

Shore to Shore

CAYMAN ISLANDS | ISLE OF MAN
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Cayman National: Strength, Stability and Security



**CAYMAN
NATIONAL**

Over more than 30 years Cayman National has evolved into the largest Financial Services Group headquartered in the Cayman Islands. On 28th January 1974 Cayman National Bank and Trust Co. Ltd., opened its doors to the public. In 1976, due to extraordinary growth in the company, a corporate reorganisation took place and Cayman National Trust Co Ltd and Cayman National Securities Ltd were formed to carry on Trust and Company Administration and stock broking business respectively. 1985 saw the establishment of a new member of the Cayman National Corporation family based in the Isle of Man, namely, Caymanx Trust Co. Ltd. Caymanx became the Group's first venture overseas, and to this day, the subsidiary provides a full range of banking, trustee services, corporate management and associated administration services.

In 2006 Caymanx changed its name to Cayman National Bank and Trust Company (Isle of Man) Limited, bringing all of the family of Cayman National companies under the same name.

New Horizons

Having become the leading retail bank in the Cayman Islands the focus is to complement this by expanding our global presence and developing our existing Fiduciary, Fund Administration and Investment Services in the Cayman Islands and the Isle of Man. Through our regular quarterly newsletters we will inform you of our future progress, what we can do for you and let you know any interesting developments in international planning.

We are currently in the process of expanding our locations and updates will be provided in future editions. We hope you find the newsletter of interest and should you have any comments please let us know at info@CNIFS.com

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Cayman National Building, located in the Cayman Islands.

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A New Direction for Fund Administration

Approaching the end of 2005, the Cayman National Board made two strategic decisions to significantly enhance the ability to provide a first class fund administration offering. Firstly the board agreed to establish a Fund Administration capability in the Isle of Man and secondly to invest in state of the art software to produce NAV's and build the staff complement within the Cayman Office. These decisions were predicated by three major factors :

- The recognition that, in the aftermath of Hurricane Ivan which devastated the Cayman Islands in September 2004, the ability to offer a robust and well-established business continuity capability to ensure the ongoing provision of a quality administration service to clients would improve our service proposition and give the Group a competitive advantage in this area, and;
- To be able to participate more fully in the Cayman Fund industry and diversify to the Isle of Man market thereby providing administration services in the Americas and European time zones
- To complement the excellent existing Isle of Man Fiduciary and Banking proposition.

Subsequently, Cayman National Fund Services (Isle of Man) Limited was incorporated, and a licence to conduct investment business obtained from the Isle of Man Financial Supervision Commission. Recruitment of high calibre personnel is a key component of Cayman National's strategy and great emphasis was placed on the relevant experience and qualifications of the staff in both locations. The Isle of Man team has quickly developed a strong rapport with Cayman-based colleagues and cross-training has taken place to facilitate maintenance of a seamless quality service in the event of a disruption to business in either jurisdiction.

This servicing ability is supplemented by the implementation of bespoke industry-standard fund administration software. Both jurisdictions employ the same systems and platform, further simplifying back-up and business continuity planning.

Cayman National Fund Services (Isle of Man) Limited was launched at the end of April 2006 with a splendid launch dinner attended by Group Board members, local dignitaries, Government officials and many clients, intermediaries and friends of Cayman National.



The fund business in Isle of Man has already established a number of good client relationships and within Cayman the growth within the Fund Administration business has been dramatic. Overall assets under administration are growing rapidly, now exceeding \$5 Billion across the Group. The Group is well-positioned to offer a comprehensive fund administration service across two timezones, together with a "one-stop" solution to clients seeking fund administration, banking and custody services. The addition of a fund administration capability to the Isle of Man's existing banking and fiduciary teams now means that Cayman National can offer a comprehensive, professional and integrated service to small and mid-size family offices on both sides of the Atlantic.

Isle of Man aiming for AUA of \$100 Billion

Funds under administration in the Isle of Man now stand at US \$42 Billion, up from US \$9.8 Billion in 2003, and forecasts for the next 2 years are equally encouraging. The Island is now well on its way to achieving the industry's target of US \$100 Billion of funds under administration by 2010.

This excellent performance has been achieved due to several factors, including the comprehensive reform of the Island's fiscal, regulatory and legislative structures. The Isle of Man has a Triple 'A' sovereign rating from Standard & Poor and Moody's and has recently been affirmed by the IMF as an offshore Finance Centre of Excellence.

Around 80% of all offshore fund vehicles are established in the Cayman Islands.



The Cayman Islands Mutual Funds Law

The Mutual Funds Law (the “Law”) was originally enacted in 1993. It provides a pragmatic and flexible regulatory regime and allows a broad range of fund structures to be domiciled in the jurisdiction. Around 80% of all offshore fund vehicles are established in the Cayman Islands and this dominant position can be, at least partly, attributed to the quality of the governing legislation.

Recent years have seen widespread revision of fund legislation in many offshore jurisdictions. The Law was therefore recently re-examined by a working group of government officials and private sector representatives, intent upon ensuring that the Cayman Islands legislation is up to date. This process led to the 14th November, 2006 enactment of the Mutual Funds (Amendment) Law 2006 (the “Amendment Law”). Highlights of the Amendment Law include that:

- The minimum subscription for funds wishing to register under Section 4(3) of the Law has been raised from US\$50,000 to US\$ 100,000. This brings greater harmonisation with the threshold used in many other jurisdictions for “professional” funds.
- Funds registered with the Cayman Islands Monetary Authority (“CIMA”) will be required to file, in electronic format, the fund’s annual audited accounts and an annual Key Data Elements. This will allow CIMA efficiently to compile aggregate statistics on the Cayman Islands funds industry.
- A fund incorporated outside of the Cayman Islands (a “foreign fund”) is no longer deemed to be carrying out business in the Cayman Islands simply because its administration is in Cayman. Under the Amendment Law, foreign funds will not be required to register with CIMA. This should increase competitiveness for Cayman Islands administrators as foreign fund clients, such as a US feeder in a Master Feeder

structure, will no longer be burdened with a second tier of costs stemming from dual-regulation.

- Cayman Islands administrators have additional responsibilities to ensure that a fund’s promoter is of sound reputation, that its administration is undertaken by appropriately qualified staff and that its business is conducted properly. While certain of these requirements were previously implied, the Amendment Law clarifies and cements an administrator’s duties on these matters.
- Auditors of funds and auditors of fund administrators now have a legal responsibility to report to CIMA should they become aware that a fund or an administrator is:
 - i. insolvent or likely to become so;
 - ii. carrying on business in a manner that is prejudicial to investors and creditors;
 - iii. not keeping sufficient accounting records; or
 - iv. conducting business fraudulently or criminally.

The Amendment Law does not significantly alter the overall approach to regulation of the funds industry in the Cayman Islands. However, certain detail changes have been made to ensure that the legislation remains up to date in a maturing and competitive industry. These changes should allow the Cayman Islands to retain its position as the leading domicile for offshore funds.

Cayman National provides full service fund administration in our Cayman office as well as in the Isle of Man.

Further Expansion

Cayman National Trust Co Ltd. is currently establishing a representative office in Panama. This further demonstrates our commitment to branch out to a number of locations specialising in structured solutions.

Look for more information and additional details in our next issue.

About Us

Cayman Islands

The three Cayman Islands, Grand Cayman, Cayman Brac and Little Cayman, were discovered by Christopher Columbus in 1503 and are located in the Western Caribbean between Jamaica and Cuba and are 460 miles south of Miami. Grand Cayman is the largest of the three Islands and boasts the fifth largest financial centre in the World. The Cayman Islands is a British Dependent Territory and provides a sophisticated Offshore Financial Centre with strong political stability, no direct taxation and a well regulated industry supervised through the Cayman Islands Monetary Authority.

The legal system is based on English common law, and Commonwealth precedents are generally followed, although there has been some leading edge Trust legislation with the STAR Trust legislation enacted in the last decade along with well established Reserve Powers Trust legislation.

Cayman National is the largest Financial Service provider on the island providing all services from retail Banking, through Private Banking, brokerage and discretionary management services, Fiduciary and Corporate administration and the ever expanding Fund Administration Services. With a staff in excess of 300 there is a depth of expertise in all areas of our business in both Cayman and the Isle of Man, with further expansion occurring during 2007.



Photo Left to Right:
Ian Phillips, President,
International Financial Services,
Cayman Islands

Ian Bancroft, Managing Director of
the Isle of Man Office.

Isle of Man

The Isle of Man, although located in the centre of the British Isles, has never been part of the United Kingdom. A dependent territory of the British Crown, it is long established as an international finance centre, with a secure base built on political stability, low taxation and a firmly established fiscal and regulatory environment.

The island has a land area of 227 square miles, and a population of 80,000. The capital is Douglas, on the east coast. The language is English, and the currency is the Manx pound, which is kept at parity with Sterling. For day to day purposes, United Kingdom currency is used interchangeably with the local currency. There are no exchange controls.

The Island is internally self-governing and indeed its parliament, Tynwald, is the oldest continuous parliamentary system in the world, being established in 979 A.D. The Island is not a member of the European Union, nor does it hold associate membership. However, it is part of the customs territory of the EU, and there is free movement of goods. In recent years the Island has been positively assessed by OECD, FATF, the IMF and the Financial Stability Forum.

The Island has a zero corporate tax regime for most business activities, and for non-resident owners of Isle of Man structures there is no corporate income tax, no capital gains tax, no withholding tax, and no inheritance tax.

The legal system is common law based, and Commonwealth precedents are generally followed.

The Island's Government has positively encouraged economic growth in recent years by creating a sympathetic tax regime and suitable legislative framework for expansion and by offering financial incentives where necessary, particularly for the manufacturing industry and tourism. In addition, the establishment of a Freeport on the Island has assisted the manufacturing sector to become one of the major income earners.

Whilst other offshore centres have become overcrowded and expensive, the Isle of Man is in the fortunate position of being able to provide affordable high-quality commercial and residential accommodation in a spacious and scenic environment. It has the capacity for sustaining growth for many years while continuing to retain these virtues.

Isle of Man moves into new offices

After more than 20 years based in Athol Street, the Isle of Man operation has moved. Only a stone's throw away in Hope Street, in the heart of the central business district, it is a world away in terms of facilities. The 7,000 square foot building (pictured right) provides modern and open plan working environments, better client meeting and boardroom facilities, and improved business continuity provision.

Isle of Man launches aircraft register

Following the success of its shipping register, the Isle of Man will launch an aircraft register later this year. The aim is to attract high quality private and corporate aircraft, and particularly the new generation of 'light jets'. The International Civil Aviation Organisation has now approved the use of the M-registration prefix for Isle of Man registered aircraft. The Isle of Man register will be internationally recognized, yet will offer a flexible and responsive service not always available from the more established registries. Roz Whorms, Head of Fiduciary Service, Isle of Man, comments "given an offshore registry in a strong European centre, coupled with this flexibility and service ethos, and the Island's favourable tax regime, we believe the new register will quickly establish itself as a leading choice for private registrations".



The Companies Act 2006 offers an excellent and highly flexible solution for international planners



The Isle of Man Companies Act 2006

A new type of corporate structure was introduced in the Isle of Man in November. The 'New Manx Vehicle' or NMV, offers a simplified company structure, essentially a 'BVI look-alike' but within the ambit of the Island's strong international standing, and the convenience of being available within the European time zone. The NMV has been designed to simplify offshore administration, to reduce costs, and to add significant flexibility to international planning.

Some of the key features include:

- Removal of the requirement for an NMV to have an authorised share capital
- Shares of no par value now permissible.
- Shares can be issued in any currency, and in fractional amounts.
- Consideration for shares can also take any form, including intellectual rights and contracts for future services.
- No capital maintenance requirement. Redemptions, buy-backs and distribution of capital are all permissible, provided the company can prove solvency after the event.
- No prohibition on financial assistance
- Single directors and corporate directors are possible, although only those holding appropriate licences in the Isle of Man, such as Cayman National, are able to act as corporate directors.
- Registered Agent in Isle of Man must be appointed

The ability to easily distribute capital in specie will simplify many corporate restructuring exercises, whilst the removal of the financial assistance provisions makes the NMV ideal for use in complex financing structures, and should reduce the need for the extensive certification exercises so familiar to international lawyers.

Cayman National offers a full service for the incorporation and administration of NMVs. The establishment charge is usually £1,000 (including Government fees), and annual administration fees start from £1,000. The Annual Government charges amount to £320.

For more information please contact Roz Whorms at roz.whorms@cnciom.com

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Cayman National Bank and Trust Company (Isle of Man) Limited is registered in the Isle of Man, company No 25966, and has its registered office at Cayman National House, 4-8 Hope Street, Douglas, Isle of Man, IM1 1AQ, British Isles.

Cayman National Bank and Trust Company (Isle of Man) Limited is licenced by the Financial Supervision Commission for banking, investment and corporate & trust service provider business.

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