

# Shore to Shore

CAYMAN ISLANDS | ISLE OF MAN

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## Isle of Man Fund Sector Set to Become Third Leg for Booming Economy

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

The Review generated a report which announced a number of recommendations for the future of the Island's funds sector. These

recommendations include an investment of over £500,000 from the Marketing Initiative Fund, the introduction of a new more flexible funds package to attract City based fund managers, and changes to the current investment business licensing system.

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

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

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

Outcomes are expected to include an increased tax contribution from the funds industry, a cohesive, consistent and well-resourced marketing

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Groundbreaking report heralds dynamic future for Island's fund sector...

# Banking Services Offered in the Isle of Man

In the increasingly challenging world of offshore financial services, we believe that international clients and their professional advisers are looking for a stable, secure environment in which to transact their business.

As an established jurisdiction for international financial services, with an enviable regulatory reputation and fiscal environment, we believe that the Isle of Man offers an attractive location for such clients and their advisers, whatever the nature and scope of their offshore business requirements.

We also believe that most clients and professional intermediaries would prefer to deal with a bank which understands the nuances and complexities of providing banking services to fiduciary structures and their underlying owners and beneficiaries.

Established in 1985, Cayman National Bank and Trust Company (Isle of Man) Limited has over 20 years experience of providing bespoke banking solutions to our own in-house managed fiduciary clients, and to external private and corporate clients.

As a full banking licence holder, regulated by the Isle of Man Financial Supervision Commission, we provide a wide range of banking services to our corporate and private clients, and to professional intermediaries and their clients, both on the Isle of Man and beyond.

At Cayman National, we understand that banking is about relationships. We know that our clients have differing circumstances, needs and expectations and we tailor our services accordingly.

We offer an attentive and responsive style of service that is increasingly difficult to obtain from larger, often

impersonal, financial institutions. Professional intermediaries and their clients can rely on us for scrupulous attention to detail and total discretion, and the ability to provide innovative and effective solutions to their, often complex, banking requirements.

In our view, the tick-box “one size fits all” approach to banking which is increasingly favoured by many of the larger institutions is anathema to the offshore world, which demands more flexible, adaptable and pro-active solutions.

We therefore aim to offer a high quality and responsive, yet very personal, service, aimed at both professional intermediaries and private clients, which will enable our clients to take advantage of traditional banking service and values.

Banking as it used to be, before the days of impersonal call centres and internet banking, when you were able to speak directly with a senior manager who understood the nature of your business and was able to offer the bespoke solutions and structures that you needed to obtain.

So, whether you are looking for multi-currency deposit facilities, international payment solutions, bespoke lending structures or swift and efficient foreign exchange dealing, we believe that you need look no further than Cayman National in the Isle of Man.

Our senior management team each have over 20 years banking experience, and would be delighted to talk you about your requirements, whatever they are and no matter how complex or unusual they may appear to be. For more information please contact: Ian Bancroft at [ian.bancroft@cnciom.com](mailto:ian.bancroft@cnciom.com); Barry Williams at [barry.williams@cnciom.com](mailto:barry.williams@cnciom.com) or Sheena Laing at [sheena.laing@cnciom.com](mailto:sheena.laing@cnciom.com)



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programme, and the attraction of specific functions of alternative fund management to the Island, which will bring high value jobs consistent with the Government's economic strategy.

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

Cayman National is ideally positioned to provide a comprehensive fund administration solution encompassing banking services and middle office requirements as required, from both the Isle of Man and Cayman Islands.

For more information contact Tony Edmonds at [tony.edmonds@cnciom.com](mailto:tony.edmonds@cnciom.com) or Chris Lumsden at [chris.lumsden@cnifs.com](mailto:chris.lumsden@cnifs.com).

In order to service our existing Latin American client base and market to the region, Panama is the ideal location.



## Cayman National Coming to Panama

*Subject to Regulatory Approval by the Superintendence of Banks, Cayman National will be established as a regulated entity within Panama shortly. We have already identified and furnished our offices in Panama City and a number of our Directors recently visited these new premises.*

Why would Cayman National be looking to establish offices in Panama at this time? In order to service our existing Latin American client base and market to the region, Panama is the ideal location. Situated between Colombia and Costa Rica, with a population of 3.2 million and a land area of 76,000 sq km, Panama was part of Colombia until the US helped it to become an independent country alongside construction of the famous canal in 1903. As of the end of 1999, the canal and all its US facilities and bases reverted to Panama, creating a major economic opportunity for the country. The official language is Spanish, but English is understood in business circles. Panama has become the hub for Copa Airlines providing easy access throughout the region.

In addition Panama has built a reputation as a jurisdiction well versed in establishing structures to meet the needs of the Latin American client base. With Foundations and Corporations looking for International Private Banking and Asset Management solutions, we believe Cayman National is well positioned to offer these services and develop relationships with Fiduciaries and lawyers within Panama.

The Panamanian economy is strong and GDP grew 8.1% in real terms during 2006. The driving forces behind this growth have been construction, internal demand and consumption of consumer goods, and the export of goods and services. Areas that are expanding and are likely to continue to fuel the expansion in the near term are:

- The project for the expansion and modernization of the Panama Canal will add new demand for investment in the economy. US\$ 5.2 billion project.
- The overall economic growth in Latin America bodes well for the Colon Free Trade Zone, which is dependent on the transfer of goods from the Far East to markets in Central and South America.
- Ports on both sides of the Canal are expanding to handle the increased trade being brought to and through the Canal and the Free Zone. The larger container ships are finding Panama a useful waypoint for dropping off containers for consolidation and re-routing to regional destinations. New port projects will begin construction this year.
- This will in turn, continue to fuel the growth in office and housing construction, as more people and business arrive to work on Canal and port expansions.
- Part of this sector's boom is fuelled by increasing interest in Panama as a retirement home for US and Canadian baby boomers that are coming down in increasing numbers. Their arrival is also creating a growing demand for US-style services, including restaurants, shopping malls, consumer goods, as well as medical and hospital services.
- Tourism is growing rapidly, taking the hotel industry along with it. Panama City high-end hotels are frequently at 100% occupancy. Ecotourism projects are on the rise, as are the number of cruise ships stopping in Panama each year.

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We see Panama as an ideal location to expand our operations. As a gateway to Latin America it provides a more convenient location to meet our clients within the region. Our Representation License will allow us to service our Latin American clients more effectively, as well as open new opportunities for our Cayman and Isle of Man Offices from within Panama.

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Panama has a tax system that is based on the territorial principle of taxation. This principle that Panama has embraced means that only Panama-sourced income is taxed. An entity or an individual which has its activities or assets outside of Panama will automatically escape taxation. There are more than 300,000 corporate entities in Panama, of which the majority operates 'offshore'.

## **Panama: An International Banking Centre**

Today there are 50 banks with a general license to do banking business inside Panama and abroad, 20 with an international license that do business outside Panama and 10 with a license of representation that can represent but cannot do business in the country.

With financial assets of US\$39 billion, the banking sector does business with the whole world, and primarily with Latin America. Regional and sub-regional offices make diverse transactions with depositors and borrowers from the majority of the countries of Latin America and the Caribbean.

Within Cayman National we see Panama as an ideal location to expand our operations. As a gateway to Latin America it provides a more convenient location to meet our clients within the region. Our Representation License will allow us to service our Latin American clients more effectively, as well as open new opportunities for our Cayman and Isle of Man offices from within Panama.

If you would like more information about our offices in Panama, please contact Carlos Guzman at [carlos.guzman@cnifs.com](mailto:carlos.guzman@cnifs.com) or Ian Phillips at [ian.phillips@cnifs.com](mailto:ian.phillips@cnifs.com).



# The Changing Shape of Trusts in Europe

The discretionary trust is a long established facet of English law, having been developed since the time of the Crusades. However, trust legislation is almost unique to the common law jurisdictions, whilst those countries operating under civil law have struggled to understand this concept; such jurisdictions finding alien the concept of there being potentially both a legal and beneficial interest in the same property.

Accordingly, fiduciaries in civil law centres have tended to focus on the Foundation, developed originally in Liechtenstein in 1926 and given more recent impetus with the introduction of the Panamanian Foundation in the 1980s. Nowadays, Switzerland, Austria, Malta, Cyprus and many Caribbean centres have introduced foundation legislation, and even common law jurisdictions such as the Isle of Man are getting in on the act.

Just as foundations are increasingly used in the common law jurisdictions, so the landscape for trusts in Europe is shifting. Switzerland has now followed in the footsteps of Luxembourg and Lichtenstein, and has ratified the Hague Trust Convention, which came into effect on 1 July. Although trusts were already broadly recognized under Swiss law, adoption of the Convention offers greater certainty both to professionals and to their clients. Given this change in Swiss legislation we expect to see a growth in trusts administered from Switzerland, albeit the proper law of the trust will likely continue to be elsewhere. Unlike its near competitors in the Channel Islands, the Isle of Man is a common law jurisdiction with deeply

embedded case law and precedent. Coupled with judgements such as *re Heginbotham*, the Island is ideally placed as the situs for such trusts.

France is another jurisdiction which has struggled with the trust concept. The recently introduced Fiducie Act, whilst by nature a contract rather than a trust, represents a step in this direction. The Fiducie is a transaction wherein a settlor transfers property of some kind (real or intangible) to a fiduciary who, whilst keeping such assets separate from their own estate, will act for the benefit of one or several beneficiaries in the furtherance of a specified purpose. The Fiducie creates a separate interest which, in the appropriate circumstances, is separate from the settlor's estate and protected from his creditors. However, the use of the Fiducie is limited in that individuals may not use the structure to avoid France's forced heirship rules, in which instances a traditional Anglo-Saxon trust structure might be more suitable.

For more information on the use of trusts or foundations please contact Ian Phillips at [ian.phillips@cnifs.com](mailto:ian.phillips@cnifs.com); Ian Bancroft at [ian.bancroft@cnciom.com](mailto:ian.bancroft@cnciom.com); or Roz Whorms at [roz.whorms@cnciom.com](mailto:roz.whorms@cnciom.com).

## Further Expansion

In March 2007 Cayman National Bank and Trust Company (Isle of Man) Limited acquired the business of specialist corporate service provider Highgate Consultants and the staff of Highgate joined Cayman National's fiduciary services.

Cayman National and Highgate share a common belief in delivering a high quality, personalised service. The staff of Highgate bring with them a wealth of experience in corporate administration and accounting and they are a valuable addition to our team.



(l to r) Ian Bancroft, Managing Director; Nick Smith, Highgate Consultants; Roz Whorms, Head of Fiduciary Services

The mission of Cayman National is to become a leading internationally accepted financial services group offering world class products and services to satisfy all of its customers, locally and internationally.



## Cayman National Enters Joint Venture with Aon

*Cayman National is proud to be working in partnership with one of the world's leading insurance groups. Aon Cayman National Insurance Brokers Ltd. officially launched their joint venture and new premises at a cocktail evening in May, welcoming all to the start of what is anticipated to be an entity that not only brings success to the newly developed company, but to Cayman National as a whole.*

Operating under the umbrella of the Cayman National Corporation, Cayman National Insurance Brokers Ltd. has been an independent insurance intermediary representing clients in the Cayman Islands in obtaining insurance coverage for a wide variety of risks. However, the organisation is not one for standing still. Indeed, the mission of Cayman National is to become a leading internationally accepted financial services group offering world class products and services to satisfy all of its customers, locally and internationally. Bearing this in mind, joining forces with one of the world's largest insurance and reinsurance brokerage entities would seem like a good move.

Headquartered in Chicago, Aon Corporation is a leading provider of risk management services, insurance and reinsurance brokerage, human capital and management consulting, and specialty insurance underwriting. It has an employee base of 43,000 people working in 500 offices in more than 120 countries, and therefore prides itself in its ability to anticipate how changes in one sector can impact another, providing its customers with a fully integrated service while leveraging expertise from around the world.

At the launch of the entity's new offices in Buckingham Square on West Bay Road, Daniel MacLean, Managing Director with Aon Insurance Managers (Cayman) Ltd. spoke from his organisation's perspective of the joint venture, "We are really excited to be able to bring the strength of one of the world's largest insurance brokers to Cayman. We are fortunate to have found many synergies between the two organisations."

Whilst Aon has operated in Cayman for many years as a leading captive insurance manager, it has never owned a retail brokerage presence in Cayman prior to this latest venture, preferring instead historically to use the services of Cayman National Insurance Brokers as its local correspondent.

Mary Mellin currently heads up the new Joint Venture and has been a stalwart of Cayman's insurance industry, and of Cayman National, having first joined the company in 1979. She has been the acting President of Cayman National Insurance Brokers for the last two years.

Mary says although the organisation is still relatively small (three staff plus herself), there are plans in the pipeline for growth into a substantial team, hence the large premises.

Stuart Dack describes the importance of the joint venture for Cayman National, "The opportunity for us and the Cayman Islands as a whole is considerable. We now have unlimited resources available to us and will therefore be able to combine the best in local knowledge with tremendous international resources."



*Photos: Left: The new offices for Aon/Cayman National, located in Buckingham Square, Grand Cayman. Top Right: (l to r) Clarence Flowers, Director; Stuart Dack, Director; Mary Mellin, Acting President; Dan MacLean, Director; Robert Inksater, Director--All of Aon Cayman National Insurance Brokers Ltd.*

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