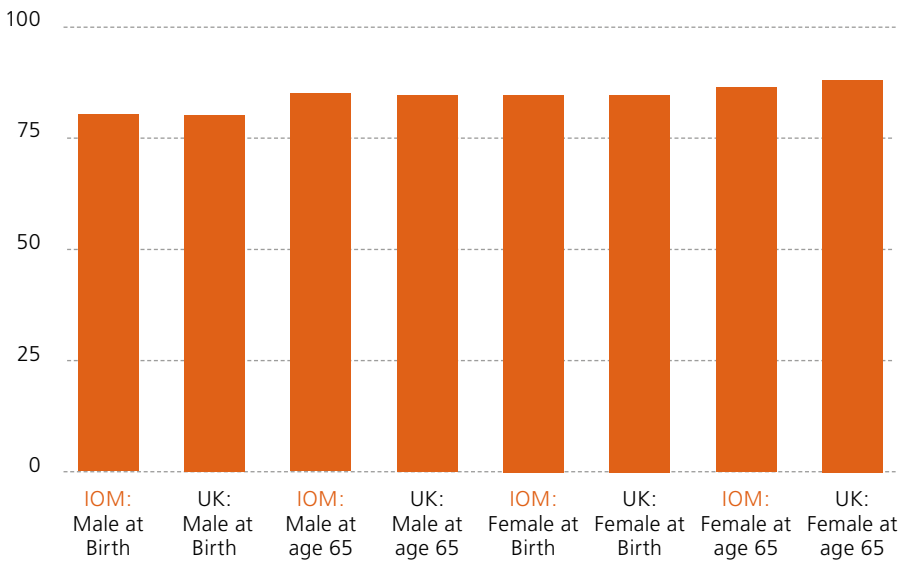
The total school population for the Isle of Man in 2018 was 11,606, of which 2,605 were infants, 3,773 were Junior school age, 4,284 of Secondary school age and 944 in Further Education. Details relate to the beginning of the Autumn Term.

Figure 4: Total school population



Life expectancy has been calculated based on a three-year period covering 2014-2016. Life expectancy for males is expected to be 79.4 years at birth and 84.2 years at age 65 in the Isle of Man, or 79.5 years at birth and 83.8 years at age 65 in the UK. This compares to 83.0 years at birth and 85.9 years at age 65 in the Isle of Man, or 83.1 years at birth and 86.1 years at age 65 in the UK for females.

Figure 5: Life expectancy IOM v UK





1.4 Isle of Man - The International Finance Centre

Isle of Man receives acclaim and respect as an International Finance Centre (IFC). Since 2009, it has been included on the Organisation for Economic Co-operation and Development's (OECD) "White List" of co-operative jurisdictions. The Island's finance industry has received much praise internationally and on a number of occasions, was voted Best International Financial Centre, most recently in 2018.
The Isle of Man is recognised as one of the best regulated IFCs. The Island has a varied economy, including banking, fiduciary services, manufacturing, shipping, yacht and aircraft management and e-Commerce. Its well established and professional financial services sector includes banking, accounting, fiduciary, legal, insurance and investment companies.
The Island has world class telecommunications and air and sea transport to major locations in the UK and Ireland.

Financial Services

The financial services sector has been the main employer in the Island for many years. The rapid economic growth of the Isle of Man is largely due to the success of the financial services industry.
The main activities of the sector include deposit-taking, asset protection and management, unit trusts, life assurance and corporate management. These are international markets.
Isle of Man has established an extraordinary reputation as a centre of excellence for expatriate banking. Regulation of the finance sector is carried out by the Financial Supervision Commission (FSC) and the Insurance and Pensions Authority.

Banking

The Island's offshore banks provide wealth management, investment and international banking accounts as well as private banking services.
The FSC regulates banking in the Isle of Man.
The majority of the Island's banks provide private banking services to expatriates of the UK and to foreign nationals.
The banks' services often reach beyond deposit taking, to establishing and administering trusts, and managing the underlying companies and assets held by those trusts, including investment management.
Wealth management solutions and services have developed to meet a growing demand.
The main piece of legislation administered by the FSC is the Financial Services Act 2008 (and the Collective Investment Schemes Act, if applicable).

Legislation

The Banking Act 1998 provides a framework for the licensing and supervision of banking institutions.
Companies conducting activities defined by Section 1 of the Act, require a licence from the FSC to do so. However, investment business can be conducted without a separate licence issued under the Investment Business Act.
Licences are normally subject to the Banking (General Practice) Regulatory Code, which details the regulatory requirements of the FSC.
Other relevant statutes to the FSC's work are the Isle of Man Companies Acts 1931-2004, the Limited Liability Companies Act 1996, and the Companies Act 2006.
Several pieces of legislation should be mentioned, which relate to the Isle of Man's intention to protect the Island and its companies which conduct business there. This is to protect against criminal abuse, in addition to those who may seek to disguise their transactions in banking and investment markets.
These statutes, modelled on those of the UK are:

- Drug Trafficking Offences Act 1987
- Companies Securities (Insider Dealing) Act 1987
- Prevention of Terrorism Act 1990
- Criminal Justice Acts 1990/1991/2001
- Drug Trafficking Act 1996
- Criminal Justice (Money Laundering Offences) Act 1998
- Terrorism (United Nations Measures) (Isle of Man) Order 2001
- Anti-Money Laundering (Online Gambling) Code 2002
- Anti-Terrorism and Crime Act 2003
- Criminal Justice (Money Laundering) Code 2007 (with amendments in 2007 and 2008)
- Terrorism (Finance) Act 2009

Isle of Man was the first UK offshore island to adopt these pieces of legislation.

"A leading international fiduciary centre"

Depositor Compensation Scheme

Isle of Man has a Depositors Compensation Scheme (DCS) which was first introduced in 1991 before being amended in October 2008 and again in October 2010. It is a 'last resort' fund for banking customers in the Island, which is designed to recompense some depositors if a bank is unable, or likely to be unable, to pay claims against it, resulting in the Treasury declaring the said bank to be in default.

The Isle of Man Treasury, or its nominated person, manages the DCS. The manager can appoint an agent to administer the DCS on its behalf when a fund is created, in order to provide compensation to customers of a failed bank.

Generally, the DCS provides protection for individuals with lower value deposits/savings (up to £50,000 in total). It may also deliver a payout of up to the first £50,000 for depositors with higher amounts held with the bank.

A lower level of protection (up to £20,000 in total) is provided for many other types of depositor, i.e., companies, trusts and charities; however, monies held in client accounts are not entitled to protection.

Managed Banks

Subject to meeting requirements, the FSC will allow banks to establish a presence in the Isle of Man on a "managed" basis. However, the Approved Manager must hold a Class 7 Management or Administration Services Licence.

There are some clear advantages to allowing managed banks to establish in the Isle of Man:

a) Additional major banks become associated with the Island without added pressure on the employment market, construction industry etc., thereby avoiding certain inflationary pressures.
b) Senior personnel at these major banks become aware of the Island, and its opportunities, hoping it might extend into a 'full' presence.
c) The Approved Manager generates additional fee income as all books and records of the managed bank's business must be maintained in the Isle of Man.

Insurance

The Insurance Act 2008 controls all insurance business conducted globally, in and from the Isle of Man and by its companies. The Insurance and Pensions Authority (IPA) has responsibility for the regulation of the insurance and pensions sector in the Isle of Man.

Investments

Anybody conducting investment business, either in or from the Isle of Man, is required to hold a Class 2 licence under the Financial Services Act 2008. Licence holders are required to follow all anti-money laundering regulations. Those licensed range from discretionary portfolio managers (including captive insurance fund managers), to brokers, who sell life and pension products. Businesses that provide services to Collective Investment Schemes are required to hold a Class 3 licence. Banks that conduct investment business are required to hold a Class 2 licence.

Such investment businesses provide their services to residents of the Isle of Man and to the expatriate community.

Fiduciary Services

It is illegal to carry out fiduciary services on the Isle of Man without a licence.

The Isle of Man has become one of the world's leading centres for offshore financial services. Companies and other forms of businesses established under the Isle of Man laws have been widely used internationally.

1.5 Isle of Man Financial Services Authority

The Isle of Man Financial Services Authority, commonly referred to as 'the Authority' was established by the Transfer of Functions (Isle of Man Financial Services Authority) Order 2015; the principal functions of this order came into force on 1 November 2015, following the approval of Tynwald in March 2015. The order also transfers the functions of the Financial Supervision Commission and the Insurance and Pensions Authority to the Financial Services Authority.

The Authority serves as the main regulator for the financial services sector on the Isle of Man, providing a regulatory framework and oversight, satisfying international standards, whilst enabling regulated bodies to develop their businesses in a competitive market. The regulatory framework incorporates legislation and guidance to provide clear information with which it gives confidence to investors, depositors, scheme members and insurance policyholders.

The Authority has a number of regulatory objectives:

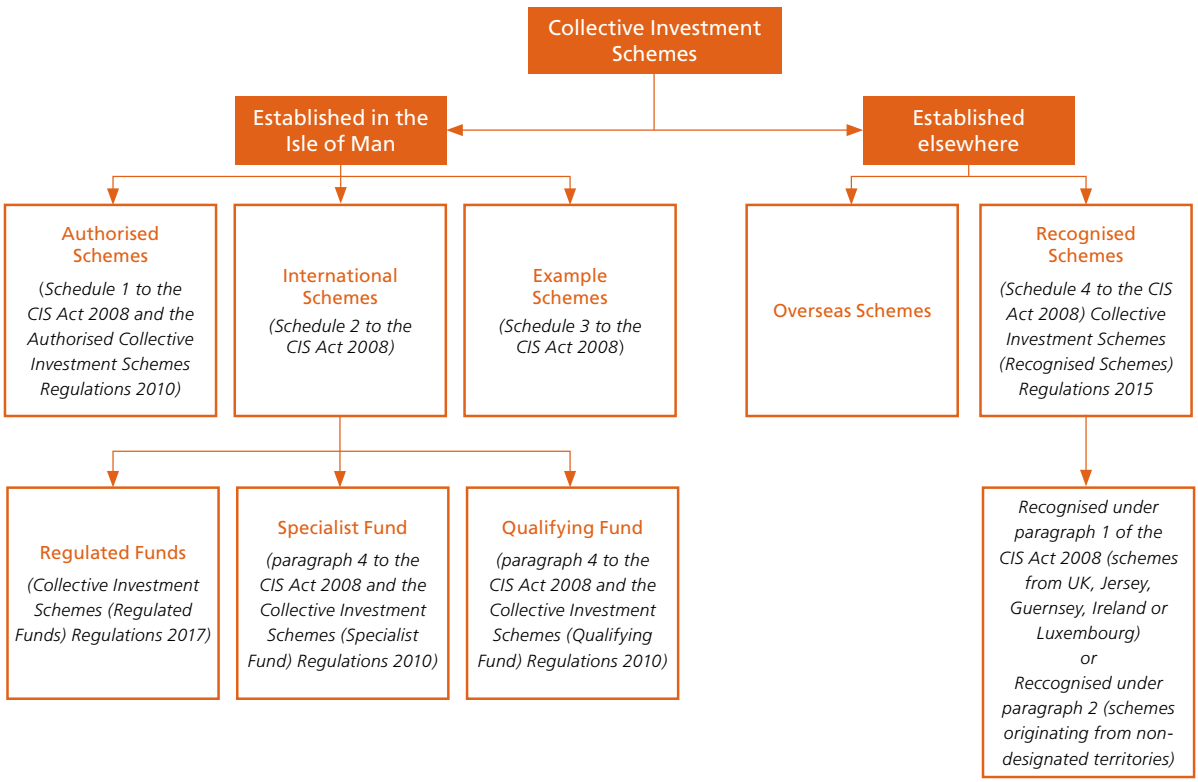
1. to provide a degree of protection for policyholders, retirement benefits scheme members and those customers of individuals/businesses providing regulated activity
2. to reduce financial crime
3. to maintain public confidence in the Island's financial services sector, insurance and pensions industry by the provision of regulation which is effective and supports the Island's economy and development as an IFC.

The Authority's functions are described in the Financial Services Act 2008 and the Insurance Act 2008. Their work is overseen by the Chief Executive and nine Members, who are appointed by the Treasury and approved by the Tynwald.

Funds

The Isle of Man's framework for promotion and regulation of collective investment schemes, or 'funds' legislation is summarised in the diagram below:

Figure 6: Collective Investment Schemes under the Collective Investment Schemes Act 2008 (CISA 2008) and Subordinate Legislation.



Pensions

Before the Authority was formed, supervision of retirement benefits schemes was carried out by the Insurance and Pensions Authority (IPA). The IPA conducted an extensive review of the Island's existing pensions legislation. Its objective was the provision of a regulatory framework to encompass domestic schemes for Isle of Man residents, alongside a broader framework for enabling multi-national and global businesses to use the Island from which to manage retirement benefits schemes for employees living anywhere in the world. This resulted in the Retirement Benefits Schemes Act 2000.

Designated Businesses

Commonly known as Designated Non-Financial Businesses and Professions (DNFBPs). The Council of Ministers responded to comments made in the IMF Report 2009 by giving the Authority responsibility for the oversight of the adherence of certain businesses and professionals, i.e. 'Designated Businesses', to anti-money laundering and the Island's countering of financial terrorism, 'AML/CFT legislation'.[3]

Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)

Generally speaking, money laundering is the term used to describe the concealment of the true origins and ownership of proceeds of criminal conduct by making it appear to be from a legitimate source. Criminally obtained property can be laundered in a variety of methods in an attempt to allow criminals to benefit from their crimes by removing the true trace; e.g organised crime, such as drug trafficking and prostitution, sales of illegal arms, embezzlement, bribery, computer fraud, etc. Substantial profit can be derived from such criminal activity, resulting in those involved seeking ways to effectively 'legitimise' the proceeds, so as not to draw unwanted attention to the true source or individuals involved. Traditional methods frequently involve a complex series of transactions, which can be described in three steps:

Placement - proceeds of the criminal act are placed into the financial system
Layering - the conversion of funds from one form to another in order to hide the original source, e.g. moved between bank accounts and/or jurisdictions to conceal the illegitimate origin
Integration - funds now appear to be legitimate, a source of normal business/personal transactions within the economy. More modern methods of money laundering include identity theft, cybercrime, bitcoin and via cryptocurrencies. The financing of terrorism generally involves the financial support for those involved in the encouragement, planning or engagement of terrorist acts; the source of funds used may be legitimate or illegitimate. Like money-laundering, the terrorist financing also involves a series of complex transactions, encapsulated in three stages:

Collection - the source of funds may be derived from requests for donations, either by criminal act in the collection of these donations or by the diversion of funds from genuine charities
Transmission - the collected funds are collated before being transferred to the terrorist, either a group or an individual
Use - the transferred funds are then used to finance the terrorist's activities, whether this be an actual act, training or publicity etc. Supporting terrorist organisations, which wish to obtain Weapons of Mass Destruction (WMD) is, by its very nature, considered as contributing to the proliferation of WMDs. This entails the transfer/exportation of technology, software, services or personal expertise, which can then be used in the creation of nuclear, biological or chemical warfare. The Authority works to safeguard against all such illegal activity to help minimise the threat to global security.

Enforcement

The Authority's Enforcement Division provides effective and proactive investigation to ensure unlicensed business does not take place and if/when it does, it enforces its powers to take remedial measures. The Enforcement Division receives intelligence from authorities overseas or via reported complaints. Where any suspicious activity is being carried out, the Division will thoroughly investigate; it also monitors suspected illegal online activity.

Auditors

Under the Isle of Man company law, to be eligible as an auditor of a company incorporated in the Island, auditors must meet certain requirements, which generally fall into two categories, briefly described below. The Authority plays a significant role within each category.
General Auditor Requirements - the auditor is able to audit any Isle of Man incorporated company. The Authority resolves applications where the basic qualification requirements are not met.
Recognised Auditor Requirements - the auditor can audit any Isle of Man incorporation that is admitted to trade on a EU regulated market. Again, the Authority determines registration applications and maintains the Recognised Auditors register.

COVID-19

Most recently, the Authority has also published guidance and updates relating to the global coronavirus pandemic, focusing on key areas of affected sectors and the risks associated with individual businesses. Although a usual part of its work involves onsite access, the Authority is conducting assessment of compliance remotely, thereby allowing it to continue to undertake its programme of Inspections / Supervisory Visits.

[3] gov.im iomfsa.im

1.6 Finance Isle of Man

Finance Isle of Man is responsible for the Island's wide-ranging and well-established financial and professional services sectors. These include banking, insurance, fiduciaries, funds and wealth management, pensions, and professional services. They work with the Government, with private industry and key professional bodies, as well as associations, to produce the correct environment for the sector to prosper.[4]

What do they do?

Finance Isle of Man acts as a forum that proactively considers finance sector-related strategic and policy issues, with a focus on financial and professional services. Finance Isle of Man also executes a key role as the primary conduit between Government and industry.

The Island has a well-known leading international business centre, known for its innovation, professionalism and long-standing policy of positive engagement with international initiatives and standards.

Finance Isle of Man promotes and develops the Isle of Man's significant financial and professional services industry. It ensures the Island's recognition as an international business centre of excellence and, in doing so, it delivers long term sustainable economic growth for the Island.

Finance Isle of Man is an Executive Agency within the Department for Enterprise; it is a public/private partnership, which acts as a key decision maker and advisory body for the economic prosperity of the sector.

Banking

The banking sector on the Isle of Man is strong and diverse, offering a highly developed infrastructure, which supports individuals and corporations in their international activities. The Island's banking sector offers all the services that private, corporate and institutional clients may require.

The Isle of Man is renowned for its reputation as a centre of excellence for expatriate banking, providing a secure location for investments. The provision of banking services to expatriates and international corporates includes commercial lending to UK companies and on UK property, providing an extensive range of practical advantages for banking businesses that operate globally.

The Isle of Man has received many awards for its continued excellence. It has been named 'International Finance Centre of the Year' as well as 'Best International Finance Centre'. The Island continually works hard to maintain these titles.

The Isle of Man introduced the Alternative Banking Regime (ABR) framework in 2016; these legislative changes were to provide new banking opportunities for businesses in the Isle of Man following collaborative consultation within the industry. The ABR framework is designed to attract banking operations to the Isle of Man, especially Private Banks, Foreign Bank branches, and Representative Offices.

Fund Management and Administration

Funds administration has a history of almost 30 years in the Isle of Man; it is well established and has an excellent reputation for a very high level of service quality. The Island takes great pride in working closely with client managers and fund investors, also providing bespoke services specifically relating to individual funds.

Fiduciary Services

The Island's famous fiduciary services industry is home to top international fiduciary businesses. As a common law jurisdiction, the Isle of Man provides an excellent location for trusts; it has adopted the principles of Equity as they developed in the English courts.

The Island boasts over 200 licensed Corporate and Trust Service Providers (CSPs and TSPs), providing a wide range of company and trust services to entities incorporated in the Isle of Man and other jurisdictions.

Pensions

The Pensions sector in the Isle of Man has over £7.2 billion in funds under management. Established over 30 years ago, it is a thriving and diverse sector, encompassing a range of pension scheme administrators, international retirement schemes and products offered by leading companies.

The Island has a commitment to safeguard the interests of pension scheme members, assuring them about their investments and savings funds; it is a successful Qualifying Recognised Overseas Pension Scheme (QROPS) jurisdiction, with its companies offering a broad range of pension solutions, including group, individual and bespoke.

Life Insurance

The largest single sector on the Isle of Man is life insurance. This is also well-established with leading, or highly rated, authorised life insurance companies, which provide a variety of solutions for global customers. The industry has a workforce of over 2,000 and generates in excess of 16% GDP.

[4] https://www.financeisleofman.com/



1.7 Isle of Man in Numbers

192
Number of Financial Services Act 2008 Licence Holders as at 17/05/2020

£36.98 billion
Total bank deposits on 31/3/2020

$18.62 billion
Funds under management/ administration on 30/12/2019

£11.3 billion
Pension funds under management on 31/12/2018 (>£10 billion increase over previous decade)

£37.20 billion
Total bank deposits, including overseas branches, on 31/3/2020

[5]

Some licence holders have more than one class of licence, hence the figures in the table below do not add up to the quoted total.

Financial Services Act 2008 – Licence holders

Regulated activity		Number
Class 1 (1)	Deposit Taking	12
Class 1 (2)	Restricted Deposit Taking	1
Class 1 (3)	Bank Representative Office	1
Class 2	Investment Business	42
Class 3	Services to Collective Investment Schemes	43
Class 4	Corporate Services	136
Class 5	Trust Services	102
Class 6	Crowdfunding Platforms	0
Class 7	Management or Administration Services	8
Class 8	Money Transmission Services	3
Class 9	Credit Unions	1

Number of Collective Investment Schemes

Regulated activity	Number
Authorised Collective Investment Schemes	3
Experienced Investor Funds (including Legacy, Qualifying and Closed)	9
Regulated Funds/Full International Schemes	5
Specialist Funds	12
Qualifying Funds	7

[5] https://www.iomfsa.im/statistics/


Canada Life

1.8 Isle of Man - A Diverse Economy

As discussed in the earlier chapter, whilst Isle of Man is renowned and respected as an International Finance Centre (IFC), including banking and fiduciary services, it is also recognised for its extremely diverse economy, which includes agriculture, manufacturing, shipping, yacht and aircraft management and e-Commerce.

Agriculture & Fisheries

The Department of Environment, Food and Agriculture (DEFA) regulates and monitors all food production, to ensure that the Island maintains its reputation for quality; the Island is establishing a good reputation for its own produce, particularly cheese, seafood, beer and ice cream.
Farming: The total agricultural acreage (including rough grazing) is approximately 113,000 acres, equating to 80% of the Island's land mass, with agriculture a mixed farming industry. The agricultural livestock population generally consists of cattle, sheep, pigs and poultry (production of eggs and chickens). Traditional mixed and small-scale farming is still widespread but reducing, as there are continuing trends towards specialist and larger scale agricultural units. The Manx climate favours grass production and so dairy farming is the most important sector, followed by beef and sheep.
Cheese, beef and lamb are the main agricultural exports from the Island; approximately half of the total production is exported, mainly to the UK. Other exports include livestock, cereals, seed potatoes, wool, horticultural produce and flowers (especially roses).
Fishing: The most economically important species and the mainstay of the Manx fishing fleet are scallops and smaller queen scallops (queenies). A large quantity of locally caught crab, lobster and scallops are exported, mainly to European destinations.
The Manx kipper is noted internationally. However, the Isle of Man's fishing grounds also yield a variety of other species, which are valued both commercially and by leisure fishermen i.e. cod, sole, skate and plaice. Overfishing of some species has resulted in restrictions, catch controls and minimum size restrictions on scallops, herring and whitefish species.

Aviation

Isle of Man has its own Aircraft Registry, established in 2007. Businesses on the Island offer mortgages, which Manx lawyers will register for foreign banks and corporate service providers (CSPs), offering new structures the ability to own and manage locally registered aircraft. The Island's aviation-related businesses are steadily growing, in size and in confidence, partly due to high regulatory standards, in conjunction with no insurance premium tax (compared with 6% in the UK).
Isle of Man's aircraft registration prefix nationality mark is 'M', which is followed by a hyphen and four characters. This has already resulted in some interesting registrations, such as M-AGIC, M-YJET, M-ATHS, M-IDAS and M-ONEY. Aircraft owners are able to transfer their personal registration to their next aircraft.

Creative Film and TV

Isle of Man is a popular location for film and TV shoots; the Government made a £24 million deal in 2012 with Pinewood Studios, in exchange for up to 20% of shares. Since 1995, the Island has been establishing itself as an ideal location for film and TV shoots, investing £170 million in the industry since its introduction.
The Island hosts its annual Film Festival for five days in September to celebrate its growing film industry. Many natural history and programmes of general interest have been recorded in and around the Island and its waters.

e-Gaming and e-Business

e-Gaming: Isle of Man is one of the most prominent jurisdictions to support a rapidly developing and successful e-gaming industry. This happened as a direct result of legislation being passed to facilitate the growth of the industry, while concurrently protecting its clients. The Island has developed its reputation as a stable and dynamic base for online gaming business.
Isle of Man has a much sought-after position on the UK Government's e-gaming 'White List'; the Island is classified as a 'Tier 1' jurisdiction. In addition, it offers a number of economic benefits, i.e. a favourable tax regime and structured financial assistance for relocating businesses. The Island is a serious international competitor, with its world-class telecommunications, highly developed infrastructure and excellent support services. The Isle of Man Government and the private sector cooperate well; this is an additional factor, strengthening the growth of e-gaming, with both being equally committed to its ongoing development.
e-Business: Isle of Man's first-class telecommunications structure and low-tax environment mean it is well placed to

Isle of Man registered ships fly the "Red Ensign" and access the support of British consular services world-wide and British Royal Navy protection. The Isle of Man's yacht owners and operators can take advantage of favourable taxation rates.



attract e-businesses from all over the world. This accounts for approximately 12% of the local economy. It is an ideal location for high-tech financial services, whilst continuing to develop its legal and technological structure to cope with growing business demand.
Isle of Man offers a wide range of support services, for example, website design, software/hardware suppliers and internet payment gateway facilities. The Island has been a test-site for new technologies, including the launch of 4G services. Before this, Manx Telecom was the first European operator to launch a 3G mobile service and the first in the world to launch a 3.5G mobile service.

Information and Communication Technology

Isle of Man boasts a world class IT and Telecommunications infrastructure; this is often referred to by those businesses choosing to locate on the Island as one of their key deciding factors. Over the last 10 years, the Island has continued to invest in this sector, resulting in a technological infrastructure which can meet current needs as well as future demands; this is supported by a strong relationship between the public and private sector.
Manx Telecom and Sure provide the Isle of Man's fixed and mobile networks. The Island's businesses and financial centre are supported by a choice of service providers, offering data hosting and storage, internet security services, full business continuity and disaster recovery facilities. There are excellent solutions available for companies of all sizes, allowing the Island's business community to operate and develop with confidence.

Manufacturing

The Island is renowned for the high-quality products it manufactures, including everything from aerospace components to local speciality food and drink.

Maritime

Isle of Man's maritime industry is firmly established; its Shipping Register forms part of the British Register; the first ships were registered in 1786. This has encouraged the establishment of Manx-based international ship management and ship owning companies, resulting in the Isle of Man now possessing a dynamic and effective shipping industry, with a substantial number of such organisations.
When implemented, The 1991 Merchant Shipping Registration Act provided the Island with an enterprising legislative framework in which the shipping industry operates. Yachts have also been registered in the Isle of Man for many years. More recently, yacht owners and operators have also recognised that the Island is an economic and efficient centre for ownership.

Property & Construction

The property and construction industries continue to grow stronger, due partly to a steady increase in population (almost 85,000 at present).
Residential Property: Development and construction industries have ensured there is no shortage of new residential opportunities available for the growing population, from executive apartments to family dwellings; Victorian townhouses to Manx cottages.
Commercial Property: Douglas is home to the largest number of both residential and commercial premises on the Island. Isle of Man is host to offices in the town's financial centre, and units in business parks and industrial estates.
Relocating to the Isle of Man: Property prices vary across the Island with the average price being more expensive than in many areas of the UK.

Construction

The construction sector is also well-established, with a highly skilled and versatile workforce, capable of undertaking most building or civil engineering projects.

Space

The Space Data Association and the International Institute for Space Commerce are based in the Isle of Man. The Island has quickly become recognised as an ideal location for space-related industries; four of the top ten satellite companies in the world have a presence there.
The Island is also home to the International Institute of Space Commerce (IISC), which is based in the International Business School; the IISC has aspirations to be a leading think-tank in the study of space economics.
Since 2009, the Space Data Association (SDA), founded by Manx satellite operators, has had a great impact on the industry. Its aim is to enhance the safety and integrity of satellite operations, as well as improving management of the shared resources of the space environment and the RF spectrum.

1.9 Relocating to Isle of Man

Isle of Man provides a safe, secure home for both families and businesses.

Locate Isle of Man

Locate Isle of Man is a government team, which is responsible for promoting the Island as a place to live, work and establish business. Locate Isle of Man provides comprehensive and confidential advice to support and guide individuals and companies looking to relocate to the Island.

According to Locate Isle of Man, locals enjoy and benefit from a fantastic work-life balance with an average commute time of just 20 minutes. The Island promotes "a better work-life balance", and "laid-back island living", highlighting its top 10 rules for a better way of life.

Lifestyle

Isle of Man offers a great variety of properties to purchasers or renters. There are no purchasing restrictions on the Island; the average cost of a home is £268,220.[6] Those who have previously purchased a house in the UK will find the same process on the Isle of Man.

Isle of Man's education system is similar to that of the UK with its curriculum content largely replicating that of the English national curriculum, whilst also drawing on the Island's unique geographical, cultural and historic features. The Island has 32 state-run primary schools and five secondary schools, all of which operate on a catchment area system. There are two public schools on the Isle of Man, one which runs from nursery age pupils to those aged 11 and the other is a boarding and day school for those aged 11-18.

Isle of Man offers maintenance grants, loans and tuition fees for university students based on eligibility and certain criteria. The University College Isle of Man is partnered with the University of Chester, UK, offering degrees in a variety of areas, including the arts, business and computer science.

Isle of Man's National Health Service (NHS) provides a wide variety of services and a comprehensive healthcare system, which is free at the point of delivery. The Island is also home to a variety of private healthcare centres and services.

The Island offers a vast array of community activities, sports, museums, concerts, fitness, watersports, gaming etc. to name just a few.

Safety

Three years ago, the Isle of Man was still deemed to be the safest place to live on the British Isles, according to the Island's Chief Constable.[7]

Travel

There are usually around 200 flights per week to/from Isle of Man. Ronaldsway airport is located in the south of the Island, working with major airlines to provide flights to and from major cities in the UK, i.e. London, Manchester and Liverpool. Ronaldsway is also host to a private terminal for those travelling by private jet. The Island also has a significant number of helipads. Daily ferry crossings are also available to the North West of England and Ireland.

A Leading International Business Centre

The Island has a mature and globally connected financial sector, with a comprehensive and diverse range of services available. The Isle of Man's financial sector was voted 'International Finance Centre of the Year' at the International Adviser Product and Service Awards in 2018; it is also endorsed by the IMF, Financial Action Task Force and the EU Code of Conduct. In addition to this, the Island is also a leader in the Digital World; the Isle of Man's e-Gaming sector is the home to Global Market Leaders for over 200 digital companies.

Isle of Man takes pride in its tough approach to data regulation, cyber security and strong intellectual property treaties in order to protect the Island's vast digital community.

Working on the Island

There are a large and diverse number of sectors offering employment opportunities on the Island; banking, financial services, manufacturing, e-Gaming, shipping, maritime, aviation, ICT, entertainment, tourism etc. etc.

If you are planning to relocate and work on the Isle of Man you will need to obtain a work permit (EEA Nationals) or a Visa (non-EEA Nationals). However, some individuals, e.g. registered medical practitioners or social workers and secondary school teachers, are exempt from this requirement as there is a high demand for individuals working in key sectors. Generally, the employer is required to obtain the work permit or visa on the individual's behalf.

[6] Isle of Man Housing Market Review 2017, Economic Affairs, Cabinet Office, May 2018
[7] https://www.gov.im/news/2017/jul/10/chief-constables-report-highlights-success-and-challenges/

"A unique combination of space to thrive, financial reward, simple taxation and a well-connected, safe community set within a sustainable UNESCO Biosphere" [8]

Starting a Business

The Isle of Man Government is known to be supportive for start-up businesses with a Funding and Support Scheme that can help establish a range of ventures. The Island has a Key Employee Concession (KEC) which means that an individual is only liable for Manx income tax on Manx source income; this is deemed to be particularly beneficial to those setting up a new business on Isle of Man.

Key Employee Concession

An individual's non-Isle of Man income (including certain Isle of Man dividends and interest income) is not subject to Manx income tax. The concession is applicable for three years. Anyone moving to the Island as a key employee, essential to the operation of the business, whether in the establishment of a new business or expansion of an existing business, is able to apply for the concession. This can be particularly beneficial for those with substantial income streams from international sources.

Financially Rewarding

Individuals and families benefit from a financially rewarding environment for earning and saving on the Isle of Man. The average salary is approximately 14% higher than the UK. Personal tax rates are among the lowest in Europe, allowing employees to enjoy more of their hard-earned money.

Isle of Man has no Capital Gains Tax, no Inheritance Tax, no Stamp Duty on properties, and no Land tax. In addition, there is a tax cap of £200k per person/per annum.



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[8] https://www.locate.im/hnwi

2.1 Isle of Man Real Estate

Key Findings: Isle of Man Real Estate

- Younger wealth creators are moving to the Island and buying real estate
- UHNWs prefer to build bespoke homes rather than live in existing properties on the market
- Personal safety is a major factor for wealthy families buying property in the Isle of Man

The research found that, despite the property deemed to be the most expensive in the Isle of Man being valued at £30 million[9] early in 2019, the average house price is in fact between £265,000 and £275,000. This information involves stripping out the most expensive property and the cheapest, which effectively twists the figures, i.e., as one respondent mentioned, "north of £5 million distorts the numbers". Private clients can buy whatever they can afford. As a real estate expert stated, "I suppose as a general rule the more expensive the property the likelihood is it's a cash purchase. They [private clients] used to take out mortgages to get rid of tax relief but that's all been eroded now."

Know your client

The study discovered that real estate professionals have to know their private client. "The vendor is our client"; the professional needs to know the purchaser's budget and must carry out due diligence checks including, "looking at who they are, have they sold a business, what's their background, why are they coming here, who do they know". The study confirmed that if they are suspicious then alarm bells ring. The research highlighted that the Isle of Man is not a place where somebody just steps off a plane and says they want to buy a house worth £2 or £3 million. There is usually a connection, either they have done business in the Island or have business associates, family or friends. "As opposed to someone just saying it's a nice place and put the tail on the donkey, we'll just go there. That doesn't happen very often". Estate agents often become friends of buyers, as mentioned by one respondent, "you have a great deal of contact. Small islands mean that you get to meet people probably more regularly than you would do in many other areas".

Younger wealth creators moving to the Isle of Man

Whilst historically, new residents were from the north of England, the research revealed that this has changed over the last decade. Banks have contracted and other businesses have been established, such as e-gaming and digital businesses, which have grown exponentially. The nature of these businesses has enticed younger people, often globally.

Anecdotal findings suggested that some gaming industries may base themselves in the Island. However, "they don't generally buy here", "they're here under a contract for a year or two, they rent and that's what keeps the rental market so active".

The research revealed that the HNWs who have moved to the Isle of Man over the last decade or so, have considerably helped reduce residents' age profile. One illustration of this was provided. "I've been with the firm 30 years, and it used to be a hard bitten, gritty northerner, where there's muck there's brass", whereas, "it's now someone in their late 30s, early 40s who's made their money in a digital type business. They have made a lot of money, I think historically we used to have a lot of people who were maybe worth £10, £20 million at a guess. And now of the people over the last decade who've come here they're probably worth £500 million aged 35 or 40".

The study identified that a current problem is that of virtually no unemployment - 1% or less than that of the active population. The Island allegedly has a dilemma about how to grow the working population to make the economy tick. Some would advocate a policy to attract more HNWs because their businesses, and generally vast employment opportunities, are good for the economy.

[9] Manx Radio, 9 March 2020

Work permits

Isle of Man operates under a work permit system, as described in the previous chapter. Our findings highlighted that this can occasionally be problematic, "because there is no unemployment, the rigmarole of the work permit department made life so difficult for employers getting anybody that they just said, 'thanks very much, but we're not coming'".

Key reasons for moving to the island

Our research found that the Isle of Man reportedly attracts a certain type of person; it attracts those who like an outdoor lifestyle, possibly a family person who wants their children to be well educated. The history of the Isle of Man is bathed in motorsport whether it's two wheels, or four, and there's often a connection with people who have got collections of classic cars or motorbikes.

During the research, a number of participants noted that the Island has a "very good state education system", and that Isle of Man secondary schools are believed to "all score above average" in comparison to their UK counterparts. There is one private primary school and one private secondary school, working in collaboration as King William's College. Again, the education offered here is reported to be excellent.

Parallel with education, the research highlighted sporting opportunities as a strength of living in the Island, "The sporting facilities for an island of this size are excellent, the number of 3G and 4G football and hockey pitches. We've got swimming pools, rugby pitches, cricket, cycling, mountain biking, I think there are eight golf courses. It is sport mad, the Island, which is great, it really is, particularly for kids".

Safety was also a key topic with some examples provided; where the child of one respondent, "has far more freedom here than, say, if we were living in London". Others also commented on the low rate of crime on the Island, it being described as, "very kind of low key" and if a crime is committed, invariably, "if it's burglary, theft to a car, they'll [the police] know it's one of about 10 people".

Low key

As well as the crime rate being described as, 'low key' this term was also used as a general description of the Island's inhabitants, "It's not a flash place. And they're not flash people other than having a nice collection of cars. They just like a normal life and I think that actually is a strong plus for the Isle of Man."

No political parties

The research indicated another positive for the Isle of Man was perceived to be that the Island is working well without party politics; "it's worked well for over 1,000 years, since the Vikings, if it's not broke don't fix it. But they're all individuals [politicians] fighting for a position. There's no party system as such, so there's no long-term policy."

Bespoke properties

The study revealed that a number of people have commissioned a developer, generally to create their own bespoke home, for their Isle of Man residence. Rather than purchasing something already available on the property market, some wealthy individuals have reportedly bought land, with existing planning permission for a one-off mansion, or they have adapted something so significantly it may as well be a completely new build.

Individuals or institutions

The research identified there is no effective research documentation or historic data that can be referred to from a fund perspective. "So, if you're a fund, and you're looking to invest in the Isle of Man, you can't get all the data that you want, you can't go to Colliers and they can't give you a research document on the Isle of Man, and it almost falls away, so harder for managers to justify it."

Contrastingly, "a private individual can look and say, 'well, I can get a 1.5% higher premium by investing offshore than what I'm getting onshore', and in these days where it's so hard to get return on your money, that seems quite attractive." This suggests that private individuals tend to be more flexible in terms of buying assets or in their investments, "they're not tied to the same strict investment criteria that any sort of fund insurance company is."

Anecdotally, the research indicated that greater satisfaction was provided by selling to private wealth individuals, "because everyone's got a different idea of what they want, more variety". Another element of this, "probably the most important thing, is that when the market goes flat, when you have a difficult period, which all, obviously, markets do" the funds' attitude tends to be "a stop loss situation where they will sell once they have a 20, 30% drop in value … because they think it's going to keep on falling". This is in direct contrast to the private individual who has generally not borrowed or not highly borrowed in any way, "if they have borrowed it's for efficiency rather than for necessity. They will just sit it out. They won't 'panic sell', they don't need to sell, they're still getting the same return on their money." This is deemed to create a more stable market.



2.2 Living in Isle of Man

Key Findings: Living in Isle of Man

- Abundant space to grow is a significant benefit
- Tax cap is a prominent driver
- New HVRs creating employment opportunities
- Low unemployment but skilled workers still needed
- Anonymity rather than notoriety
- Diverse immigration, including north of UK, South Africa, US and China
- Political and economic stability - a big plus



"it's closer to the UK, low tax, I think those all are driving factors that enhance people's need to come and live here"

Choosing to live in the Isle of Man

The study found that comparisons to other jurisdictions, particularly Crown dependencies such as Jersey and Guernsey, are common. However, the findings indicate the Island has lots to offer.

The research reveals that those HNWs moving from the UK to the Isle of Man, are generally stereotyped, "typically it's northern entrepreneurs done well", with the belief that living in the Island is, "like living in the north of England. There's a sense of community, people are 'matter-of-fact'". A shared example was, "I'm just thinking of the four or five last high net worths that have moved here, [they] have certainly come from the North West and the North East of England. If they've got a family that remains in those areas, it's very, very close". The research indicates the Island's geographical location is one of its attractions, as is its provision of a similar culture to where an individual originated, whereas, "entrepreneurs in the south of England might look more at the Channel Islands".

The research identifies that immigrants are arriving from America and China, with recent interest from Turkey. Additionally, "there's a big South African community".

Skills and labour

Private wealth professionals referred to the diversification of financial and professional services in the Isle of Man as having, "given us some good growth levels in recent times". The Island's low unemployment statistics are not always perceived as positive, "the main problem we've got at the moment is skills and labour. We have an unemployment rate of 0.8%".

Locate Isle of Man advertises that, for a non 'Isle of Man Worker', it is now easier to obtain a work permit than it was. A work permit system was put in place around 30 years ago to protect unemployed local residents. Vacancies had to be advertised locally and Island residents were prioritised. However, "over the last few years we've brought in a number of exemptions in certain sectors where there was a clear pressing need. Education, healthcare and more recently in ICT, we brought in some exemptions".

Change in private clients

The study discovered that traditionally, the majority of those moving to the Isle of Man were of retirement age looking to settle quietly, "people retiring, inheritance tax based, tax strategies,… they would generally just disappear, maybe off to the north of the island and buy a bungalow and you wouldn't really see them again".

However, more recently, there are, "far more younger people coming in, far more active, who get involved in the local community, who buy investments. But for every one of them comes in, there's probably one or two out there who I've never seen, never had any contact with, because actually they do come over and do nothing. They might be worth £50 million".

The findings unveiled several examples; one respondent mentioned being introduced to a long-term resident UHNW and being surprised to learn that this was a major investor in the Isle of Man; someone who, "had just kept his head down". The ability to live incognito was highlighted, with wealth professionals saying customarily of HVRs, "these are properly wealthy people who just love the fact that they have a secure lifestyle, they can wander around, they don't have any pressures on people running around after them, any paparazzi or anything like that"; additionally reinforcing the knowledge that HVRs enjoy Isle of Man for more than financial reasons.

HVRs create employment opportunities

The research revealed that a number of HNWs, "haven't come over and sat on the money"; "the employment that these guys have created goes into thousands, not just hundreds of high paid professional services jobs and as well as rejuvenating some other property in real estate, entertainment and TT". Another respondent added, "the last 10 high net worth, or ultra high net worth entrepreneurs that have moved to the Island, have actually created around 1,000 jobs. And that's the sort of person that we are really looking to attract. Some of them have come over in recent years, have established new businesses or they have established a joint venture with another high net worth or an existing resident entrepreneur."

Nevertheless, the report's findings demonstrate that some residents, "want to stay under the radar" and "move over very quietly, very privately". This appears to be a significant attraction, "there's plenty of privacy," "the geography of the place is so much bigger; so much space, so many more things you can do; the ability not to bump into folk as you walk down the street every day, is quite attractive at times."

Space to grow

The study found that abundant space was an, "important distinction" for those living and wanting to establish businesses in the Island; "we've got a lot [of] room for larger houses; we've got lots of room for manufacturing bases". "The Isle of Man is nine times bigger than Guernsey, five times bigger than Jersey and we have space, so we don't need to control property and real estate to the same extent that they do with similar populations to us."

The findings include a plethora of references to the Island's size, offering space for growth but also for fun! Car or bike racing fans have a, "tremendous amount of freedom", "there are limitations on a small island which are not here".

The research found that the appeal differs from the Channel Islands, "you might want to retire to Jersey you're near London, France and Europe, you've got sunshine and beaches, it's very good". In contrast, on the Isle of Man one finds, "guys still wanting to build their empires….. before ultimately settling in a jurisdiction with lower or no capital gains tax".

Tax cap

Private wealth professionals interviewed agreed that the tax cap is a prominent driver, "one of our USPs", as one indicated. "Potentially, they are setting up a business here, the Government is very good at offering grants and infrastructure to help you get your business off the ground." Another reiterated anonymity. "You could sell your business in the UK today for £50m or £100m, jump on a plane, move over here tomorrow, go down the estate agents, find a nice house for £2m or £3m in the countryside, buy that house, go and register with the tax office, apply for the £200,000 per annum tax cap…that's you resident. If you want to then walk up and down the business district in jeans and t-shirt and be totally under the radar, then you can do that here."

Safety

The findings frequently referenced the low crime rate, one of the lowest in Europe. A private client commented, "If people want to get to me they can have a go, but my weakest link is my kids and my wife. I want to live

somewhere where it's safe". Many participants think Isle of Man is safer than the Channel Islands. "There's still lots of people who never lock their doors or leave their keys in the car, nothing ever happens."
Anecdotal findings suggest this reputation is a key factor for South African immigrants; "they just love the security side of it", "they absolutely love the fact that you can leave your house open".
Comments were also made about children of HVRs growing up anonymously, surrounded by others in similar circumstances; "it's no big deal, everyone just gets on with it".

Locate Isle of Man

Many respondents advocated the benefits of Locate Isle of Man's involvement with the immigration process, "not just from the due diligence perspective but also to really gain an understanding of what their background is, what their plans are". Locate Isle of Man is also able to assist with introductions and planning applications. Currently replicating the UK system, a non-EEA resident needs to apply online via the UK Home Office before the application is forwarded to Isle of Man's immigration department. Once assessed, using, "the advantage of the biometric security checks, the due diligence, to make sure that anyone looking to come in from outside the EEA is a desirable person".
Unlike Jersey, Isle of Man does not have a registration system so the actual number of HVRs residing there is unknown, "They've been coming here since we dropped our personal income tax rates back in the '60s".

Anonymity versus notoriety

The research revealed a perception that the Island generally attracts those seeking anonymity rather than notoriety; as opposed to Jersey, which is considered by some on the Isle of Man, as, "a little bit more in your face wealth", "a lot of people there want to show this off". One wealth professional shared his perception; "I think in the early days, the cachet factor in Jersey was just enhanced by the fact that you had to pay to get in. You want to be a member of the club, particularly if you are that kind of person that likes that accolade and acknowledgement, as a lot of wealthy private clients do."

Island life

The study confirmed that Island life isn't for everyone. Whilst some may try to settle, a percentage of them, "will disappear. They can't cope with island life". "Then there's another percentage that will come with a view to staying for three, five, seven years", but "will never move and they absolutely love it." Private clients reportedly, "might be phenomenally wealthy and could live anywhere in the world but actually they love the sort of laid back, little bit more discreet, that's the high net worth that we attract".

Political stability

The research confirmed another, "strong currency", the Isle of Man has to offer is, "the political stability of the Island, which has appealed to some other nationals", "longevity, 1,000 years old parliament, very stable banking, English legal system". Allegedly, this might, "sound very boring to a lot of people in Western Europe". However, as one wealth professional indicated, "if you're living in a sub-Saharan despot or some parts of the East, and maybe even parts of South America a little while ago, those things aren't a given. And therefore, I think they're elements of attractiveness".

Influencers

Some private wealth professionals have significant connections with City of London tax advisors and lawyers. Some contributors have the impression that those third party consultants, "don't see past Jersey and Guernsey". However, it is understood that the vast majority of Isle of Man immigrants, "do their own research and realise it's the best place to be. And on paper it probably is".

Regulators working together

The research identified that regulation plays a part in the Island's attraction. The Isle of Man Financial Services Authority is understood to be, "in regular contact with its counterparts in the Channel Islands and also works very closely with the United Kingdom regulators, the FCA". For those involved, "it's all about being a good international, transparent partner on the regulatory side. A lot of connectivity with the other overseas territories perhaps as well, and some European countries, to make sure that we are at the forefront of any planned changes in the regulatory environment".



2.3 Isle of Man Private Clients

Key Findings: Isle of Man Private Clients

- Diversity of HNWs - young, old, male, female, entrepreneurs, retirees
- Entrepreneurs have an absolutely laser focus on what has to be done
- No such thing as retirement for an UHNW
- Drivers for UHNW wealth - money, power, lifestyle, personal safety, enjoyment, security for family and the next generation



"We can point to thirty plus years of continuous political and economic stability"

Diverse

The research findings revealed that Isle of Man private wealth professionals have a diverse base of private clients, in terms of assets under management (AUM), geographical location, age and gender. They consist of men and women, elderly and young people. They include entrepreneurs and people who have inherited vast amounts of wealth.

The study highlighted that entrepreneurial private clients continue to be acquisitive, looking at fast paced opportunities. Those who have inherited quite substantial wealth, that they have had no involvement in creating, have no interest in creating more, as they have more than enough to provide them with a very luxurious lifestyle.

The research found that these people are more laid back and less demanding. One private wealth professional summarised, "as long as it's consistent income, they know that their capital's protected, that's all they're really looking for. They're not as sophisticated either, in terms of investment needs or even basic understanding of the structures they have, how we invest it".

The research indicated that private clients are predominantly male, "probably eighty to ninety per cent are white males". However, the study discovered that private clients are international, coming from the UK, Monaco, Middle East, South Africa and Asia.

The research suggests that whilst in Western Europe and, to a degree, the United States, the gender gap has been closing, in a large part of the world those opportunities are lacking for women. So the further east you go, it is increasingly difficult to be a successful female entrepreneur.

Whilst there is a predominance of middle to older age males, one professional commented that, "in our Asian offices, the age profile has become lower and lower, more tech-based entrepreneurs, to a degree, e-gaming, e-commerce generally and Bitcoin-related clients."

The research found that women are generally more cautious about their investment objectives. The older generations tend to be more conservative regarding risk. Generally, they have made their money and want to protect it. The younger individuals are still looking for more return.

The study revealed that most private clients have made their own money. Their attitude is, "I have taken lots of risks to achieve my wealth. I don't want to lose it now I've got it."

The ones who have got inherited family wealth fall into two camps: those who see it as a windfall and are prepared to take risks, and others, who see themselves as custodians

of those assets that have come down from previous generations, who tend to be more cautious.

Entrepreneurs

An astute business person may have built up a hugely successful, profitable business but according to the study, that does not necessarily make them entrepreneurial as "they've never actually deviated away from what they've known". The study findings define an entrepreneur as someone with a "gut instinct", who can turn a hand to anything, who may not be skilled at one particular thing but has huge ability to diversify and learn and absorb quickly. "They are put on the planet and wherever they fall, they will make something work."

The private wealth professionals believe that entrepreneurs put extra pressure on themselves to continue to achieve in a competitive world. They also agree that entrepreneurs are generally used to taking risks as that is how they make their money. This means that they understand the risk side of investment in order to expect reward. The report indicates that this is why many private clients are entrepreneurs.

The research found that when entrepreneurial UHNWs are asked how they became successful, most of them answer, "it's pure luck". However, according to the private wealth professionals, in addition to luck, these people share a laser focus and determination that enables them to develop an opportunity more than normal people would be able to, "it may be that they develop one idea and they move onto another idea, but while they're busy with that idea, it's absolutely a laser focus only on that one singular thing that needs to be done."

The study highlighted one challenge faced by entrepreneurs is when their children become involved in what has become their main family business and it may not work out well for the organisation. Some private wealth professionals see part of their role as objectively raising difficult questions, which a family can find awkward to discuss, "in a constructive way, try to raise what are the potentially difficult issues."

Education

Private wealth professionals found that often entrepreneurs are not university educated, with one noting, "very rarely do you see the PHDs, the MBAs. If you go through that route, you get to serve these people, that's how I see it".

Risk averse

The study clearly shows that entrepreneurs are not inherently bigger risk takers. It actually confirmed that entrepreneurs are the ones that are most risk-averse, when it comes to money that they have made. It depends, again, on the age of the individual. If they are a retired entrepreneur, who has made their money and is living on the proceeds of that, they are definitely risk-averse. There are also entrepreneurs who have made money, who continue to be risk-takers in their business, whereas the money they have made from it, they tend to want to look after. Capital preservation is key.

The findings also reveal that some business owners, who have stuck to certain specialisms, for instance in the tech and gaming space, are entrepreneurs who have created new models and disrupted things. However, traditionally, HNWs interviewed have set up their own businesses, grown them substantially and then sold.

The study shows that although these HNWs understood how to run their business, they have now created great wealth and are in control of money, which they don't understand and have, "just inherited a whole load of new problems" and then they're, "having to trust other people to take care of those problems in areas they don't understand back to front."

The research reveals that sometimes the entrepreneur within them comes to the fore. As experienced business people, they still understand the risks they are willing to take. Private wealth professionals see, "some of them lose a load of money, having a punt on things or actually doing pretty well."

Culture or geographic location

The findings indicate that culturally, whether they are entrepreneurial or not, there is a difference with private clients geographically. Within the UK, there is a softer relationship with private clients, based around their personalities and knowing details of their families' lives. The report suggests that this is particularly true of clients based outside London. Further afield, in the Middle and Far East, "engaging with clients in the first instance is a very slow process", and "even once you are engaged there's kind of an element of continually keeping you on your toes" while, "the closer you get towards sort of Europe and the UK, that relationship is quicker to engage" and, "you know exactly where you stand".

"It might just be that, through the connected world, people can more easily get access to that type of opportunity"

No such thing as retirement

The private wealth professionals agreed that their wealthier private clients do not ever seem to retire, "There seems to be always something that drives them. And I suppose it's part of their character…an ability to, first of all, never be satisfied". If someone has sold their business for £500 million, they often want to do something safe, so they will invest with big names, spread the money across banks and perhaps put a number of small investment pots together, while they are thinking about what to do next.

The research revealed that if the private clients have made money in property, they typically keep investing in property, because they are not sure what else to do with it.

The level of distrust across banks, investment management and other financial institutions caused by the banking crisis, "caused ultra-high net worth people to say, 'Why would I give my money to these people?'"

The study confirmed that this has had an interesting effect on co-investment and private placements. With the rise of the more connected world, and social media connecting like-minded people, there are greater opportunities in co-investments. One example quoted in the study was a private client, who made money in residential property and then "sold out, created cash, doesn't want to then go into stocks and shares…….might invest £25 million with three other people in a £100 million commercial real estate opportunity in London, because it kind of has the basics that they understand and they know it's going to do what it says. And obviously they can share the risk and bring in expertise that they don't have if it's a different space, or geography."

Play money

The findings of the research study revealed that more private clients have 'play money', which is now less likely to be in stocks and shares than in a small business that they might have an interest in, or an affinity to or where they think they can add some expertise. One private wealth professional remarked on this, "I don't think that kind of angel investing happened anywhere near as much as it does now. It might be because people are on the lookout more because of the fact that the banks have withdrawn funding or not. It might just be that, through the connected world, people can more easily get access to that type of opportunity."

What drives UHNW wealth?

Money, wealth and power – The findings clearly show that these are certainly drivers, but in many cases it is also the intellectual challenge of continuing to do what they do successfully. The money and the wealth are a consequence of their intellectual challenge being successful, either as an entrepreneur or in business generally.

Lifestyle and age – The study revealed that they get to a certain point in life where they think, "I want to kind of enjoy a little bit of what I've worked for 30 years to accumulate". Children may be becoming old enough to get involved in the family business and take on more responsibility, freeing up more of their parent's time to spend fewer hours in the office.

Different markets – The research confirmed that for people in some parts of the world, personal security is a powerful motive, "They don't necessarily want the existence of their wealth to be known, not because they are trying to avoid local tax simply because they can't be sure that their local tax office won't sell their information to somebody who might kidnap them for ransom".

In Asia, Hong Kong and Singapore, the research indicated that the driver is tax efficiency and making sure that global assets are housed in a safe, secure and politically stable environment.

The study revealed that, with over thirty years of continuous political and economic stability, Isle of Man ticks many of those boxes.

Enjoyment – Private wealth professionals agree that another driving force is the pure enjoyment of their occupation, "UHNWs and entrepreneurs don't want to just kick back on the beach. They have an inner drive to do it. And it might be a number of reasons. The driving factor differs person by person."

2.4 Relationships, Trust and Loyalty

Key Findings: Relationships, Trust and Loyalty

- Honesty and openness most important in creating trust
- Trusted relationships critical in building long-term loyalty
- Institutional brand reinforces trust in the private wealth professional
- Culture influences the creation of trust and loyalty

Trust in the relationship

The report's findings discovered that a trusted relationship between private clients and their advisers is critical, "It's the only thing that's really relevant in a lot of the industry, that's trust, building trust."

Isle of Man private clients believe that when it comes to building a relationship with their adviser, the most important issue is for their adviser to be honest with them, "They have to trust that you know what you are doing and, if they do trust you, then they'll give you licence, when things are not going as well as they should".

The findings of the study revealed that trust often depends on the nature of the introduction. One private wealth professional said, "When one family introduces you to another family because you've looked after this family well, you've got a lot of implicit trust within that referral".

The research confirmed that trust is everything in the relationship where clients and their adviser often become personal friends, "I'm still friends with a lot of my ex-clients, even though we don't do business together now."

Trust in relationships before service and price?

Private wealth professionals believe that these things all go hand in hand, because trust is lost if the service is not provided, " I think you can't build trust on poor service, because service is the ability to say, 'I'll do X by X time'. If you are not doing that, then your service is poor. Therefore, you shouldn't be able to build trust."

Establishing trust with an individual

The research clearly shows that the key to establishing trust is honest and open communication all the time and that Isle of Man private clients value that enormously.

The study confirms that building a relationship of trust with an individual is the key, "If a private client's key point of contact within an organisation is someone who's only been here five minutes, that doesn't invite confidence and you're not going to maintain a relationship."

First impressions are very important, as one private wealth professional explained, the "character of the individual will often determine whether you would pick up a piece of business or not", confirming the old maxim of 'people do business with people they like'.

The private wealth professionals strongly believe that when they go in as an introducer to a private client, they should try to be themselves to demonstrate their culture, "which hopefully is a culture that is replicated throughout the organisation".

The findings from the report highlight the importance of building trusted relationships with the settlor or the beneficiary, even if it is in a trust structure, where the settlor has passed away and so you're into the first or second generation beneficiaries.

Hard work

The study revealed that trusted relationships can only be developed through hard work. Regular contact is essential,

"It's the only thing that's really relevant in a lot of the industry, that's trust, building trust"



as is delivering on promises, managing expectations and being transparent. The research identified communication, engagement and consistency as crucial when it comes to building a relationship.

Trust in the individual or institution

Private wealth professionals agree that when it comes to trust in the individual or the institution, it has to be a combination of the two. Frequently, the initial relationship is around one person but letting it remain that way may prove risky for the business, "I think firms that allow the individual to dominate all the relationships are the ones that are most at risk." However, "you recognise that if your client likes a particular adviser, you would be a fool to try and disrupt that".

The research findings confirmed that consistency of performance across the business is key, so even if you start with "a one-on-one relationship, actually, over time, it is the firm that comes to the fore".

The report identified that the way businesses interact through technology with clients means that they are now more exposed to a wider area of the organisation than historically they would have been and that this, "helps potentially secure client loyalty, as long as you are delivering on what you said you were going to deliver".

The study showed that, when it comes to smaller firms, clients are likely to rely more on the people than the brand, as their brands are less powerful, "I think there's bias in smaller firms to the relationship and a bias in larger firms to the brand."

The research found that when it comes to larger firms, trust still lies with the individual but, "comfort and security" is taken from the fact that it is a big corporate that backs that individual. For small and medium sized service providers, succession planning is vital to provide clients with reassurance over continuity, "I try to encourage in the clients not to have a trusted relationship only with one employee but to have it with two or three so that there is that sense of continuity, of carrying forward."

In the past, private wealth professionals agree that there have been occasions that when an individual has moved on, they have taken their clients with them. Nowadays, it is far more difficult to move structures due to regulatory KYC banking guidelines. This means there is a greater degree of relationship with the corporate trust provider than there was. That said, the report strongly indicates that individual relationships are still absolutely critical, "it's the individual you want to talk to, it's the name".

Culture

Isle of Man private wealth professionals believe that different cultures have different requirements for building trust, which brings its own challenges. For example, the report discovered that the foundation of European clients' trust is more likely to be in terms of confidence regarding matters of regulation and compliance than that of South Africans, who are likely to be far more interested in the extent of the personal relationship they can have with you. However, the study confirmed that meeting clients face to face, "looking them in the eye" is very important, regardless where they come from. The research indicated that welcoming clients to the office on the Isle of Man in the early days of the relationship helps build trust, "An email and a telephone conversation is great but it only contributes to trust, it doesn't build trust."

The study revealed that again, across all cultures, to secure trust, it is important that clients do not believe they are being sold to. One private wealth professional expressed it, "crucially for me it would be a case of, you know, what are your needs? How can we facilitate? Rather than 'I've got this to sell'".

Trust relationships like a marriage

Private wealth professionals agree that when it comes to comparing a trust relationship to a marriage, they share the principle of being loyal, faithful and transparent. However, a client is likely to need to have multiple trust relationships, rather than just one.

The study confirmed that in order to build trust, private wealth professionals should not try to get rid of the competition but rather embrace it and work together to solve a client's problems, "it's a co-operation between trusted advisers, rather than an elimination".

Direct or intermediary referrals

The report confirmed that many direct referrals are made from existing clients, rather than via an intermediary, while some approaches will be made via a company website. Many private wealth professionals consider themselves as solutions providers, relying on intermediaries to introduce clients. These include lawyers, accountants, financial advisors, private bankers, trust companies, family offices

"Transparency is something which is probably underestimated"

and wealth managers, who typically have the direct relationship with the end client.
Private wealth professionals believe that their job as providers is to learn as quickly as possible what the introducer or client needs and to determine the level of attention they require in the short and longer term, in order to build that trusted relationship, with every case being different.

Loyalty

The report found that trust creates loyalty, "I think the key is trying to get your staff to stay, first of all. Making sure that they are tied in, and part of what you're doing, so the client feels that the firm and the person are as close as they can be."
The findings reveal that loyalty is created by, "having the right solutions but also by having the right technical competence in that space".
The report confirmed that loyalty, created by trust, is built on experience, "If you have done the things that you said you would do, you've dealt with issues when they arise fairly and swiftly and openly with clients… when you listen to what they have to say, all of those things go into the mix of creating trust, because you don't start with trust, trust is built up over experiences and events that happen and people remember them."

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2.5 Investment Management

Key Findings: Investment Management

- Service, quality and relationships are extremely important in selection criteria rather than price
- Isle of Man investment managers compete on an institutional, rather than jurisdictional, level
- Global complexity of private clients include: UHNWs, HNWs, entrepreneurs and expats
- Professionals deal with gatekeepers, such as lawyers or tax advisers at larger family offices
- Differences in the comprehension of risk between the wealth creators and second/third generations



Selection criteria

The research findings show that when Isle of Man private clients are looking for an investment manager, price, service quality and relationships are extremely important, however they also have to believe in the manager they are talking to. Consistency, credibility and a strong track record are highly valued, "They want to feel happy with the person and the firm that they are dealing with, first and foremost".

The institution not the country

The study discovered that firms seldom find themselves competing on a jurisdictional basis and they tend to pitch at the institution level rather than the jurisdiction, "We tend to just refer to ourselves as having an Isle of Man headquarters but with a global presence". The manager's own pedigree and the financial strength of their organisation is the first and foremost concern.

Private wealth professionals agree there are some jurisdictions in the world that are more significant than others. For example, in Northern Europe, the offshore jurisdiction of Luxembourg is geographically very close to them so competing in that space from the Isle of Man can be challenging. However, comparing Isle of Man to Guernsey, Jersey, Cayman Islands or BVI in the Middle East, is "much of a muchness. It tends to be about the institution rather than the country."

Global clients

The research found that investment management business is truly global. Private clients in the UK, Europe, the Middle East, Asia and South America all have slightly different needs and requirements in each different jurisdiction. The findings showed that, in very broad terms, they definitely have similarities and they could all come under the banner of tax efficient estate planning.

Private wealth professionals agree that in assessing these clients' financial needs, they have to take into account the sheer global complexity of where they, their family members, their beneficiaries, their professional advisers and their portfolio of investments are based, "We have to try and bring a solution that is cognizant of all of that complexity."

Expats

The research indicated that there are three different types of expats, who tend to be men in professional services or the extractive industries like gas, mining and oil.

1. Those who typically go overseas on a fixed term contract for, say, a three-year period before returning
2. Expats who move to a different country and choose to stay there
3. Career or serial expats, who, for example, follow up a three year posting in Dubai with another one in Singapore and then move to Hong Kong for a two year posting before going on to Paris.

The report shows that investment managers work to provide a solution that matches the mobility of these different lives.

The Gatekeeper

Private wealth professionals believe that when it comes to investment, UHNWs would traditionally speak to a trusted person. It could be a long-held acquaintance, such as a former Finance Director, or it might be their primary lawyer. This 'gatekeeper' would put together the strategy with an investment manager and the trustees, the banks, the tax advisers. When it comes to the space occupied by the tens of millions into the early hundreds bracket, where the multi-family offices come in, the gatekeepers are usually, "always the lawyers, because they're doing the transactions, they're doing the sale and purchase agreements".

The report shows that the location of the gatekeepers can be significant. One private wealth professional explained that he had chosen to set up a business in the Middle East, "The underlying clients might have been in Saudi, Qatar or Bahrain, but we set up in Dubai because the lawyers that serve these families are American, British or Australian and none of them want to live in Qatar, Saudi Arabia, Bahrain or Abu Dhabi….you go to where their advisers are, which is predominantly Dubai."

The study further discovered that Investment Banks play a part as well, for example, in mergers and acquisitions, "if they're overseeing a big deal for billions of pounds, and a family is going to take some value off the table, they're in the driving seat there to do something with it".

The findings also indicate that the community of like-minded high net worth families is "an area of great opportunity for those businesses that can offer expertise and value to them and help create co-investment opportunities and comparing notes on security and other problems."

Risk appetite

The research clearly revealed that anybody who has made any money would be generally loath to see it go. Equally, anybody that has been given any wealth, generally, will also be loath to lose it. Private wealth professionals agree that the type of character who thinks, "the money is there and go and blow it", tends to be the exception rather than the rule, "Most people have a responsible attitude to their money, however they earned it. I think that's important."

The report findings reveal some differences in the comprehension of risk between the second and third generations, and the first. They are not as acute in terms of their insight into what it means to take risk as the wealth creator. However, the report also shows that second generations are under a greater obligation to maintain the wealth than perhaps the first generation, who created it in the first place, "If they then want to go and put it all on black….no one can really criticise them. But if the second generation did that, then that would leave themselves open to criticism."

Private clients interviewed believe that assessment of risk comes primarily down to expertise, "If you really know your business and you really believe what you do, then it's not without risk, but it may be less risky to you than it may be perceived to be outside."

The report finds that wealthy families can make very wise decisions regarding risk in terms of having a balanced approach to the family business as well as the investments that they make. The findings indicate that this is strongly influenced by the long term view that the individual has or that the family has. For example, if philanthropy is important, that may change the type of investment that they want to make. Equally, they may decide that they want four or five generations to benefit and that determines how investments are made now. Alternatively, the report identified, "There are certainly entrepreneurs that I've seen that have a successful family business and they say, "Okay, this is enough to generate income. Let's go wild"."

Generational wealth

The research reinforced that for wealthy Asian families, the wealth is often still first generation, almost exclusively so in China. These families want to secure passing that wealth down the generations, but to them it is still wealth creation, "because the business is still there, that's where the wealth has come from, they don't want to take the wealth out of that and in terms of risk, they're probably willing to engage in a degree of risk in terms of passing control of that wealth creating business down a generation."

The study shows that if a wealth management structure is in place that is in its second generation already and may be looking to go down further, then there is usually a much more active wealth management and maintenance situation. The wealth has not been created by the people who are now enjoying it and spending it "but they don't want to be seen as the one who's dissipating the assets".

Culture

The research discovered that culture is significant. For Middle Eastern and Far Eastern families, for example, generational planning for the dynasty is a constant. Although the western model still has elements of succession, it is very much about the current custodians of the wealth. It is about what they want to do at that time, with some generational planning.

Managing their own money

The research revealed that typically HNWs don't like people managing their money, preferring to manage it themselves,

"a newer type of money is probably finding itself a place in the Isle of Man"

focusing on their particular area of expertise, whether it is property, venture-capital or funding start-ups.
The findings showed that when it comes to standard investments, like ETFs or funds, you do not typically see entrepreneurs investing, "unless it's some start-up fund that's doing something entrepreneurial".
The study also indicates that while UHNWs seem to be very focused on what they want, which can be challenging to deal with, one step down from that, "they tend to be more open to ideas from what drives their objectives", enabling managers to identify their objectives and build a portfolio that would drive to fulfil them.

Differentiation

The research study found that technical competence in investment management is the greatest strength, "We know what we are talking about when we talk about the taxation regimes in various jurisdictions. We know about trusts, we know about estate planning and that is why these introducers come to us for that technical competence and credibility."

Who invests in alternative investments?

The study shows that this varies, depending on the extent of the wealth. Those at the top of the wealth pyramid may start adding collectibles, when they have fulfilled all the other investment objectives. Those who have not yet accumulated as much wealth are very focused on traditional asset classes that have yields and an expectation of return, rather than relying on, "taste and fads and opinion to create a value".
The findings show that for alternative investments, HNWs need to have a personal interest or affinity that then becomes an investment proposition, "Unless the wealth you have is so huge that it is the only way you can add diversification to what you have already have".
The research discovered that which asset a private client selects to invest in depends where their expertise lies. If they have generated their wealth in a particular sector, then some are willing to invest in much more immature start-ups, where the money really is at risk. If they move away from their niche area, they will choose much more traditional investment portfolios, where they are looking for stability, security and modest growth.

Diversifying the economy

Private wealth professionals interviewed agree that the Isle of Man government is putting a lot of weight behind making the island a digital economy and to become a place that welcomes technology and technological developments. For example, the Island has taken a lead on the e-gaming sector. The report found that as a result, the type of entrepreneur that is attracted is changing as well, "So, the newer type of money is probably finding itself a place in the Isle of Man."

Price sensitive

The report reveals that in the experience of Isle of Man private wealth professionals, with regard to investment, the UK, and to a lesser extent Europe, are particularly price sensitive but further afield from the Middle East to Asia, they are less price sensitive.

Service quality

The report confirmed that providing service is one of the key ways to grow business as it leads to recommendations, "So, you get the service right and if you have got good service, fees are easy to justify."

Collectibles

The study shows that the notion of collectibles as a distinct asset class has been gaining traction in recent years. A 2017 survey by Deloitte found that $2.7 trillion of UHNW wealth is expected to be allocated to art by 2026, while nearly 90 per cent of wealth managers believe art and collectibles should be included in the range of wealth management.
The findings of the research study suggest that Isle of Man private clients buy collectibles not solely as investments but as a form of enjoyment. One private wealth professional explains that for one client there are two simple rules: "One it has to be something that he thinks is of investment quality, so it's something that hopefully will appreciate. And two, it's something that he will get personal enjoyment from". This is explained further, "He's never bought a single piece of artwork that he's not liked and just put in storage [because] he thinks it's going to go up in value. If he buys a piece of artwork, it will go on display in one of his homes or offices because he likes it."
For Isle of Man UHNW individuals, this research highlighted that passion is a major factor when investing in collectibles, as well as having a release from the every-day business pressures. One private wealth professional explains that for UHNW clients, "It's definitely a passion going into investment strategy, even though it is a pleasurable activity that they have for themselves, they want to somehow see a return on that. One of our clients loves racing cars and he would spend a tremendous amount of money on that. But for him it's a release from the business, where he gets back to basics in life, for him it's an investment worth making."

2.6 Life and Pensions

Key Findings: Life and Pensions

- Life companies account for 17.5% of Island's GDP, employing 2,000 staff
- Joint promotional activities between government and Manx Insurance Association
- Large diversification of sectors making up the Isle of Man GDP
- Global and multi-jurisdictional clientele

The research identified that there are 12 life assurance companies headquartered in the Isle of Man, employing 2,000 staff and accounting for approximately 17.5% of the Island's Gross Domestic Product (GDP) - the biggest sector for GDP. The pensions sector is both international and domestic, which includes pension companies, pension trustees and financial advisors.

Inward and outward

The study highlighted that the Isle of Man Government works closely with the service providers. For example, it worked in conjunction with the Manx Insurance Association (MIA), which is basically a trade body made up of the CEOs and senior management of the 12 life companies.

Further, the reason for the engagement with the campaign proposal is that there were a number of changes on 1 January 2019 under the Conduct of Business rules. The main change, which affected some of the 12 companies, was that from 1 January 2019, "if you are a financial advisor, broker, intermediary, working anywhere in the world outside of the UK and you are advising on a product, be it a regular savings plan or an investment bond that will be invested with an Isle of Man company, you will have to disclose commission".

The research findings reinforced that this is something that all companies went through in the UK and the British Isles a number of years ago. The study revealed that there are some companies that are concerned that, "if brokers aren't up to speed, aren't knowledgeable enough, aren't ready to have a different type of conversation with their clients, that they might take the route of deciding to use an insurance company in a different jurisdiction."

The research found that the government and the MIA joint initiative in part is to ensure that advisors throughout the world know about the Isle of Man, know about its longevity, its strength, its resilience and its security.

As confirmed by the study, the policyholders' compensation scheme in the Isle of Man ensures that if one of the 12 insurance businesses was to fail, the underlying clients would get a maximum of 90% of their investment back. In comparison, the maximum amount guaranteed in Panama is £5,000 or $5,000. The study highlighted that the government has an extensive PR promotion campaign to raise awareness of the Isle of Man's robust insurance and pension sector.

Comparisons

The study discovered that the Isle of Man is constantly compared to Jersey and Guernsey, as part of the three Crown dependencies, and Jersey Finance has been very successful as a public/private sector partnership.

The study confirmed that Finance Isle of Man is not funded by the private sector, as Jersey Finance is. However this might change in the future, as one respondent confirmed, "following a seven month review of the 21 different sectors and modules that the old Department of Economic Development looked after, including the Aircraft Registry, the Shipping Registry, the Companies Registry, engineering, manufacturing, financial services, e-gaming, e-business, e-sports, the list is endless".

The research revealed that PWC undertook a research project that looked into 11 or 12 other jurisdictions and how their models work. They included Jersey, Guernsey, Malta, Gibraltar, the Scottish islands, Ireland, Scotland, Wales, and the decision was made following that report that the Isle of Man should set up four public, private sector agencies.

The study confirmed that Finance, Digital, Business and Visits were the four new agencies that were set up. They all secured very experienced private sector professionals for the boards who are looking ahead and will strategise, considering policy, new products and promotion. As a respondent questioned, "is our budget better spent targeting South Africa, for instance? Because there's a lot of interest in South Africa … a lot of South African people have been moving to the Island in professional services and in e-gaming sectors. So, we will be looking to do a lot more promotional activity in the next few years than perhaps we have been."

Diversification

The study found that Isle of Man private wealth professionals believe that the Crown dependency islands have their own specialisms, "Guernsey for funds , they've done a fantastic job in attracting that fund business. Jersey is very strong on the banking side, however they have lost one or two licences since the crash in 2008. We had some good news as we've landed Investec Bank as a representative office - the first new bank on the Island for over a quarter of a century. So, that's really good news."

The research study highlighted that where the Isle of Man has fared well in recent years, is being quite diversified. It is not known for just life assurance, banking, or wealth management; the Isle of Man's GDP growth is made up of about 20 different sectors. The main growth area in the last decade has been e-gaming and there continue to be a number of new licences applications with the Gambling Supervision Commission. The study confirmed that there has been a lot of growth in that e-gaming has been growing as banking and financial services jobs have been lost. A lot of those jobs have morphed into the e-gaming sector where they pay very well.

So, diversification of financial and professional services in the Isle of Man has given the Island some good growth levels in recent times. The main problem, similar to many other countries around the world, is skills and labour - where the unemployment rate is 0.8%.

The major insurance companies in the Isle of Man are Zurich International, Old Mutual International, Canada Life International, RL 360, Utmost Wealth, Friends Provident International and Hansard International.

Different scenarios

The findings confirmed that there are many different scenarios when it comes to pension provisions in the Isle of Man, where each client's circumstances are different. As shared by one private wealth professional's experience:

Scenario One: Client has £3 million, has a UK-tax-relief pension scheme that's going to reach a certain lifetime allowance and start getting taxed, on anything over a million. If you save a million pounds, and then the moment you retire, your income goes to forty thousand, it's not a lot. So, it's really that pension that provides an enhanced retirement. It's the additional planning, the tax benefits in there. It's within statute. It helps them wish to save for the future if there's tax benefits in it.

Scenario two: A HNW approaching retirement; not a lot of retirement provision; still working; wants to make further retirement provisions outside the UK; also wants an asset-protection vehicle, so the pension provides some reasonable asset protection.

Scenario three: A client In their mid-thirties, with a UK pension. He's growing his wealth, very quickly; wants to make provisions for him in later life and sees a limit in the UK to what he can contribute to his pension. So, he's looking elsewhere to enhance his retirement. He's looking thirty years down the road. Some people at that age don't look that far ahead, but he wants to. He's got children and wants to pass on wealth to them.

2.7 Trust and Corporate Services

Key Findings: Trust and Corporate Services

- Vast amount of services offered for private clients and corporate clients
- Different structures available for asset protection, succession planning, tax planning or philanthropic causes
- Choice between owner managed versus private equity owned models
- Increasing specialism in aviation and yachting; and digital including cryptocurrencies, eGaming and eSport

The services

The research confirmed that Isle of Man trust and corporate service providers offer a myriad of services for private clients or corporate clients categorised by corporate services, private client services, digital services and other related services such as fund services, legal services and investment advisory services (see Table 1).

Corporate Services	Private Client	Digital Services	Related Services
Accounting and tax	Art and luxury collectibles	Cryptocurrencies	Accounting and tax planning
Aviation	Aviation	Digital	Fund services
Banking services	Cybersecurity	eBusiness	Investment advisory
Company Incorporation and administration	Family governance	eGaming	Legal services
Crewing	Family office	eSport	Media, sports and entertainment
Escrow	Fiduciary administration	Fintech	Specialist markets
Payroll	Immigration		
Real estate and asset holding	Philanthropy		
Royalty and intellectual property	Private office		
Shipping	Private trust companies		
Treasury	Private wealth		
	Real estate		
	Succession and estate planning		
	Trusts and foundations		
	Wealth and asset protection		
	Yachting		

Table 1: Trust and corporate services

"family governance is probably one of the most important parts of keeping a family together"

The structures

Isle of Man private clients interviewed confirmed they utilise a number of different structures in multiple jurisdictions in order to manage their wealth efficiently, in particular succession planning, asset protection and philanthropic causes. Further, structures set up in the Isle of Man created a sense of political stability and a robust economy. In summary:

Trusts - Private clients indicated that they use trusts in a variety of ways, some had small standalone trusts, whilst some seem to have a much larger myriad of trusts to manage their vast wealth planning strategy, whether personal, family or business asset protection or succession planning.

Foundations - Private clients revealed that they use foundations to predominantly protect and deliver their charitable wealth, being flexible whilst administering assets and often involve their children in their foundation.

Private Trust Companies (PTC) - A number of private clients use PTCs to hold charitable trusts, private wealth planning, businesses or commercial assets, whilst having family members on the board, the advantages included family control, ease of changing trusteeship, speed of decision making and privacy.

The core offering

The research found that whilst the majority of trust and corporate service providers offer similar services, some service providers specialise in areas such as aviation, marine, e-gaming and cryptocurrencies. However, service providers



have to differentiate themselves in terms of the level and quality of the service they provide.

The report discovered that trust and corporate service providers implement a corporate or trust structure, either directly on behalf of a private client or it may be through an intermediary.

The study found that the closest involvement with the client is where there is a generational trust structure. The study showed that where there is a trustee role, "our job is to know what the settlor wants us to do with the assets and it's our job to know what the needs of the beneficiaries are - we can only do that if we have a fairly intimate relationship with the settlor and the beneficiaries."

Other related services

Our research highlighted that some referrals to trust and corporate services come from other parts of the same company. For example, these may be from accountancy, auditing or tax specialist departments. The study shows that this can lead to successful whole 'life planning' around a UHNW or wealthy family, bringing in different parts of the company to create a wider offering and deliver the most comprehensive service possible to clients. This can involve tax advice, accountancy, investment and financial planning. It may also include retirement solutions and pension advice, "We provide what we think is real value for money. And do we have a wider group, so we've got expertise. If someone comes to me, says, "Listen, I need some tax advice. Can you recommend anyone?" We're not so much recommending, we're saying, "We do have tax advisors within the group if you want to speak to them. We've got chartered accountants. If you're looking for some debt, we've got a debt broking business." So, we do offer a wider offering in that sense."

Family office by another name

The report revealed that the term 'family office' is sometimes rejected in favour of 'family advisory'. This is because every culture will define family office in a different way and have various understandings as to the meaning. It may also suggest the need for a physical office.

The research defined a significant part of the family advisory role as assisting clients with the important process of drafting a family constitution. This establishes what the family values as principles, identity and long term aims, and captures them within the "moral agreement" of a family constitution and sets out how to apply that in terms of family governance. The report indicated that the aim of this family governance is to successfully maintain the family for the future generations by giving family members something to focus on which is not the money, as, "where the focus is on the family wealth, when the wealth creator dies, the focus is so strong on the money that the potential for family conflict is huge". With effective planning and family governance, "the identity is passed on over generations, the same way that the wealth will be passed on over generations." This is considered so important that one private wealth professional described this service as more than a product but, "the philosophy of the way that we do business" and, "crucial in the way that we deal with all our clients".

Managed versus private equity owned

The study shows that private wealth professionals can see advantages for private clients in dealing with an owner managed company rather than a private equity backed firm. Some of this comes down to the confidence created by having a close and trusted relationship with a decision maker so clients can pick up the phone and speak directly to the Managing Director, "when you are talking to me you are talking to the organ-grinder" as, "that resonates hugely with the private client".

The study reveals that, particularly for entrepreneurial clients, they may appreciate working with people who have a similar mind-set to themselves, "We back up our position by investing in exactly the same strategies that we are asking our clients to invest in."

The research reveals that the appeal of the private equity backed model is the perception that it has the money and resources to more easily fund the scale, compliance and international reach required by the international nature of capital, "It's increasingly a scale game and you need a multi-jurisdictional footprint and it's difficult for small, privately owned fiduciaries to align to that model."

Private wealth professionals agree that these large organisations have the benefit of being able to grow quickly and to access many different jurisdictions, reaping the distribution benefits, "And you can manage the relationship if you've got a good IT system where you've got visibility of the client and that can help you absorb staff turnover."

However, the report shows that this model also throws

"You need a multi-jurisdictional footprint"

up many challenges. For example, the research findings identified a concern that fast-growing private equity firms might, "become fragmented consortiums under a single brand with a PE backer and high staff turnover, that's a dangerous recipe I think." The report identified a particular issue of a possible lack of integration in IT systems in some of the larger companies, potentially leading to worries for clients over confidentiality and security, as well as leading to a lack of efficiency.

The report clearly shows that there is scope for privately owned businesses, described by one private wealth professional as, "a hybrid model" that have, "deep pockets", that are big enough to be multi-jurisdictional and can certainly compete in certain areas while still favouring slower, organic growth, starting up new offices as needed, with everything still being done, "by the mother ship". This means that everything is still "centralised, well controlled, good managed relationships and pretty well integrated". Regardless of the preferred model, private wealth professionals believe that client relationships are all-important, "It's about them trusting you... I think you need six to eight touch-points, typically, to get relationships developed."

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2.8 Aviation and Yachting

Key Findings: Aviation and Yachting

- World class shipping and aviation registry on the Island
- Multi-jurisdictional solutions available for global clients
- Flag state extremely important
- Isle of Man professionals provide full yacht and aviation management services

World class leaders

The Isle of Man has a prestigious status as a hub of the superyacht world, as well as the aviation world. Our research study confirms that the Isle of Man service providers consist of a range of technical experts in the various aspects of owning and operating a yacht and private jet, offering clients a wide range of corporate and financial services.

The Isle of Man Ship Registry is one of the world's leading registers of ships and super yachts, being voted the Best Shipping Registry 2019 by World Commerce Review. The Registry provides world-class registration services and the quality of service remains unrivalled.

Flag state

The research revealed that one of the most important decisions in yacht ownership is choosing a quality flag state as this will affect the regulations the owner and vessel are subject to, including construction, inspection, regulatory compliance regimes and, of course, taxation and liability protections. The Isle of Man Flag is part of the Red Ensign Group, which uses the UK's Maritime & Coastguard Agency (MCA) regulations for construction, safety and employment, which has a positive impact on maritime security for the yacht, owners, guests and crew. In addition, it protects the ethical welfare of mariners, the marine environment and resale value of the vessel, due to the ensured high standards of maintenance and quality.

The findings confirmed that there are many factors for the private clients to consider when selecting a flag state including their place of residence, area of navigation, use of the yacht (whether personal or business), characteristics of the yacht, VAT status and finance status.

Multi-jurisdictional clients

The study discovered that Isle of Man private wealth professionals have particularly strong links to the UK in the commercial shipping side, "it's very much Continental Europe such as Germany and a little bit of US". The research confirmed that on the yachting and aviation side it is really from anywhere; "we have very little from the Far East although we have a little from Malaysia, China and Japan. But generally you see the US, Russia and the Middle East". The study suggests that Isle of Man professionals are targeting intermediaries in the UK at the moment. However, the clients are multi-jurisdictional - a real mix.

Aviation services

The Isle of Man Aircraft Registry (IOMAR) supports the Business Aviation industry both on the Island and

internationally. The IOMAR is currently the second largest private business jet register in Europe and the sixth largest in the world, having been voted Best Global Aviation Registry in 2019 and 2020 in World Commerce Review awards.

The findings support the fact that, whilst private wealth professionals can provide staff such as pilots and stewardesses, private clients want the tax efficient structures to own and manage their aircraft, which are specifically designed to their personal needs. Private clients receive expert advice on the tax efficient ownership structures, the most appropriate jurisdiction, registration, management, insurance, VAT, reporting, acquisition and disposal.

Yacht services

Our research demonstrates that the Isle of Man private wealth professionals can provide the full range of services regarding their clients' yachting needs, from tax efficient ownership structures, insurance, the most appropriate yacht registration, management, licences, VAT services and reporting, marine regulation, acquisition and disposal, legal matters and servicing as well as sourcing crew employment, which is a key factor in the success of the yachting experience. The study highlighted that the Isle of Man private wealth professionals are also able to support the crew, such as the captain of the yacht, regarding administration and financial matters.

The study highlighted that yachting is more low key than you see in most other offshore centres. UHNWs that have large yachts, whilst registered in the Isle of Man, do not have them in the Isle of Man. The study revealed that, "there are not a large number of HNWs that own large yachts, instead they are interested in horse racing and things like that rather than sailing in a yacht around the Med."

Lifestyle or kudos

Our findings concluded that Isle of Man UHNWs predominantly use private jets as a fundamental aspect of conducting business with such benefits as moving through security faster to attend meetings quicker than through commercial routes. In contrast, our research showed that Isle of Man UHNWs enjoy the leisure aspect and kudos of owning a yacht.

Aviation Services	Yacht Services
■ Acquisition and disposal	■ Acquisition and disposal
■ Management of tax efficient ownership structures for aircraft in the most advantageous jurisdiction	■ Management of tax efficient ownership structures for yacht in the most advantageous jurisdiction
■ Aircraft administration	■ VAT registration and management
■ Aircraft finance	■ Valuations and surveys
■ Management reporting for the aircraft	■ Yacht finance
■ Provision of tax and legal advice	■ Application for relevant licences
■ Employment of pilots and crew	■ Employment of captains and crew
■ Insurance for the aircraft and crew	■ Insurance for yacht and crew
■ Commercial charter structures via Air Operators Certificate (AOC)	■ Management of payroll and expenses
■ Business/corporate use structures	■ Management reporting for the yacht
■ Private leasing structures	■ Commercial charter structures
	■ Private leasing structures

Table 2: Aviation and Yacht services provided by private wealth professionals

2.9 Digital and Technology

Key Findings: Digital and Technology

- Private clients and wealth professionals have polarised views on cryptocurrency
- There remains a sceptical attitude towards investing in cryptocurrency
- The Isle of Man has a world-class reputation as an e-gaming jurisdiction, which continues to grow

Cryptocurrencies

The findings of the research study suggest that Isle of Man private clients and private wealth professionals have mixed, and at times, polarised views when investing in cryptocurrency. The investigation highlighted the differing views of Isle of Man professionals and clients with many private wealth professionals ready to support their clients as there is interest in this area. However, some professionals and clients stated that the investment in cryptocurrency is too unstable with little known about the actual currency.

The Isle of Man private wealth professionals explain that interest in this form of investment is increasing, "There is a lot of crypto interest here…a lot of firms… have set up specialists in dealing with crypto issues." The findings suggest that some private wealth professionals are seeing a rise in the enquiries regarding cryptocurrencies with some clients, who have no expertise in this area, willing to investigate due to their entrepreneurial attributes.

The study revealed that the feeling amongst private wealth professionals regarding their private clients is, "if you've got money, you want to make more of it" and so some Isle of Man UHNW clients have an interest in exploring this form of investment further. One private wealth professional explains that UHNWs, "believe the future of money is more digital; they believe in what crypto, for example, stands for and we can see why they would be interested in exploring it." During our research, wealth professionals explained that cryptocurrency is the "new big thing" and their clients want to be involved in this new era.

Within the study, where scepticism was seen among some professionals and their clients, our research shows that professionals and clients alike expressed that not all the risks are yet known when investing in cryptocurrency and all risks have to be evaluated, with one wealth professional stating that, "today it is not sufficiently mainstream for us to be comfortable with it." Doubt was also cast on the credibility of the currency with professionals questioning how the origin of the wealth made from cryptocurrency can be evidenced.

According to the research, the wealthier the private client is, the more they can afford to say: "Well, I'll allocate some [investment] to that, because, if it doesn't come off, I don't mind." The research also highlighted that within this area wealth professionals see blockchain rather than cryptocurrency as a potential future investment; this finding is evidenced with the launch of "Blockchain Isle of Man", which provides support and guidance to businesses.

Digital and e-gaming

In 2001, the Isle of Man Government was one of the first jurisdictions in the world to introduce legislation specifically designed to benefit gambling and e-gaming firms with customers fully protected. The Isle of Man now has a world-class reputation as an e-gaming jurisdiction, which is supported by the findings within our research study. The Isle of Man has developed its expertise within the e-gaming industry, with one wealth professional stating that,"The Isle of Man has been more agile in the last five to ten years, around looking at new areas to develop."

Our investigation confirmed that the Isle of Man private wealth professionals and their clients believe that e-gaming has had a direct positive influence on the job market on the island, with many more opportunities for skilled individuals to be employed in highly paid jobs. Our study highlighted that the development in the e-gaming industry has had a positive influence on the income and tax revenue opportunities for the island. In 2018, according to the Economic Affairs Unit, e-gaming retained its position as the largest sector within the Isle of Man's economy, as growth had reached 21.1%. The research study found that this growth in e-gaming companies in the island is seen as a positive and influential aspect to the development of the Isle of Man's legacy.


Da Vinci's
KIRSTY III

2.10 Succession Planning

Key Findings: Succession Planning

- Educating the next generation is critical in effective succession planning
- Succession planning is more about estate planning than tax planning
- Asset protection is essential in intergenerational wealth transfer
- Next generation is younger and more entrepreneurial

Education

One of the service providers interviewed highlighted the need for a good education programme for successors of wealthy individuals and for them to develop a sound understanding and knowledge of the business. To pass on a successful enterprise and, "pass that down to the next generation without them having a knowledge of the business, is foolish". Educating the next generation in the business world is not necessarily straight-forward or simple and potentially more about having access to appropriate and beneficial information or advisors.

A respondent suggested that instead of the potentially risky approach, i.e. that a successor becomes "confident and competent enough to make their own investments", a wiser step may be to ensure they have the confidence and direction to, "go and find the right people for the job', instead of instilling a sense of having to take on the business themselves, that they can employ someone else to do so for them. Patriarchs and matriarchs should introduce their offspring to their trusted advisors without the expectation that a similar relationship will develop, but provide them with the confidence to find an alternative trustworthy source.

Another contributor suggested that, in terms of financial services, the parent may not have a clear enough understanding of financial services, or are "less sophisticated and less well educated in a financial services sense" in which to educate their children, highlighting the importance of wealth service providers to supply the, "educational requirement for their next of kin".

It was also noted anecdotally that not all individuals have children, or some "next of kin perhaps almost rebelling against their father or mother" and do not want to become involved in the business. Equally, it's not necessarily that there is a business to pass on: when "you're into pure asset and wealth management, then a little knowledge is a dangerous thing".

Tax benefits

What became apparent during our research is that there has been a significant change over the last five years in the amount of work undertaken which is not of a tax planning nature. One professional referred to their work as "tax neutral", explaining, "there isn't really a tax benefit to the end client, they're looking to use services that we can provide for estate planning, securing the assets for the next generation". Work within family offices naturally includes a large element of passing over responsibility for issues and matters which the private clients either have not got the time to do or the inclination.

One family office shared that, "overall there are certain structures that we operate that still provide a tax benefit but, asset protection, particularly when it's for philanthropic reasons or just ensuring the assets are there", describing the rationale, "we've worked very hard for 20 years, we want to make sure what we've accumulated is still there for the next generation".

Concerned with passing on wealth

Asset protection and desire to pass on wealth to their families is important to private clients, "because the guys that make a lot of money don't want to pay it off to tax; and there's lots of tax in the world, so if they can structure it to pay less, their natural instinct is to try". Wealth service providers work to ensure that whilst everyone pays their fair share, taxes are paid in the most efficient way.

During our research, one respondent advised that when considering pension products with private clients, an

"next generation is younger and more entrepreneurial"

element of succession planning is taken into account; they will ask how much they need for their retirement and, "if you pass away earlier than you anticipate, which I am sure we all probably do, what you leave as succession for your children in a safe jurisdiction, or a safe structure, or in both".

Succession planning is natural. One contributor highlighted that it is not just about wealth. It's also about, "what do you transfer to future generations to make sure that the succession is successful"? If the aim is keeping the family together as a family unit, planning will need to focus on other aspects as well and involve family members. However, to do so effectively, there needs to be a trusted relationship in place, before a private client will share openly with the service provider. "A client will not necessarily be in a position where he can trust you with that very sensitive nitty gritty of the reason for his existence at the first meeting."

Establishing genuine trust takes time and "will most probably start with creating a family trust, or a company, or a trading structure, and then as the relationship grows you start speaking about these things, you start picking up certain elements of what is important for the wealth creator". He continued to say, "it's crucial to sit with the wealth creator first, include the spouse in that discussion, and let them lay down the rules on which they perceive it". At a later stage the whole family should then be included so that the second generation's perception is known, this is considered important, "because they're the ones that need to carry this forward". "It is important to get the view of the second and perhaps even third generation in formulating the identity of the family." Nevertheless, the plan is based on the foundation that is laid by the founder, or the wealth creator.

Next generation and the legacy of the business

As part of the planning and formulation of the family's identity, the research found it is deemed to be crucial to determine the exit point of the wealth creator, regardless of the number of years away that may be. One respondent noted that the sooner this is considered, the better, as it allows more time for the client to consider, "a strategy to develop certain characteristics within the children", with which to take on the wealth or business legacy. For example, if it is a professional organisation, ensure potential successors have the correct education and qualifications, for example, leadership development or business process education.

Another professional shared his personal opinion, "I would encourage each and every single high net worth, ultra high net worth, individual to allow their children to start to build the business the way they want to build it and not to be stuck on one single idea or concept".

How children are prepared will differ, but by exposing them to the day-to-day workings of a business, teaching them what is right and wrong, how you conduct yourself, what a work ethic is, etc. helps them learn and to hopefully turn their own business into a success and because they had that exposure, it is almost normal for them to think that way.

One service provider suggested that the family identity is so important that he would recommend, "for every one minute you speak about wealth, you should speak two minutes about the identity that you have built" and believes that children will grow up with the concept that the identity is more important than the wealth itself, "focus on that identity and establish that identity of the family very, very firmly".

For one private client, it is more about trying to keep their wealth "intact enough to pass on rather than what's actually going to happen when it gets there".

2.11 Philanthropy and Sustainability

Key Findings: Philanthropy and Sustainability

- Very diverse philanthropic causes
- Extremely important to include the next generation
- Varied opinion in remaining anonymous
- Varying amount of involvement or commitment to philanthropy
- Intrinsic link to green and sustainable philanthropy

In the Isle of Man, charities are legally recognised under the Charities Act 1962. However, the Charities Registration Act 1989 means that institutions regarding themselves as charitable, must be registered in the Isle of Man, unless they are exempt from this requirement. The purposes of a charity can generally be defined as one that provides relief of financial hardship, advancement of education or religion or for other certain purposes beneficial to the community. The Island's registered charities must demonstrate a substantial and genuine connection with the Isle of Man, which can take many forms, including raising funds on the Island to provide services to residents or animals. The research discovered that a charity can be established using most structures, including a charitable trust, a limited company or an unincorporated association. The latter is the most commonly used vehicle. Isle of Man registered charities benefit from having private accounts, with the security and knowledge that it will be administered and regulated correctly.

Findings obtained during the research discovered that on the Isle of Man, philanthropy is a big aspect of people's wealth. There is a mixture of some who want to contribute to causes extremely confidentially but don't want any recognition; "they're just doing it because it's a cause they feel very passionate about or they think it's the right thing to do". Then there are others who do want visible recognition.

Our research found that the amounts contributed by private clients vary, largely dependent on the cause and its significance to the individual. Examples were found of HVRs who set aside sums in the region of £1million each year for charitable causes but, if there is an interest they feel extremely passionate about, the donation may be considerably higher than this.

Family Identity

The study also discovered that a number of the wealth professionals interviewed would actively encourage every wealthy family to be philanthropic, with one emphasising his approach to, "see an element of establishing the identity of the family to be philanthropic", and considers this to be a clear, "responsibility for a part of social life and the environment that we live in". Providing further explanation, "some clients would like to be known as a philanthropic family, therefore their identity starts to be built around what they are doing philanthropically, and the family business only becomes the source of funding their philanthropy".

According to the research, it's not always the wealth founder who is the lead with philanthropic giving. Entrepreneurs are often so focused on establishing their business and making it a success they are unable to, "split their attention between thinking business and building a business, and the need to have a philanthropic side as well". The core business takes up all their focus and attention. Therefore, it is often the second or third generation who take up this mantle. Nevertheless, our study also found an increasing number of spouses with, "a very strong

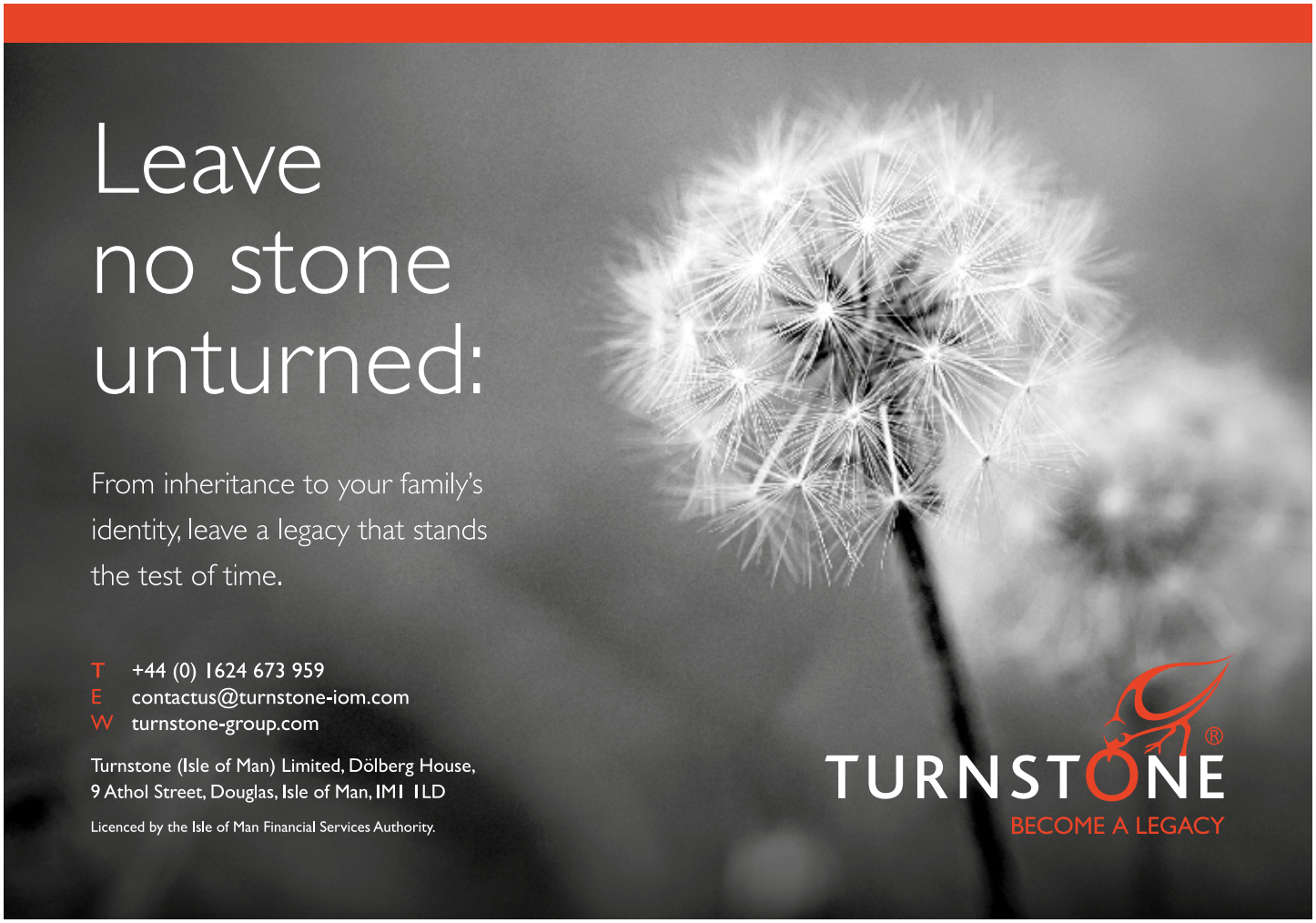
philanthropic inclination", heading up the philanthropic strategy for the family. Whilst the wealth creator is focused on establishing the business and subsequently the wealth, the spouse may concentrate on the philanthropic side, therefore creating the family identity with both elements at its source.

Green and sustainable investing

The study confirmed that philanthropy is not just about giving money. Philanthropists have a desire to make a real difference, to help change lives. It was reported that, for example, many South African private clients choose to become physically involved with identified charities, "to make sure and see where their money is spent, have contact with the individuals that benefit from the money just to get that sense of 'we are changing lives'". "It's not a case of just spoiling people with giving money, they want to get involved physically with the charitable work that they are doing and the philanthropic work that they are doing. The return and how you define return, would be crucial for every family."

Our research discovered that the One World Centre (Isle of Man) is a Manx registered development education charity, whose mission is to educate for a fair and sustainable world for all. It identifies and highlights links between lives in the Island and those of people in developing countries; it raises awareness of global economic, social, political and environmental issues; it challenges stereotypes; and it aims to foster a positive attitude embracing human rights and responsibilities while creating opportunities for people to become active global citizens.

In 2016, the Isle of Man was named a UNESCO World Biosphere Reserve. The community's admirable undertaking to sustainable development and environmental protection was highlighted as an example to all. It is the only entire nation to be awarded such sought after UN status.



2.12 Global Citizen

Key Findings: Global Citizen

- Explosion in growth of global citizens
- Increasing complexity of global citizens
- Global citizens driven by lifestyle rather than tax
- Political safety a key influence
- Proximity to the UK a distinct advantage
- Emotional link with home country important

Research conducted in 2019 concluded that global citizens are a rapidly growing population, with 51% of the world's population identifying as global citizens rather than as citizens of their home countries. More mobile than ever are the HNWs, in search of a favourable climate, economic security, opportunities for good education and international careers.[10] An earlier report suggested the ultra wealthy may also be in search of tax efficiency, ease of travel, an improved standard of living and investment opportunities.[11]

Growth of global citizens

Our study found that the Isle of Man can offer all this and also has a growing population of global citizens, "we have seen a huge explosion in the growth of global citizens", "I have seen year on year an upward trend in the sheer numbers". This is deemed to be because individuals are less likely to think twice about working in a country different from where they were born, or where their family is and for HNWs, they have the resources to facilitate such a mobile lifestyle.
For wealth professionals, our research revealed that this can create an added layer of complexity and more so if the individual's spouse also originates from a different domicile. In acquiring wealth, they have almost as a default, acquired complexity and as a consequence they have a need for advice and solutions. One contributor summarised this, "you don't typically need to be resident in a country which is different to your tax domicile and then have property portfolios in other countries and businesses in other countries without having a complexity associated with all of that".

Driving tax around lifestyle

The findings also revealed a number of drivers of global citizenship and tax efficiency is certainly one of them. However, this is less evident nowadays. One respondent said he tells clients not to "drive your lifestyle around your tax position, drive your tax position around your lifestyle" as alienating "themselves from their friends and family, from their culture, their background, often has a derogatory effect on their happiness". Instead, HNWs are recognising this and now considering how to create flexibility, "they might want to have some tax mitigation by having dual residence or dual nationality, but I think lifestyle issues are still very important".

Political safety

Some private clients identify the need for political safety as being a key influencer for them, they often want the flexibility which they don't feel they have, so they can invest in their children's education for example, by having them educated internationally. "Making sure that they speak a number of different languages, making sure that they are just more knowledgeable about the world than perhaps they were." It is considered a bonus if, with the flexibility they're seeking, there is also an element of tax mitigation and tax efficiency. This can be true of individuals and for businesses. As one professional explained, "there still are lots of places in the world where you may not consider your government system to be particularly reliable, you may regard yourself as being a target if you have created a high degree of wealth and, although you may not have any immediate intentions of going and living elsewhere, and you may have no fiscal requirements to go, actually if it all went wrong you might want to get out of their pretty quick, and that would be a reason to have some of that flexibility".
Isle of Man private wealth professionals were in agreement that very few entrepreneurs only touch one jurisdiction and whilst clients need to be mindful of residency, part of the work they do is to ensure that they're abiding with such requirements, "where they are, how long they've been there for, and are there tax consequences and how are they being dealt with".

[10] The Rise of the Global Citizen, Wealth Matters, April 2019
[11] Global Citizenship and the Ultra Wealthy, WealthX, October 2015

Proximity to the UK

Our findings suggested that quite often, entrepreneurs can be a little bit blasé about it, e.g. "If I was only allowed 90 days in the UK and I spent 100, who's going to know?" If you're high profile and in the public eye, it is unlikely that your actions will go unnoticed. The professionals we interviewed suggested that the Isle of Man's close proximity to the UK offers a distinct advantage here - it is possible, purely from a geographical perspective to "get in and out for the day" and the same language is spoken in both countries, "I would like to think it definitely gives us an advantage." There is also understood to be a perception that those further away jurisdictions, such as Cayman Islands and BVI, now are not seen quite as favourably and may be, "not quite as compliant".

Emotional link

However, the research also found that some individuals are more emotionally linked to their country, therefore choosing to live and invest in their home nation. This was found to be true particularly for German citizens living on the Island, with one example being, "I have these structures, but I pay my taxes in Germany, I want to ensure that they're all paid there". However, for structuring reasons it still makes sense, for example, to have the yacht holding company or the aviation structure in Isle of Man, but they are generally looking to be "very, very correct and linked to their country". On the other hand, some will say they want to get the best deal, to mitigate their maximum tax liabilities and therefore have no allegiance to their country of birth. The latter of which is being increasingly seen.

Connectivity through technology

The study revealed there to be a more international field, which is perhaps natural now people can have a phone that can connect to the world and they can travel globally so quickly and easily, compared to twenty years ago. One professional shared his thoughts, "an entrepreneur's desire to grow will, typically, always outgrow wherever they are. It's just natural. Either they want the sophistication, or they want more. It's just entrepreneurs, which most high-net-worths are, it's just their desire, it's to grow and get bigger, not to sit back on a beach when they have made four million. They want to keep going."



3.1 Coronavirus COVID-19

The background to Coronavirus (COVID-19)

The virus known as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) is responsible for the coronavirus disease (COVID-19), as reported by the World Health Organisation (WHO), which commonly refers to it as "the COVID-19 virus" or "coronavirus disease".[12]

COVID-19 has spread rapidly across the globe; it is now a global pandemic. Confirmed cases of coronavirus were expected to peak internationally during April/May 2020. The global economy is expected to go into severe decline and a deep recession.

Across the world, governments and banks are doing whatever they can to ensure businesses and individuals make it through the pandemic and so are then available to contribute to the recovery process.

Globally, people are thinking hard about how to protect the health and wealth of themselves and their families. This pandemic is a profound concern to all. Companies are reacting to new ways of working, not just to provide business continuity but also to protect their most valuable assets, i.e. their employees and their families.

With this unprecedented situation continuing to develop, Gibson Strategy conducted a survey amongst private wealth service providers in the Isle of Man. This research was to establish how the pandemic was impacting private wealth on the Island. It is clearly recognised that in such fast-developing circumstances, that even by the time this report is produced, the situation, outcomes and outlook may be extremely different from the time of publishing this report.

Isle of Man: Coronavirus (COVID-19) statistics

Our research found that the Isle of Man Government was sharing very comprehensive statistics relating to coronavirus testing and outcomes on its website.[13]

Figure 7: Coronavirus (COVID-19) tests and cases in the Isle of Man

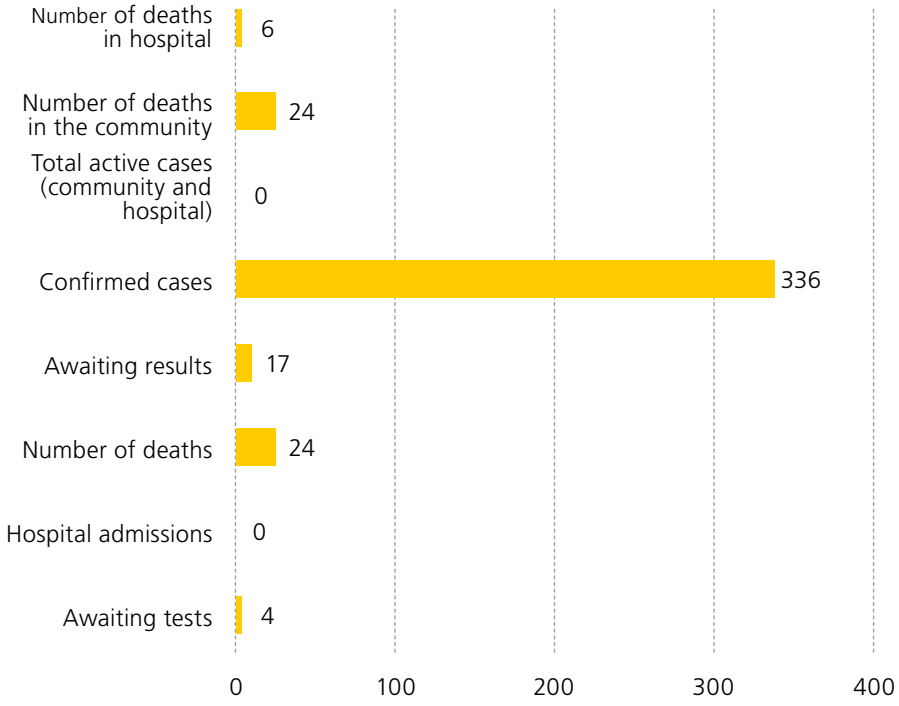
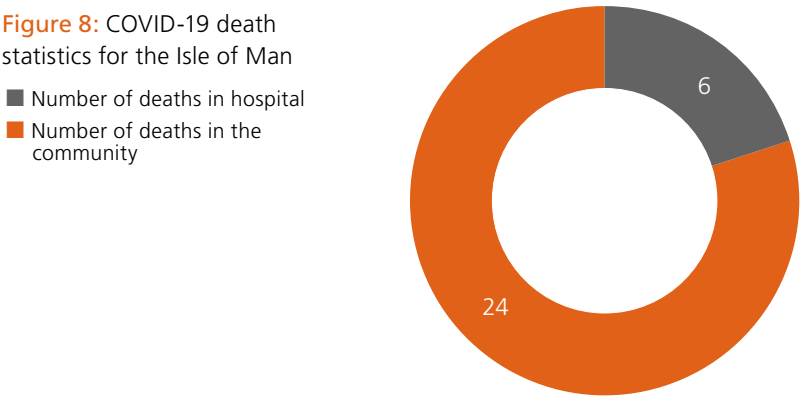


Figure 8: COVID-19 death statistics for the Isle of Man



[12] WHO, Naming the coronavirus disease (COVID-19) and the virus that causes it.
[13] https://covid19.gov.im/general-information/latest-updates/ 12 June 2020

"the first place in the British Isles to drop social distancing"

NB. On 3 May 2020, the Isle of Man Government released its medium-term response to the Coronavirus COVID-19 pandemic in a document titled 'Stay Safe'.[14] This document is a framework for how the Island's Government will approach the easing of restrictions which were put in place to protect life as the pandemic left a path of destruction across the globe.

The framework has been produced and will be reviewed in line with the following principles:

1. Protection of life
2. Maintaining critical national infrastructure
3. Maintaining public safety, confidence and welfare
4. Support a controlled return to normality, balancing social, economic and health impacts.

The Island's famous annual TT Races were cancelled for 2020 due to the coronavirus pandemic; this will undoubtedly have a significant impact on the Island's economy and tourism industry.

However, on 8 May 2020, the Isle of Man Government announced that an additional Bank Holiday will be planned for summer 2020. "The proposed date is being established in recognition of the efforts being made by health and social care staff, key workers and the community while the Island deals with the effects of the coronavirus pandemic."[15]

On 11 June 2020, it was announced that, from Monday 15 June, social distancing rules for the general public would no longer be in force as the Island had had no new cases of COVID-19 for 22 days, deemed as a huge success as the usual maximum incubation period for the coronavirus is 14 days.

"The announcement makes the island the first place in the British Isles to drop social distancing."[16] In the meantime, the Island's borders remain closed.

Business disruption

Has your business been affected by the COVID-19 pandemic?

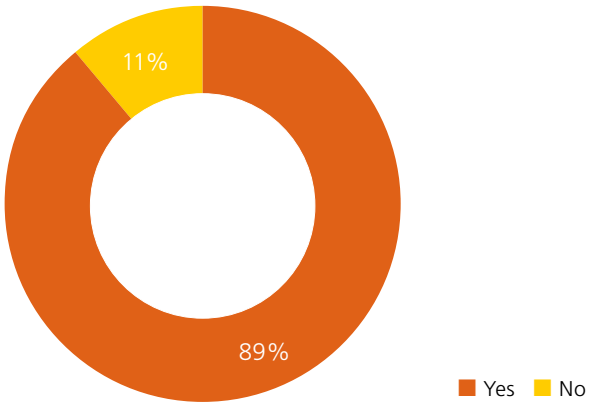


Figure 9: Has your business been affected by the COVID-19 pandemic?

Not surprisingly, 89% of the contributors to our survey indicated that their business had been affected by the COVID-19 pandemic. A small number of respondents shared how the impact has been felt; remote working was the most prevalent comment with "business strictly online", "market movement and volatility effect client portfolios" and, "fees down – work flow up – all work more difficult to do", were other statements made.

For how long might the COVID-19 pandemic affect your business?

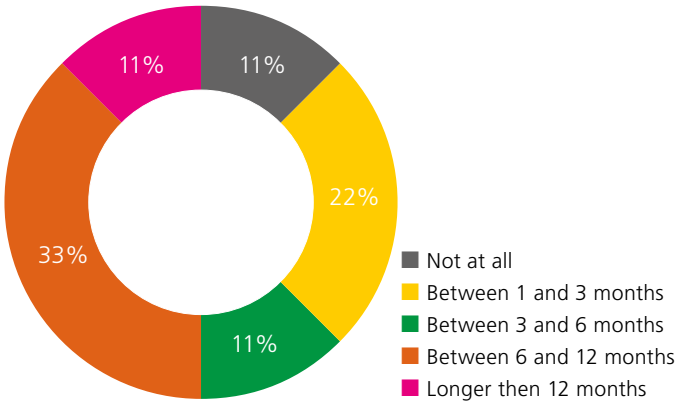
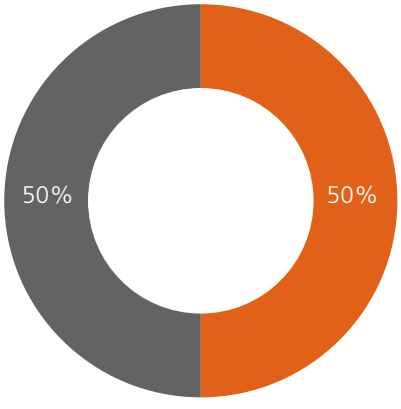


Figure 10: For how long might the COVID-19 pandemic affect your business?

Findings obtained during the survey revealed there to be a wide range of opinions on this, with about a third of respondents expecting business to be affected for between six and 12 months. One wealth professional pointed out that the length of time will be, "dependent upon Government restrictions and WFH guidelines", presumably indicating that until the current restrictions are eased and working from home is no longer compulsory, the impact will be felt.

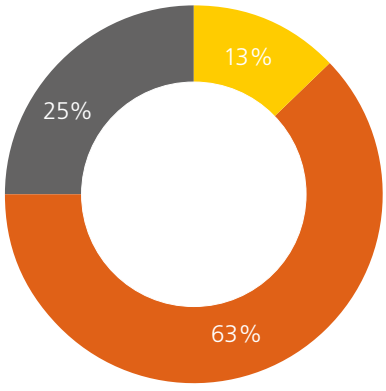
[14] https://covid19.gov.im/media/1198/stay-safe-iom-government-medium-term-response-to-covid-19-cdim.pdf
[15] https://www.gov.im/news/2020/may/08/additional-bank-holiday-will-recognise-islands-community-effort/
[16] https://www.bbc.co.uk/news/world-europe-isle-of-man-53001567

Business continuity plan / Disaster recovery



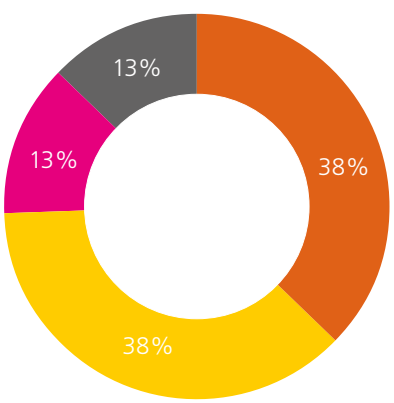
The study discovered that there was an equal share of opinion from the Isle of Man private wealth professionals who contributed. Those who anticipate a change provided examples in keeping with wealth professionals from other Crown dependencies, i.e., a "change [of] processes"; "more will be done online"; and that, "WFH has proved to be successful thus far, we see more flexibility going forward in terms of the actual operation of the office and client meetings. Technology has really come to the fore and proved its worth".

Figure 11: Will the COVID-19 pandemic alter your business objectives and operations in the future?



Findings obtained during the survey research suggest approximately 75% of survey respondents had a business continuity plan (BCP) in place prior to this global crisis; just 13% of these had taken into account the possibility of such a pandemic situation arising.

Figure 12: Did you have a business continuity plan in place prior to this pandemic? If so, did it include the possibility of a pandemic situation?



The findings of the study suggested that business continuity planning, for those who participated at least, has proved somewhat successful for many within the private wealth management sector. Feedback from participants included the following finding for one at least: "VPN[17] systems require faster IT speeds than available at home".

- For up to 1 month
- Between 1 and 3 months
- Between 3 and 6 months
- Longer than 12 month

Figure 13: How effective has your business continuity plan been?

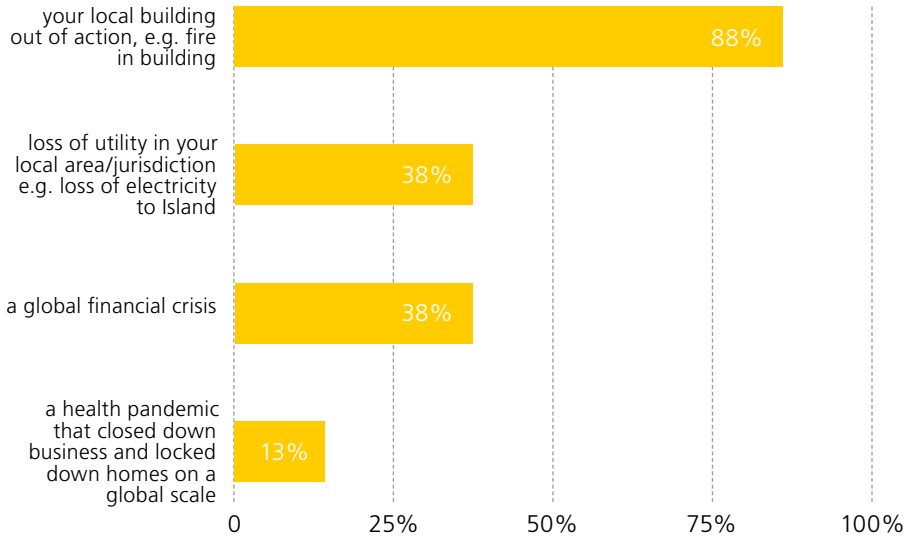


Figure 14: In your business continuity plan did you plan for the effects of the above?

[17] Virtual Private Network (VPN)

Video conferencing

Figure 15

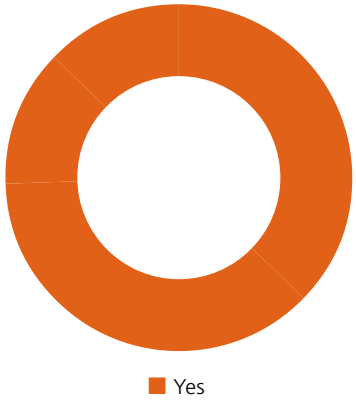


Figure 16

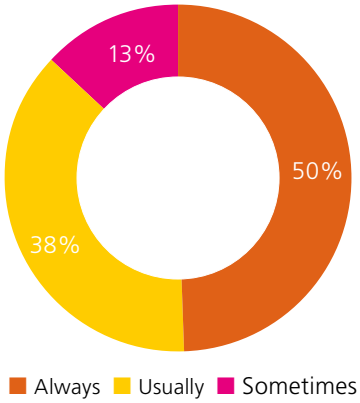


Figure 17

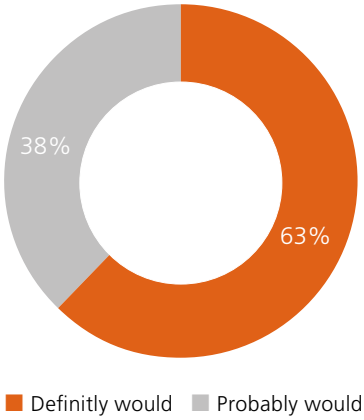


Figure 18

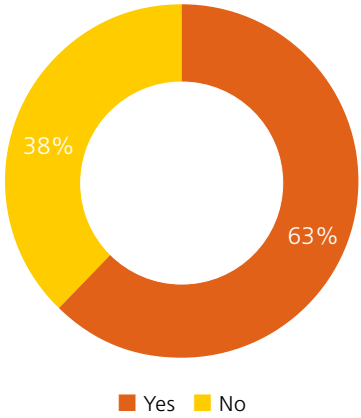


Figure 15: Have you used video conferencing for conducting meetings within the company, e.g. Skype, Zoom, MS Team, Google Hangouts?

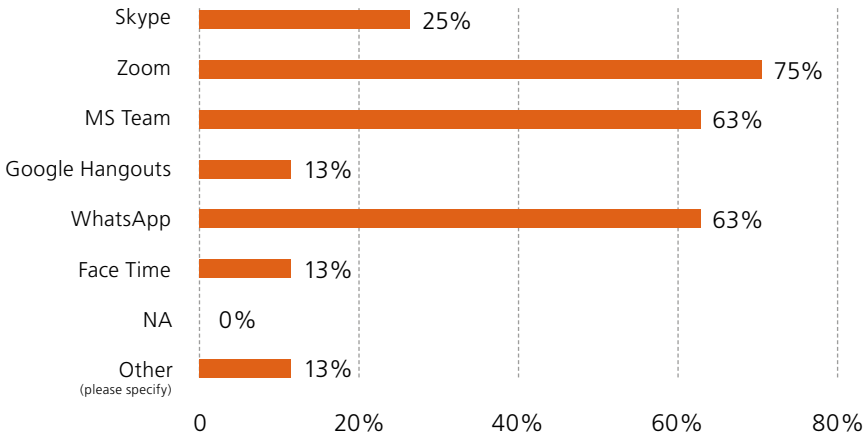
Figure 16: Have you found them effective?

Figure 17: Will you increase the use of them in future?

Figure 18: Have you been contacting clients using video conferencing

The findings of the survey showed that all participants who responded to this question have conducted a variety of meetings using video conferencing; 63% of them with clients. 88% of contributors found this technique to be 'usually' effective (38%), if not 'always' (50%). Interestingly, all the private wealth practitioners indicated they would no doubt use such methods in future.

Figure 19: What video conferencing system/s have you used?



Zoom was used by three quarters of participants; MS Team and WhatsApp were used in seemingly equal amounts. The 'other' system used was "Webex".

The Stock Market and credit facilities

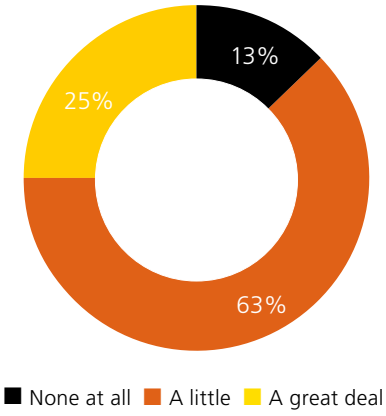


Figure 20: What effect has the stock market collapse had on your company?

25% of respondents to this survey reported a great deal of impact on business by the market crash at present, whilst just short of two thirds (63%) of participants indicated they had been affected "a little".

What are your client's primary concerns post COVID-19?

The study found that clients of the wealth professionals involved were concerned about "survival", though it is not clear whether this is personal or business survival, and that, "uncertainty", and "depression", are prevalent amongst clientele.

Worries relate to the, "length of the recession", the ability to, "reduce impact of financial loss" and also if and when there will be a return to business as usual.

Impact of COVID-19 on private clients

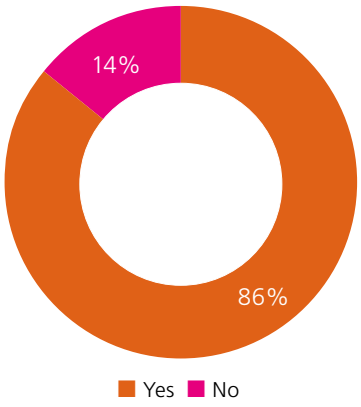


Figure 21: Has the COVID-19 pandemic affected your client/s?

Within this study, Isle of Man wealth professionals indicated that 86% of their clients have been affected by the COVID-19 pandemic and alas, "local clients have been severely affected". One contributor indicated that the impact on their clients has been, "financially, commercially or in very unfortunate cases personally". Clients are reported to be, "worried about the stock markets", and the impact on them financially. It was also noted that, "charities are struggling".

What effect has the stock market collapse had on your client/s?

Respondents to this survey disclosed the impact of losses on their clients which varied from, "little, other than a drop in paper valuations", to, "huge" or "great". One emotion which was evident was that some clients are "nervous".

How have you changed your client relationship management strategy?

Although this research discovered that the majority have not changed their client relationship strategies, some contributors did indicate that they have had increased levels of contact with their clients and their advisors. More contact has been made online due to not being able to meet face-to-face and one practitioner pointed out that there were, "no set times" for contact.

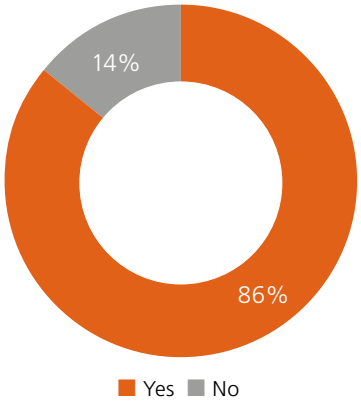


Figure 22: Has the COVID-19 pandemic affected your client/s investment portfolio?

The study also revealed a similar percentage of their clients' investment portfolios have been affected, with decreasing values, the extent of which was noted as being, "-15% to -20%" and similarly, "lost value by 20%".

Post COVID-19 pandemic

On 30 March 2020 the Isle of Man's Treasury Minister announced that, as, "events have happened at a rapid speed", large parts of the Island's domestic economy had been swiftly closed down. This action was to meet the need to save lives and by doing so, protect jobs and the economy, noting that the sooner the virus is suppressed, the sooner, "a controlled return to work" and ability to get the, "economy functioning again". With some countries beginning to think of reducing lockdown restrictions and considering new ways of working, the survey's findings suggest the pandemic may prompt companies to rethink their office space requirements and whether they can be used more efficiently, although other responses suggest that offices continue to be the best place for communicating and meeting with colleagues and clients, as well as promoting company culture.

When the pandemic is over, will this change your previous ways of office working?

One interesting comment was that, "people will be more wary of being stuck in places and more aware of international reports". This is presumably in response to the Island's repatriation scheme put into place as, "up to 190 residents were off island when the Isle of Man closed its borders"[18] on 27 March 2020. As only those showing no symptoms were permitted to return, the repatriation of residents was expected to take between five and eight weeks, with those returning to the Island "escorted to quarantine"[19] for 14 days. The process was reviewed by the Isle of Man Government on 7 May 2020, with an update to be provided on 11 May 2020.

What aspect of your corporate culture do you think may change post COVID-19?

In response to how corporate culture may change post COVID-19, our survey found that several wealth service providers have reflected on their approach to staff; "more staff focus"; "greater flexibility in working hours" and interestingly, that "social events [are] needed". Whilst "fewer meetings" was also mentioned, one respondent added, "possibly more conferencing but people working together. Remote working is good as an option and part of the mix but not necessarily appropriate or effective in the medium to longer term".

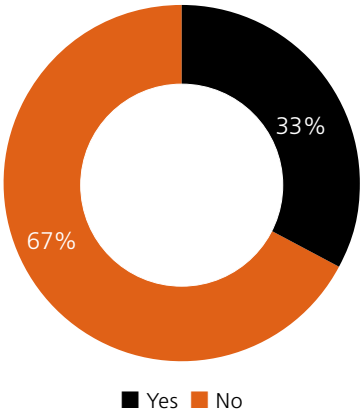
What would you do differently in a pandemic, should it happen again?

We must all fervently hope that there is no repetition of the global crisis COVID-19 has, and continues to cause, or that an easing of current restrictions does not result in a second wave or additional peak in cases. While a small portion of contributors said they would do, "nothing", differently, or, "it's been fine", the general consensus of responses focused on technology, i.e., "have electronic signature systems in place"; "make sure all staff have laptops beforehand". Other feedback was to have, "more government interaction" and to, "ensure more frequent trips to see people more frequently" – this could be interpreted as a personal reflection or a professional one.

What have you learnt from the COVID-19 pandemic?

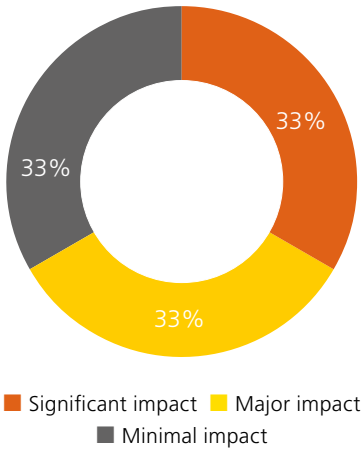
The survey's findings clearly show there have been areas of learning in recent weeks, for example, "we can work from home", or reminders that we should, "expect the unexpected". There were comments related to other strengths too, "how the Island pulls together", and, "that the IOM is a highly resilient jurisdiction". One participant noted that, "politics is a huge barrier to appropriate action and authorities are bafflingly stupid and resistant to heeding warning signs e.g. Spain and Italy."

Figure 23: When the pandemic is over, will this change your previous ways of office working?



All the survey's contributors expect COVID-19 to have an impact on future business, although opinion of the significance varied equally; a third of respondents expect it to have a significant, major or minor impact.

Figure 24: What impact do you envisage it having on your future business?



The study found that a significant 67% of service providers believe that this coronavirus will not result in changes to how they work in future. Those, who do believe they may see changes in practice going forward, suggested a potential for, "more home working"; "more online" and, "more streamlined processes".

[18] BBC, Coronavirus: Repatriation plans for stranded Manx residents revealed, 6 April 2020
[19] Isle of Man Repatriation, Isle of Man Government

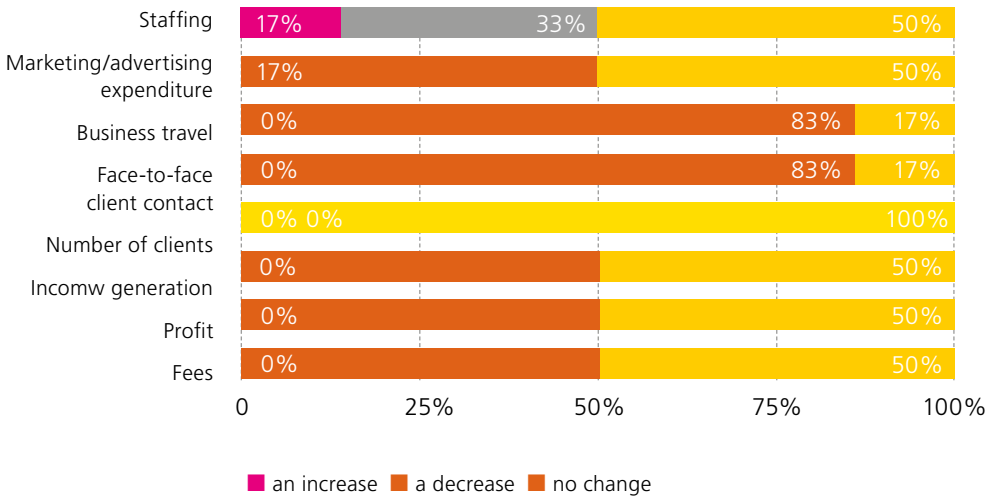
"The collapse is a short-term measure and is likely to reverse"

COVID-19 will affect a number of aspects of business

The findings of our survey identified that Isle of Man wealth professionals expect the following areas to be impacted, portrayed further in Figure 31:

- Staffing levels is the only suggested criteria where there is expected to be an increase. However, despite 17% of respondents anticipating a rise in staffing, 33% expect to see a fall in the number of employees; 50% do not envisage there to be any change.
- Opinion on whether there would be a likely change on marketing or advertising expenditure was split equally between a decrease or no change.
- 83% of Isle of Man wealth professionals expect to see both a reduction in business travel and, presumably therefore, in face-to-face client contact.
- The number of clients is unanimously anticipated to remain the same.
- Again, there was an equal number of respondents either predicting a fall in income generation, profit and fees or no change likely to be evident

Figure 25: How will COVID-19 affect:



Conclusion

The impact of coronavirus COVID-19, whilst sudden and unprecedented, has shown that the Isle of Man's private wealth professionals and businesses are resilient, adaptable and were generally well prepared. As a consequence, the Island's private wealth sector and its private clients will hopefully successfully emerge from this pandemic on a positive path.



3.2 Isle of Man Private Wealth - The Future

Key Findings: Isle of Man Private Wealth - The Future

- Still concern and uncertainty over Brexit
- Geopolitics never more interesting
- Strong regulation is positive but also a burden for service providers
- Political and economic stability of the jurisdiction is crucial for the successful future
- Further consolidation of the private wealth service providers

Brexit

The research found that respondents were still concerned with Brexit following evidence of businesses pulling out of the UK, or stalling investments because of the uncertainty. It is not a healthy environment either for corporations or for individuals.

The study revealed that for high-net-worth investors, Brexit is going to be high on their list of things to worry about, not necessarily Brexit in itself but the uncertainty of what it actually means to the future of the Isle of Man.

Geopolitics

The research found that geopolitics has never been more interesting, or frightening, depending on your viewpoint. It is a fact of life that geopolitics is never going to be calm, ever again. There are just so many things that are now interconnected and interwoven. As explained by one respondent, "In Italy, you suddenly have the Five Star Movement and Northern League suddenly sweeping into power, managing to form a coalition, beyond anybody's expectations". That kind of interconnectivity didn't exist,



not to the extent that it exists, just ten years ago. You have got a ripple effect, all over the place.
Geopolitics is going to continue to be a thing that causes strife, concern and worry, all of the time. The Eurozone itself is under an existential threat.

Regulation

The research found that the strong regulation in the Isle of Man is a great promotional tool, however the high infrastructure costs to run a small business, with MROs, deputy MROs, compliance officers and a CRS is sometimes a burden. Respondents shared that the amount of data that has to be collected and stored is astonishing.
The research found that regulation is also a burden because in a competing world, fees are always discussed. Costs are being driven down; it is a fine balance between being able to provide a great service and ensuring the cost is right.
"Finding that balance in an environment where you are just asked to do more and more, from the regulator, from the HMRC, IRS – you are reporting to them. Regulation is everywhere. It's great, but it's a big challenge to find that balance."

Stability

The research found that the stability of the Isle of Man as an international finance centre is crucial and a key success factor in attracting not only private clients but also international business. The study further found that the government is entrepreneurial in its thinking, where decisions they are making are not party politics but rather what is good for the jurisdiction. Due to this, the Isle of Man will be successful in attracting more wealthy individuals.
The research highlighted that the Isle of Man offers a down to earth lifestyle for ultra wealthy individuals. The Island will see growth of wealthy families with £20-£50 million.

Compliance

The research found that compliance work, particularly around identifying clients' source of funds is an ongoing issue. The world is more mobile, and makes it more difficult, because it's just a bigger footprint.
The study found that the challenge for smaller firms, when competing with the larger firms, is that within a small firm, there may be no real dedicated salesperson; one professional may be "doing a bit of everything, whether that is [a] director... It's just the challenge of managing the growth at a steady pace."

History of private wealth

The research found that private clients are attracted to the history of wealth management for individuals and families within the Isle of Man, which goes back decades, if not centuries. Compared to Mauritius and Cyprus, the Isle of Man has, to a certain extent, an attitude and a perception of what private wealth needs, other jurisdictions do not.
The lack of double taxation agreements is an incredible advantage because it means the focus can be on private wealth rather than creating corporate wealth.

Ageing population

The research found that the biggest challenge for the Island in the future is the ageing population and the fact that this is accelerating. Tax receipts are going to be fewer and the Isle of Man may well be forced into a position where "they are left with a bit of a 'Hobson's choice' because they can't put up taxes, as that's the very thing that they are using to bring people in."

The study highlighted the need to find more tax receipts from somewhere else such as an extended way to encourage people to stay on the Island, paying less tax and also encouraging international investment.

Consolidation

The research suggests that there will be further consolidation on the Island, already in the fiduciary, banking and investment management sectors due to the ever more stringent compliance needs. Small companies can not afford large compliance teams and so mergers and consolidation will be a challenge in the future.

E-gaming

The findings reveal that the e-gaming sector will continue to grow and employ vast quantities of people, attracting staff from the traditional financial services sectors. Challenges will be for the top four accountants to retain their graduates whose training they have paid for. However, it will be difficult to stop the e-gaming companies recruiting from on-island firms. The e-gaming employees are a huge asset for the Isle of Man economy, due to their spending in the service industries and restaurants; their investment in commercial use of office space and their boost to the residential rentals market. This trend is likely to continue over the next few years.

E-sport

The research found that e-sport, which has grown immensely in America and the Far East, is another initiative that interests local entrepreneurs. Stadiums are full with 100,000 people watching somebody on a video game, as one respondent stated, "it is quite bizarre, but we are just having a little look at that area as well to see if there are any opportunities".

Blockchain technology

The research study found that blockchain technology itself has been utilised for other financial services. The banking sector in Singapore is now using blockchain technology for AML verification.

"The Isle of Man is a well-respected digital jurisdiction with a robust infrastructure. The agility and versatility of the Government means Isle of Man is a fast follower, incorporating successful approaches and regulations in line with business needs. Blockchain Isle of Man has been established to support and guide high quality businesses through current and future regulatory landscapes, focused on expert-led assistance from day one. Through Blockchain Isle of Man, we provide access to resources that help build successful and sustainable businesses by reducing time to regulation and increasing speed to value."

Even though cryptocurrencies have had a checkered past, the findings of the study revealed that there is significant local interest in blockchain as the underlying technology to cryptocurrencies.

High tech manufacturing

The research uncovered that there is growth in high tech manufacturing which comes under the Isle of Man's business agency. Businesses have taken up office space and the Isle of Man has capacity at its technology park near the airport.

Below the parapet

The research found that the Isle of Man will continue to soldier on, keep its head down below the parapet; it doesn't advertise often as it doesn't want to be seen in the UK to be too overtly marketing and too obvious a target. There is enormous potential and the Isle of Man will be marketing itself in the future in order to gain a greater share of the global private wealth market.

The study found that a number of high net worths get involved in the local market; they have the ability to change whole markets, they bring in facilities whether they are leisure, whether they're developments for offices, whether it's residential. The private sector individuals can change things dramatically.


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Appendix I: About the Author



Dr Stuart Gibson, PhD MSc DipM FCIM FCMI F IDM, is an expert in private research, education, and business and marketing strategy within the Private Wealth sector.

His firm, Gibson Strategy, is a research, education and consultancy business that specialises in Private Wealth, globally.

Gibson Strategy is privileged to have a unique, independent, panoptic insight across Private Wealth due to unfettered access to both a network of service providers and Private Clients worldwide.

For over 13 years Gibson Strategy has undertaken in-depth research into the private client, private banking and wealth management industry by interviewing HNWs, UHNWs, entrepreneurs, family businesses, family offices, wealth managers, private banks, asset managers, fiduciary firms, insurance firms, legal firms and other wealth management service providers.

Previously Dr Gibson spent over 35 years collaborating with global financial organisations in Europe, Middle East, Asia, Africa and USA. After several years working in the Middle East, he moved to Jersey in 1998 and started working for Mourant Ozannes, followed by over 10 years with South African banking group FirstRand (Ashburton Investments, FNB Private Wealth and RMB Private Bank). He founded his research and business consulting firm Gibson Strategy in 2011, focusing on the private client and wealth management industry.

Dr Stuart Gibson holds a PhD in Private Banking and Wealth Management and an MSc and Postgraduate Diploma in Marketing. He is a Fellow of The Chartered Institute of Marketing (FCIM), a Fellow of the Chartered Management Institute (FCMI) and a Fellow of The Institute of Direct and Digital Marketing (F IDM).

Dr Gibson has also been a Visiting University Lecturer, served as a Parent Governor at Victoria College Jersey for three years and is currently a Governor of the Jersey Brain Tumour Charity.

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Appendix II: Research Methodology

Research Methodology

This research study employed both qualitative and qualitative research.

The majority of the report findings used qualitative research, which was framed within an interpretive phenomenological analysis, using face-to-face in-depth interviews with 16 private clients and 25 private wealth professionals based in the Isle of Man.

Further analysis and findings utilised quantitative research from an online survey: Coronavirus COVID-19 Questionnaire: independent piece of primary research by Gibson Strategy.

The research population for main qualitative research

Private clients and family offices

16 Isle of Man private clients were interviewed, including high net worth (HNW) individuals and families, ultra high net worth (UHNW) individuals and families, high-value residents (HVRs) and family offices. The research population included a cross section of the Isle of Man's wealthy individuals.

Private wealth professionals

25 private wealth professionals were interviewed across a range of private wealth categories. Participants below:

Private wealth service provider participants included:

Black Grace Cowley
Blythe Financial
Boston Multi Family Office
Browne Craine
Capital International
Cayman National Bank
Chrystals
Coutts
Dohle Corporate and Trust
Equilibrium Pensions
Equiom
FIM Capital
Finance Isle of Man
FIOS
ICM Wealth
ILS World
Knox House Trust
Locate Isle of Man
Martyn Fiddler Aviation
Moore Stephens
Old Mutual International
Optimus
Prospect Capital
Rossborough
Turnstone

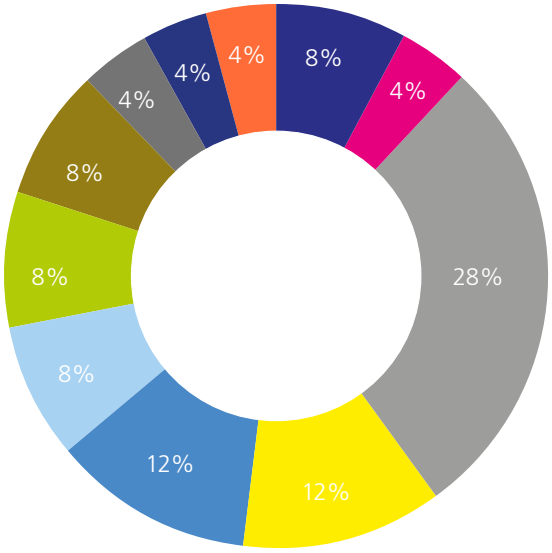


Figure 26: Split of private wealth professionals in research study

Real Estate
Investments
Aviation
IFA
Bank
Lending
Trust
Pensions
Insurance
Accountancy/Tax
Government

Appendix III: Sponsors

financeisleofman.com

ils.world

www.quilterinternational.com

rossborough.co.uk

prospect-capital.co.uk

turnstone-group.com

Appendix IV: Isle of Man - Useful Websites

Isle of Man Government
gov.im

Isle of Man Financial Services Authority
iomfsa.im

Finance Isle of Man
financeisleofman.com

Locate Isle of Man
locate.im

Isle of Man Aircraft Registry
iomaircraftregistry.com

Isle of Man Ship Registry
iomshipregistry.com

Isle of Man Chamber of Commerce
iomchamber.org.im

Manx Insurance Association
mia.org.im

The Association of Corporate Service Providers Isle of Man
acsp.co.im

The Isle of Man Law Society
iomlawsociety.co.im

Isle of Man Bankers Association
iomba.org.im

Isle of Man Wealth and Funds
iomfunds.com

The International Stock Exchange
tisegroup.com

Institute of Directors Isle of Man
iod.com/events-community/regions/isle-of-man

Chartered Institute of Marketing
cim.co.uk

Gibson Strategy
gibsonstrategy.com

Appendix V: Disclaimer

This document has been prepared by Gibson Strategy Limited.

A number of private clients and private wealth professionals in the Isle of Man were interviewed to explore various aspects of the private wealth sector in the Isle of Man. Gibson Strategy Limited has conducted extensive modelling and analysis of the findings in order to produce this report. The information and data included is Gibson Strategy Limited's proprietary data and analytics structures and are non-commercial in nature and specifically non-attributable regarding the identity of any underlying individual or service provider.

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First published in 2020 by Gibson Strategy Limited
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