



Promoting market integrity

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Mr Chairman, Ladies and Gentlemen, I would like to begin by expressing my appreciation to the OECD, particularly Secretary-General Gurría and Mr Owens, for inviting me to participate in this year's forum. It is an honour to represent the Isle of Man at this major international conference.

We are here this morning to share our insights on how best to promote market integrity, at a time when significant aspects of that integrity appear either to be damaged or to have failed. I will start by making some general observations.

The global economic environment is ever-changing, and there is a need for countries, businesses and people to monitor the changes and determine how best to react to them. Small countries like the Isle of Man, and larger developing economy countries, have in the past had limited access to, or involvement with, international organisations and the major economies, and as a consequence have had to come to terms with change and learn how to respond to it almost autonomously.

Having to 'go it alone' can be challenging, both in terms of bringing together the right levels of resources and skills, and in terms of the legislative, fiscal, regulatory and economic developments which may be needed. Different countries deal with these challenges in different ways. One obvious approach is to look elsewhere for benchmark models and then to adapt them as necessary to local circumstances. It can be a mistake to select the wrong benchmarks. Similarly, it can be a mistake even when perfectly appropriate benchmarks have been selected at one time, to fail to update them to meet current standards.

The evolution of international standards across a wide range of market integrity areas, such as anti-money laundering and countering the financing of terrorism regulation or international tax co-operation, has been a consistent theme throughout the last decade and has self-evidently been given a major new impetus by the global financial crisis and economic recession.

Throughout this period, the Isle of Man, while being a small country with limited administrative resources at its disposal, has consistently maintained an approach based on constructive engagement and pragmatism. I see my presence here today, as recognition of that consistent, long-term approach, and as an opportunity to demonstrate our constructiveness and pragmatism.

If we consider the OECD's international tax co-operation standards, the Isle of Man gave a commitment to them in 2000. That meant of course that we were in the same position as many countries in needing to reassess a number of our national policies and aspects of our tax code. Our commitment gave us access to the OECD Global Forum on taxation; a 'seat at the table' if you will, and thus the ability both to listen to the views of many other countries and to add our own unique voice to the debate.

Through our dedicated engagement with and our contributions to the Global Forum's working sub-groups, and through our bilateral negotiations with OECD member countries, the Isle of Man has provided leadership and, in many ways, a role model. It is our intention to continue to do so.

I see the development of standards as best managed via the widest possible range of contributions which leads consequently to a solid, consensual agreement. Consensual agreements on standards can then lead to groupings or organisations based on the standards, on peer reviews and audits and to a better ability to bring into the fold those countries that do not yet meet the standards. That consensus ought rightly to include small and developing countries, which have views and contributions to make that are as valid as any other; even those of the most powerful nations on earth.

The Isle of Man is proud that it has made a number of key contributions to the development of our current benchmark international tax co-operation standards, and I expect that we will continue to play our part into the future.

Whilst the Isle of Man's recognition on the second of April this year as a jurisdiction which has substantially implemented the internationally agreed tax standard in terms of exchange of information and transparency was welcome, we do not see that as an end in itself; it is merely a stage in an ongoing process. We will complete further tax co-operation agreements and we will continue to advocate the position of small countries during the development of international standards.

Based on our own experience, the Isle of Man can also assist other countries by providing direct assistance to help them build their administrative capabilities. The Isle of Man became last year the first Associate Member of the Small States Network for Economic Development, sponsored by the World Bank, and we will co-fund an education programme run by Oxford University's Saïd Business School for officials from small states which will enable them to improve their ability to manage their financial sectors and engage more effectively with the global financial system.

Trust and confidence are built by a combination of words and actions; a statement that is as valid for a country as it is for a person. The Isle of Man has a demonstrable track record of words and actions showing that it can be trusted to deliver what it commits to. By constructive engagement, negotiating further tax co-operation agreements, good governance and independent evidence of the quality of its regulation, the Isle of Man will maintain and increase the trust that the international community has in its probity and ability to play a productive part in the global economy.

Jeffrey Owens wrote an article as long ago as December 2006 in which he foresaw a potential for some low-tax countries as 'service centres'; so long as they operate to the best international standards. I believe that there is nothing

intrinsic that one can criticise about a country's tax rates. It is clear, however, that a combination of a number of features of a country's regulatory and tax systems may cause market integrity issues and be considered harmful by other countries. The Isle of Man has achieved parity in its regulatory and tax standards with the leaders of the global economy, and we feel that we have a part to play in that global economy - as a responsible financial services centre that can be trusted by its partners.

I have said that the Isle of Man is constructive, pragmatic and that we are a responsible player in the global financial market. Today, I want to take the opportunity given by this forum to announce a new policy that will serve to emphasise all that I have said about the Isle of Man.

There has been much debate about the merits of the transitional arrangements under the European Union Savings Directive, which allow customers of banks in certain countries, including the Isle of Man, to opt either for automatic exchange of their bank interest information with their country of residence or for the payment of a withholding tax deducted at source from their interest. I should make it clear that these arrangements are perfectly acceptable and were agreed when the Directive itself was finalised by the European Union. However, some observers, and many European Union member countries, consider the withholding tax option to be some form of cover for banking secrecy: and clearly banking secrecy should have no place in a world characterised by internationally agreed tax standards.

The Isle of Man does not, and did not, have any form of banking secrecy law or practice, but our government thinks that it is now important to signal for the avoidance of any doubt that this is the case. Accordingly, on the date that the Savings Directive withholding tax rate is next scheduled to rise – the first of July 2011 – the Isle of Man will move to automatic exchange of information only, and thus to remove the withholding tax option.

Thank you again, Mr Chairman for allowing me to make these introductory remarks.