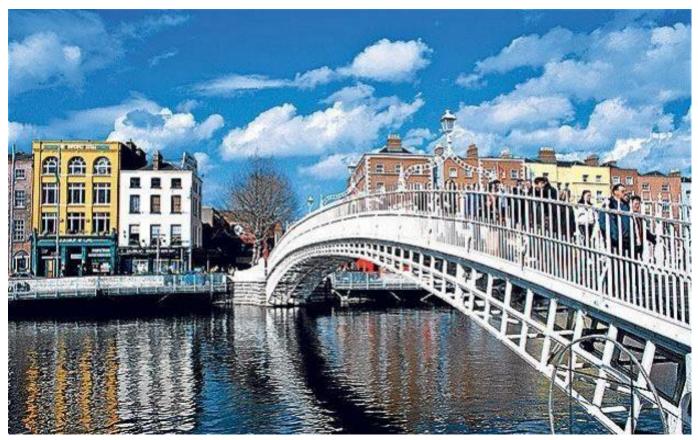
## The Telegraph

## The UK's liberation from the EU demands a global financial investment zone

## **DAVID HARDING**

23 SEPTEMBER 2016 • 7:58AM

http://www.telegraph.co.uk/business/2016/09/23/the-uks-liberation-from-the-eudemands-a-global-financial-invest/



Dublin's financial investing zone has attracted many thousands of jobs to the city

The June referendum result has galvanised thinking about the City of London's future in a UK that will soon cease to be part of the European Union. While much of the recent discussion has centred on the potential negative consequences of Brexit, greater legislative independence will also mean that there may be new opportunities.

One such possibility is the creation of a UK Global Financial Investing Zone. This would be a cross between a free trade zone and a tax jurisdiction. It would have the power to write local laws, be a tax authority unique in the UK tax system, and a governance authority making judicious use of data.

The investing zone would have an entrepreneurial mission: to create an environment that was an attractive base for investment company vehicles – managing money for global investors and being deployed around the world.

This simple sounding mission conceals an extraordinary level of opportunity. Financial services is the world's largest industry and the UK has a particular strength in it. Britain's ascent in the past 50 years has been supported by its international links, including a far-flung network of ex-imperial outposts, mainly in the West Indies. Entrepreneurs in the Cayman Islands, the British Virgin Islands, Bermuda and the Bahamas have created tax and governance regimes that have attracted trillions of dollars' worth of funds.

Of course, some of these appear to have the taint of tax avoidance or worse. But most investors use these regimes because they provide a stable and well-established legal framework, and avoid adverse tax consequences in the investor's home jurisdiction.



Financial hubs, like the Isle of Man, offer more than just tax breaks CREDIT: JOHN MELHUISH/REX

I have spent my life in the business of running global investment funds. These funds are established and run in the Caribbean, as well as Luxembourg, Ireland and Malta in the EU, Jersey, Guernsey and the Isle of Man in the UK, and Curacao and the Netherlands Antilles under Dutch oversight. All the legal, administration and accounting work tends to gravitate there. There seems to be no logical reason for this activity to take place offshore.

Our investors are not trying to avoid tax, and the funds are not trying to avoid sensible regulation. Usually, investors are actually trying to avoid paying tax twice as a result of the tax regimes in different countries not dovetailing properly. Funds may be trying to avoid the restrictive effect of some anachronistic law or rule that no one in authority has had the competence to update. This is why successful governance

regimes with a little motivation and entrepreneurial spirit have sprung up in multiple locations.

The UK now has the opportunity to attract some of this business back "onshore"; an "offshore" regime in the heart of the City of London would benefit from the huge concentration of intellectual capital with expertise in the financial industry, IT and law.

If such an initiative were to be pursued, it would be vital that it should not aim to be a "tax haven". Its objective should be to create value by offering global investors a perfect domicile for international investments, not by facilitating tax evasion or arbitrage. This is where governance, both in its moral and ethical dimensions, comes in.

The governance regime should use data management techniques to allow for commercial and personal confidentiality but not the kind of secrecy conducive to rule-breaking. The laws passed should be carefully calculated to assist the positive flows of global capital without facilitating malfeasance. Over the long term, the reputation of the UK's Global Financial Investing Zone would become its greatest asset and build upon the reputation of the City of London.

At present, there are many types of investment funds that could use such a regime. Hedge funds, private equity funds, real estate and infrastructure funds and global stock and bonds funds could all be attracted to such a zone. The types of ancillary activities they would bring, including legal and accounting services, custody and administration, are quite labour intensive without necessarily employing very highly paid workers. A lot of new businesses and jobs could be generated in the UK servicing this fast-growing industry.

This regime will only succeed if its governance authority has legitimacy, motivation and endurance. It will not be an overnight success, but will take many years to bear fruit. Shenzhen was a fishing village in 1980 – today it is home to more than 10 million people and many hi-tech industries.

The Dublin International Financial Services Centre zone was created in 1987 and succeeded in attracting hundreds of thousands of jobs to Dublin in the next 20 years. The Docklands development in London benefited from high level Government backing and special tax treatment and after nearly 35 years has <a href="transformed the east of the city.">transformed the east of the city.</a>

Perhaps the new authority could be built out of one of the City's existing governance structures such as the City of London Corporation or the Lord Mayor's office.

A reputable Global Financial Investing Zone in the heart of the City would be a magnet for respectable investors and investment managers worldwide. The whole industry has grown like a weed during the pell-mell era of financial globalisation. Barring disaster, and present difficulties notwithstanding, global investment will continue to grow.

Harnessing the City's talent to service this fast-growing industry in a more ethical and rational manner could benefit investors, society and post-Brexit Britain.

David Harding is the founder and chief executive of Winton Group