

A smarter way to IPO

An increasing number of companies are seeing the benefits of an offshore IPO

For many chief executives, the offshore jurisdictions of Jersey, Guernsey and the Isle of Man along with those of the Caribbean are seen as the natural choice when establishing a new listed fund.

There are more than 3,000 offshore funds registered by the Financial Services Authority which an investor can buy into in the UK, for example, compared to just 2,800 on the domestic stock market – including the junior market, AIM.

Each of the jurisdictions can offer advantages for certain types of funds. The Caribbean, for instance, attracts insurance and re-insurance funds and companies, while the Channel Islands are attractive to property funds among others. In the recent past we have seen around a dozen formerly UK mainland incorporated trading companies re-domiciling offshore to Guernsey, Jersey and the Isle of Man and becoming tax resident in Ireland or other tax beneficial jurisdictions.

PICK AND MIX

There are many reasons why a particular jurisdiction is chosen when launching a new fund or company. Jersey, Guernsey and the Isle of Man benefit not only from their proximity to the UK mainland but also have laws that are similar to those in the UK. They also have a high standard of financial and legal regulation. When combined with a tax system that can be

more favourable than the UK's and the additional benefit of no stamp duty or SDRT (stamp duty reserve tax) payable on share purchases, these become attractive jurisdictions.

That said, an offshore listing is not an easy option. Complying with local legislation can result in companies having to use specialist local lawyers and administrators. Moreover, companies

'There are 3,000 offshore funds registered by the FSA'

based offshore will need to consider where their directors are based as they must demonstrate sound management and control as well as oversight of the company's affairs offshore.

Past economic decisions taken by the local governments in foreign jurisdictions have inevitably had an impact on their resilience during the downturn and so it is probably fair to say that revenues have held up better in the Channel Islands and Gibraltar. This is because in the Channel Islands, for example, the decision was made to build up reserves in recent years during a period of rapid economic growth and this has served to increase their resilience against the economic squeeze.

MONEY TRAILS

As confidence starts to return we are seeing growing numbers of offshore companies and funds seeking to list in London, perhaps seeking an enhanced profile or improved liquidity. In 2009 one of the largest flotations on AIM was Max Property Group which successfully raised £220 million and is incorporated in Jersey.

It is difficult to say whether this is a sign of things to come. Going forward, it will be interesting to see if tax changes expected to be made by the new Conservative / Liberal Democrat government will encourage more UK domiciled companies to move to a more tax beneficial jurisdiction. Similarly it will be worth noting if any changes made to the offshore jurisdictions result in more companies looking to reside in mainland Britain.

If the predicted economic upswing does happen, it looks as though the offshore jurisdictions are well placed to capitalise on improved market sentiment. However, the actions of governments around the world to reduce debt could still bring this fragile recovery to an abrupt halt. ■



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