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Race begins to dig into new office projects

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Developments looking good

Gibraltar is on the brink of a building bonanza worth considerably more than £260m to provide offices, a second 5-star hotel, more than 1,000 new homes and other projects – and for the first time, financing the projects is said not to be a problem.

For years, progress of two major schemes – the giant World Trade Center Gibraltar and the 5-star Marriott (originally Hilton) hotel and related office complex - has been stymied by banks demanding guaranteed income either through advance commitment of the majority of floor space, or of room occupancy.

If they break ground this year, these projects will add greatly to the image of a successful Gibraltar economy and assist with planned economic growth.

But let's not get expectations too high. We've been here before and been disappointed when nothing results. To have all three planned office projects advanced seems overkill; some question the extent of real demand. A resulting significant uptake by businesses fresh to, or expanding in, the jurisdiction will be welcome, of course, but no new project – offices, hotel or homes - will be completed before 2016, at the earliest!

Just as well: Chief Minister Fabian Picardo, after two years in office, expects "a trickle" of business new to Gibraltar and sees initiatives involving US and BRIC countries "maturing" in 2014. His new finance centre specialist team – concentrating mainly on the UK and Switzerland - sees fresh international business being progressively delivered over the next three years.

Repeated incursions by Spain into British Gibraltar Territorial Waters and escalated frontier problems – both linked to Spanish sovereignty claims – have exposed problems for, and impact on, Gibraltar; there's been wide UK coverage and beyond television, press and social media comment.

But, crucially, the troubles are said not to be adversely affecting business interest in relocating to The Rock! These things may be viewed externally as minor irritations.

Less certain for the economy is the outcome of Gibraltar's tussle with the UK over its plans both to tax on-line gaming at source, whilst also watering down licencing requirements. If progressed, these could cost this lead e-gaming jurisdiction dearly in lost income and jobs. Gibraltar is at odds too with the UK over how it plans to make public the ultimate ownership of companies and, potentially, also trusts. Gibraltar hopes to gain a compromise solution on the gaming proposals and on ownership to protect the historic principle of English Trust Law.

The planned launch of a state-owned Gibraltar International Bank (GIB) in late 2014 to coincide with the loss of Barclays retail banking locally will relieve pressure on the remaining NatWest and Jyske Bank, and GIB will be fully regulated. The Financial Services Commission, amongst other things, will ensure that the management and Board includes people who understand the importance of managing risk, and see that there are adequate independent, non-executive members.

GIB seed capital comes from government, but it will be sensible also to have private equity. Whilst investors will want to make profit, depositors require the greatest guarantee for their money, a situation that doesn't lend itself to high investment returns.

A good start to 2014, which, nevertheless, presents significant challenges.

Ray Spencer

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Gibraltar International Publications Ltd.
G7 Cornwall's Centre
PMB 104, PO Box 561
Gibraltar

Editorial enquiries
editor@gibraltarinternational.com

Advertising enquiries
sales@gibraltarinternational.com

Design bilgoker@gmail.com

UK Agent: Tel: + 44 (0)1993 703560

Race begins to dig into new office projects

Work on the World Trade Center Gibraltar (WTCG) – the territory's largest office development - is poised to begin more than three years later than planned, but this time as part of an £85m project to be financed out of a cash pile made in the US

It is one of three office projects now being advanced: "The race is on to be the first new office development to break ground", Gibraltar Chief Minister Fabian Picardo, declared.

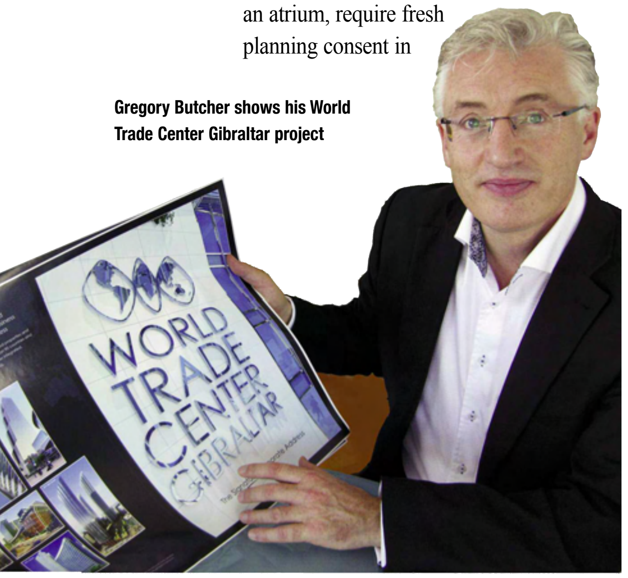
And investment just as great is being projected in hotels for the jurisdiction.

Gregory Butcher, chairman of Gibraltar-based Fairhomes Group, which over a decade has built the mixed use residential, retail, leisure and office Ocean Village development, expects work on the 7-storey, 16,260 m2 WTCG building to start "well within the first half of this year".

Contracts for the equivalent of 1½ floors have been issued to an anchor tenant and there are hopes for a 'big five' accountancy firm and a New York securities trader, Butcher told *Gibraltar International* in early January. He said: "We are at the final furlong and once the anchor tenant is signed, building will begin within weeks."

Butcher gained full planning approval in 2010 for the WTCG building on a Fair homes-owned car park behind Marina Bay, with preliminary works re-routing services and supplying new connections already completed.

Design modifications to incorporate 'healthy building' WTC international requirements, as well as a large double-height open plan reception area, nine lifts and an atrium, require fresh planning consent in February and a reduced 15,200 m2 rentable offices space.


Gregory Butcher shows his World Trade Center Gibraltar project

The WTCG cost has jumped 50 per cent to £45m – "all to be funded in cash by Fairhomes with no direct bank involvement", Butcher said. "The US has done very well for us and I have bought and sold a lot of assets, as well as having strong rental yields from homes, commercial assets and other properties still remaining there.

"Frankly, we need to find a home for this money that will produce a good return, so investing in Gibraltar when demand for offices is mounting, could make good business sense," the serial entrepreneur revealed. A minimum 20% contracted take up of space compares with 60% Fairhomes previously required to start building.

Generating business

"WTCs around the world tend to attract prestigious companies used to a 5-star service, with flexible space and services, and a first floor meeting space (with a Starbucks or Costa Coffee café) to provide a networking and on-site social amenity," Butcher asserted.

"We believe financial firms are starting to expand again and we want them to come here to Gibraltar".

WTCs worldwide house 750,000 companies and Gibraltar occupants can tap into that network in 90 countries to develop business – "it's one of the greatest contact lists going and being part of a critical mass, the WTC 'club' is a major generator of business, particularly inward investment", he declared.

Fairhomes also will be investing £40m in "other associated measures to be built at the same time on other Gibraltar sites, including high quality rental accommodation for short-term executive use".

Another long-awaited scheme by Squarestone, a London-based property developer, is expecting at end-January, outline planning approval to build a 14-storey, 5-star hotel and 7,633 m2 of offices in an adjacent 8-storey block on the site of the old Royal Gibraltar Yacht Club near the town centre.

Squarestone previously planned a Hilton Hotel, but the management agreement offered came without income guarantees. Developer spokesperson Jeremy Nichols, explained: "Because we have an agreement for Marriott to provide a preferred operator with guaranteed income for the whole of the lease period, banks in Gibraltar and the UK have an assured income and we have agreement for the cost of government land leases."

The £50m project provides for a 225 bedroom Marriott Hotel and Residence Inn short term serviced apartments, with access to a rooftop sky bar, pool, spa, sauna and gymnasium. Banqueting for up to 350 people and conferences for up to 500 is also included.

The One Victory Square office block has "two floors sold and two others reserved", said Nichols. "We are looking to lease 50% of the floor space before work can start, and there is strong interest," Nichols assured, but added: "It is essential both hotel and offices are built at the same time - we expect to start work in the spring and to complete around mid-2016."

Selling instead

NW1 - a circa £45m project with 14,500m2 of offices over three floors, plus a rooftop gymnasium with leisure facilities – gained outline planning permission in Autumn and is to be sold on the open market rather than built with pre-letting. Preferring to pre-sell around 50% before commencing construction, project spokesman Lawrence Isola said work could "begin by June, but easily could be sooner".

Funded by a consortium of private developers with significant local experience in Gibraltar, NW1 also has 1,200m2 of ground floor warehousing and an estimated 18 months build time.

On the basis that all three office developments - and at least one other potentially - being advanced this summer, there will be a massive increase in building work and, seemingly, they will attract businesses new to the jurisdiction.

Most respondents to a recent Deloitte-inspired Gibraltar Real Estate Indicator Survey identified offices as most in demand

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Investment to drive economic growth, showing results

Fabian Picardo, Chief Minister, remains "very confident" he can achieve his GDP target of £1.65bn by 2015/16 in the context of two budgets still to come. He outlined his plan in a mid-term of governance review with chief editor Ray Spencer

Capital spending of hundreds of millions of pounds and fresh investment from outside of traditional markets - from BRIC (Brazil, Russia, India and China) countries and the US – in 2014 are key ingredients for ensuring Gibraltar achieves a planned four year 50% GDP growth.

"We see a lot of interest and we start to see a trickle of people who are looking to establish headquarters or offices in Gibraltar", Picardo said. Finance, gaming and logistics companies were in prospect "and different industries we may not have seen here before".


Fabian Picardo

He has faith his US inward investment initiative will deliver. "A lot is happening there, but I can't tell you yet, because I don't want to scupper it… it is not public yet." US commercial entities saw Gibraltar in the context of "entry to the EU and also to North Africa, which is becoming increasingly important to the US", Picardo assured.

> Two important challenges remain - completing housing schemes and virtually zero unemployment

Investment coming

"[2014] will be an important year for us because we will see a lot of these things maturing in respect of investment from outside of traditional markets - from BRIC countries and the US", he added. But he admitted: "We haven't yet seen the growth we expected to see [from BRICs], but marketing takes time and I sincerely hope that in the coming year or so we will see those new entrants."

In the 2013/14 budget Picardo disclosed capital projects totaling £125m. "There will be more in the next two budgets; it's many millions of pounds, turning into hundreds", including a new dual fuel-fired power station –tender results are expected in April - new housing estates "and other high profile projects not yet announced.

"We see private sector in construction as an important partner and… the main driver of economic growth, with government as facilitator. We have now got the government as a developer of affordable homes and the private sector investors spending in the economy as developers" – only one of three new housing projects to deliver 1,000 homes costing £114m, is by government.

Picardo said temporary electricity generators "provide more than enough now, so [a new power station] is not a pressing problem", but updating the grid infrastructure to prevent power cuts was urgent. "It is not something that we can fix overnight and work is on-going".

Power cost freeze stays

For two years the government has held electricity prices at a cost of £32m and it expects to continue subsidies "throughout the lifetime of this Parliament, for sure. Subsidy is in the region of 60% of cost of electricity production. Bills will change, so that people understand what the real cost is of generating electricity and producing water".

Capital spending, alongside growth in other industries and in employment, will add to GDP, "so I am very confident it is going to lead to those [target] numbers in context of two budgets to come".

To achieve its ultimate GDP target, Picardo's government needed to increase growth by an average 9.76% pa cumulatively for each of four years; GDP at the end of year 1 grew 8%, meaning an annual average increase of 10.4% is needed for the following three years to reach £1.65bn in 2015/16.

Picardo's deputy, Dr Joseph Garcia, said in November that the most immediate, direct challenges to Gibraltar's economy came from political decisions taken in both London and Madrid.

Negative effects

The Spanish Government was undermining the economy of Gibraltar by effectively blocking the frontier and threatening action elsewhere, Picardo agreed. (Visitor numbers crossing the border in October and November fell 40%.)

If Spain was reckless, and without having regard also for the local Spanish

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economy, it "can choke the Gibraltar economy at different points and it is possible to have a deeply negative effect on our economy", Picardo said. "The government is doing everything possible to bring about circumstances which will deliver a solution to the issues that Spain has created."

The proposed end-2014 UK 'point of consumption tax' and regulatory changes for online gaming presented another economic challenge, but the four-year Gibraltar GDP target was prepared with knowledge of the UK's intended moves, Picardo declared.

But he admitted: "If both [tax and regulatory proposals] continued unamended, I think it would have a serious effect on the Gibraltar economy", as well as a serious negative effect on the UK gaming industry, because it would push many, if not all operators, further offshore than Gibraltar - beyond the EU and into less reputable jurisdictions".

Finishing off

On gaining office in December 2011, Picardo halted just about all capital projects. "Although we put the brake on those projects – and the government stopped spending on those projects – the fact is that we started to see private sector growth, not necessarily in construction", but for example in gaming and financial services.

"The stop in government spending was compensated for by the growth in jobs and the economy. Now we have got the government as a developer of affordable homes and the private sector investors spending in the economy as developers themselves", he argued.

There were two important challenges for the next two years. "Having started the housing schemes is great, but we need to complete them; having started to bring unemployment down is fantastic, but we really need to get to the stage where unemployment is at the lowest levels ever.

"I think you can get close enough to there being no recorded unemployment, because all the people who are coming through the system are in effect churning, so virtually zero long term unemployment is the objective", Picardo declared.

Beneficial ownership purge may force businesses to seek trust protection

Gibraltar is cautious about UK Prime Minister David Cameron's planned public disclosure of corporate beneficial ownership this year, aimed at bringing greater transparency.

Fabian Picardo, Gibraltar's Chief Minister, said he and representatives of other British Overseas Territories (OTs) do not understand how the move "can be legally done". A central register in each jurisdiction may be possible, but making it freely available would mean "a huge sea change for common law".

Cameron has asked the EU to adopt public disclosure measures within the next iteration of the Money Laundering Directive, "as the cutting-edge benchmark for countries and major financial centres to emulate across the world". He said: "A publicly accessible registry provides the best outcome for sound corporate behavior and added: "It's better for us all to have an open system, which everyone has access to – the more eyes that look at this information, the more accurate it will be".

Cameron also said that registries relating to company secrecy "may well not be appropriate generally" – in particular, for trusts and related private arrangements.

"If that is the case, all you are going to see is every corporation will be owned by trusts and there won't be disclosure of ownership", Picardo maintained and has asked the UK for more information. "This is a challenge that we have to address very carefully indeed", he cautioned.

Looking for answers

Gibraltar supports Cameron's transparency objective. "We have been first off the blocks – for Gibraltar that was a small step, but for others it was a giant leap - but [taking] the next step is difficult for us, because we don't understand how, legally, it can be done."

Gibraltar has non-central registers of beneficial ownership accessible to relevant authorities; under 'Know Your Customer' (KYC) principles, the territory's professional and intermediary financial services providers are required to know the beneficial owner.

"The authorities - if there is a request for information using the established gateways - have access to that information and can share it with any government or law enforcement agency in the world. All the Overseas Territories – more than any other EU State – already have that. Now the question is, do you centralise that", Picardo said.

"Do you ask your law firms and accountants not to keep that information in their books, but to send it to a central depository and then do you make that central information – that might be in something like Companies House – available to all and sundry".

The company register of shareholders already identifies beneficial owners and is public. Under the new system, "all that we will see is a proliferation of trusts and they will be publicly registered shareholders of everything", Picardo asserted.

"Then well known professional trust companies will become the professional shareholders of hundreds of companies in Gibraltar, UK and elsewhere. And that doesn't achieve the objective."

The concept of a Trust is a common law tenant and, (unlike civil law systems in two-thirds of the world), recognises the concept of equitable ownership. To include trusts in new disclosure rules, "requires a huge sea change [in common law] and requires careful understanding. You cannot flick a switch and do this", Picardo noted.

"If it is possible to do so in a way that gives people certainty, and which the financial services industries in the UK and in Gibraltar can work, then Gibraltar will be prepared to adopt it."

Delaware, as one of a few US states that permit owner anonymity, is home to more than half of US publicly traded and Fortune 500 companies. The US Congress has since 2000 rebutted attempts to introduce nationwide disclosure legislation, the last in 2011, but Picardo insists there must be "a level playing field".

Green light ahead - mind the speed limit!

by Eric Verleyen Societe Generale Private Banking Hambros (SGPBH) Chief Investment Officer

In general, 2013 was clearly a great year for equities and risky assets. The so-called "fall of safe havens" fully unfolded early in the year when US and German government bonds declined and gold dropped as economic improvements materialised. This meant that portfolios with higher tolerance for risk generally did very well in 2013 as we took advantage of the opportunities markets offered. We also were very cautious of government bonds, anticipating the poor returns from this market.

As economic improvement gradually emerged in published data, the prospect of interest rate rises no longer seemed quite so distant and longer-term interest rates rose in response.

By focusing on shorter duration bonds, high yield, subordinated bank debt and floating rate instruments we have managed to produce positive returns from fixed income in a difficult environment. Client portfolios have, therefore, done well overall and enjoyed healthy returns.

For the financial community it was a remarkable year as the Nobel Prize in Economics was attributed to Professors Eugene Fama, Lars Peter Hansen and Robert Shiller "for their empirical analysis on asset prices". According to our records, it has been 23 years since the Nobel Academy last distinguished a work that relates to investor needs in terms of investments, asset allocation or strategy.

Looking ahead, 2014 appears that it will be a year of further economic "normalisation", which should remain supportive for cyclical and risky assets, especially in advanced economies. The call for better economic prospects in 2014 remains unchanged, but our confidence is now higher. There is clearly better visibility, with fewer identified uncertainties. For example, geopolitical tensions have greatly eased, Eurozone sovereign stress has waned and the US fiscal dispute is over.

In fact, there are even more potential positive surprises ahead: Japan's economic policies may prove a success thanks to innovative initiatives, Eurozone structural reforms on internal competitiveness could be decided and China might surprise the world by succeeding in a smooth transition from its planned export-driven economy to a liberalised consumer-driven economy, averting a hard landing. International investors increasingly share the sentiment of better visibility, currently driving asset prices higher. (Three of our seven conviction ideas for 2014– see box below).

This trend should continue. In a world of low interest rates and abundant liquidity, stocks and high-yield bonds still have room to appreciate further. Whilst interest rate rises are nearer, we do not expect them this year in Europe, UK or the US. We expect some "tapering" (reduction in bond buying) by the Federal Reserve (FED) shortly, but liquidity will remain very good and after a short period of adjustment we expect markets to remain supported by growth and strong corporate earnings.

Yet, we cannot help tempering our optimism for 2014 with some reminders of caution. Improved visibility on what is known should not to be confused with lower risks overall. The world is, of course, full of uncertainties and surprises. Keeping in mind Robert Shiller's impressive record of tracking investor exuberance by warning for bubbles in 2000 and again in 2005-2007, we have to remember his conclusions:

- Long-term asset returns are conditioned by structural equilibrium in economic conditions, such as interest rates, growth rate and corporate profitability. This equilibrium prevails over cyclical fluctuations. Over long periods, the main economic drivers such as unemployment, profits or inflation, revert to their average trends.
- Therefore, relevant predictors of long-term returns are not short-term trends but valuation metrics that show the relationship between asset price and a long-term average of an economic indicator such as stock index/ GDP, stock prices/tangible assets, stock prices/profits, bond yield/average inflation. Note that these metrics do not give any valuable information for short-term returns.
- Bubbles do exist, and appear when investors fall prey to "irrational exuberance" confusing short-term market trends with long-term expected returns. In conclusion, beware of possible market exuberance building up in 2014 as global growth accelerates, thus be ready to reverse positions if needed. Most asset prices could perform well given current economic and financial conditions, but this is not a guarantee of extraordinary long-term returns, especially if the current conditions are themselves extraordinary. In non-Nobel wording: "tall trees can't grow to the sky."

No.	CONVICTIONS	SUMMARY	RECOMMENDATIONS
1	US bond yields back up!	US monetary policy is entering a multi-year tightening phase and US long-yield will keep rising in line with accelerating activity. This is a major trend that impacts portfolio structure and investments in bonds, currency and diversification techniques.	• Prefer short-duration bonds • Hedge interest rate risk on existing bonds • Focus on USD vs other currencies, especially the ones in the Dollar-Zone
2	European banks beauty contest	Economic turn around and accommodative monetary policy will further ease funding conditions. Asset Quality Revue performed by the ECB will ease market concerns about the soundness of the Eurozone banking sector and will increase investors' appetite. Bond redemptions will continue to overtake bond issuance providing a support to the financial bond market.	• Positive on Eurozone banking stocks • Positive on banks senior debt and covered bonds • Be selective on subordinated banks debt (Tier 1 and Tier 2)
3	German stocks: rocket-borne	Low interest rate environment, attractive effective exchange rate and accelerating economic growth are all the necessary factors to drive German stocks further up. In the Eurozone the DAX remain our preferred index as valuation is cheap. Small & Mid caps in Germany are still attractive despite the 20% premium they show relative to large caps in the region.	• Favour the DAX to the other European indices. • German small and mid caps are set to outperform again in the coming 12 months • Favour consumer discretionary, technology and capital goods

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Viva Gibraltar – lifting the lid on the Rock

Nicola Smith is CEO of Helvetic Fund Administration Limited, Gibraltar

Since 2008 Gibraltar has been listed in the Global Financial Centres Index published by the City of London Corporation increasing its reputation as an attractive location for business in a variety of areas.

An obvious choice for funds and fund managers

Gibraltar offers a well-established fund regime based on UK legislation and is the only British overseas territory that is part of the European Union (EU) and applies European laws. Fund legislation in Gibraltar was drafted in close consultation with key members of the industry and has resulted in a comprehensible regime that most European based managers and compliance teams find easy to adhere to.

Investment manager licence

A fund manager may set up operations in Gibraltar as either a licensed MiFID (Markets in Financial Instruments Directive) EU investment manager, a licensed AIFM (Alternative Investment Fund Manager Directive) EU investment manager or a licensed UCITS (Undertaking for Collective Investment in Transferable Securities) compliant manager. Once obtained, the manager would be regulated by the FSC and have a fully transferable licence to passport the licensed services throughout the EU.

If a manager does not want to obtain a full AIFM licence but does want to continue to be able to market its services under a MiFID licence, then Gibraltar service providers can offer a platform solution whereby the portfolio management is outsourced to the MiFID manager by a fully and regulated AIFM manager established by the service provider for this purpose.

> Gibraltar offers a well-established fund regime based on UK legislation and is the only British overseas territory that is part of the European Union

Service providers

Gibraltar has been servicing the finance sector for many years. There are numerous long established banks, law firms, tax advisers, insurance companies, custodians, auditors and fund administration companies which have a wealth of knowledge to offer to clients.

The focus of Gibraltar service providers has always been to offer a personal tailor-made service to each client. As a smaller jurisdiction, the service providers are more flexible and value each client and their requirements as unique, striving to provide a service which in a larger jurisdiction would simply not be available.

Where in the world

Gibraltar is one of only four EU based jurisdictions where a fund can be domiciled in a tax efficient way. Historically, people have established funds in Dublin and Luxembourg as an onshore location due to their advantageous tax regimes, however in recent years, a saturation of funds on the market and cost issues have paved the way for alternatives such as Gibraltar and Malta to offer investors additional options.

The client should be confident that the parties involved in the development of its fund will work together to ensure that any counterparties who go on to work together post-launch appreciate the needs of the fund's manager, so tailoring their work accordingly. It is not the case that the set up of the fund is seen as a distinct and separate matter from the ongoing operation after launch.

Redomiciliation and relocation

As an increasing number of regulations are being introduced worldwide, the focus for managers and the funds they manage has moved towards ensuring their operations are domiciled and regulated in an EU location. Laws are already in place in Gibraltar to ensure the re-domiciliation process is as simple and efficient as possible for a streamlined process and Gibraltar based fund administrators can offer services to funds domiciled in another jurisdiction such as the Caribbean, to relocate to Gibraltar and ensure the smooth transition of the fund.

For EU fund managers it is very easy to deal with counterparties in and possibly even relocate their business to Gibraltar. With a similar legal structure to the UK, issues that can be found when dealing with offshore jurisdictions outside of the EU do not exist and Gibraltar offers a good geographical location. Gibraltar is very accessible with regular flights into Gibraltar from the UK and Malaga international airport is one hour's drive away, which connects to the whole of Europe. Many people relocating to Gibraltar not only enjoy doing business in a regulated EU jurisdiction but also to relax in the attractive national park and beaches surrounding the Rock or on one of the numerous golf courses in the area at weekends.

There are no restrictions for EU citizens or Swiss nationals wishing to work in Gibraltar and there are very beneficial tax opportunities for highly skilled staff brought over to Gibraltar. Settling in Gibraltar can be an attractive proposition, not only from a lifestyle point of view, but also a financial perspective. More and more managers based in London and Switzerland are looking for a viable alternative jurisdiction and Gibraltar is becoming more recognised for offering this.

www.helveticfund.com

Countering Virtual Currency Money Laundering in the 21st Century

by Clark Elder, Risk & Compliance Advisor, KPMG, Gibraltar

The Issue

The virtual currency industry has been under increased scrutiny to implement robust Anti-Money Laundering (AML) controls by regulators, investors, and businesses alike. Recent evolutions in the industry through the emergence of Bitcoin and other similarly structured forums have resulted in gaps in regulation.

Whether virtual currencies become a money launderer's dream for the 21st Century, or the current concerns are proved to be little more than a storm in a teacup remains to be seen. What is certain however, is that while virtual currencies previously existed in the form of bonus points or loyalty rewards valued within a specific company or limited virtual community, they can now be converted into traditional forms of currencies on a global scale, and can be transferred across borders with limited regulatory or industry oversight.

This change in dynamics loom large, as it poses a threat to the traditional banking industry as well as the current safeguards that protect legitimate, law-abiding customers, end users, intermediaries, and investors. Virtual currencies present similar risks to physical cash in terms of anonymity and the lack of audit trails around transactions, but with a wider reach due to the emergence of global market places and exchanges where they can be traded freely across the globe on a real-time basis.

A Closer Look at Virtual Currencies

Virtual currencies should not to be confused with e-money, which is simply the electronic trading and exchange of traditional currencies. Virtual currencies are not regulated and exist as a digital commodity relying largely on customer demand. According to the European Central Bank 2012 report on Virtual Currency Schemes, there are three types of virtual currencies that exist: A closed system, unidirectional system, and bidirectional system.

While a closed system represents the ability to use real value currencies to buy virtual currencies that can only be used for virtual goods and services, a unidirectional system allows the virtual currencies to be used for real goods and services as well. In a bidirectional system, virtual currencies can buy both real and virtual goods and services, and the virtual currencies to buy real value currencies. The last of these models is becoming increasingly prevalent with the rise of Bitcoin, and is the model which is causing the greatest concern to regulators and law enforcement around the world.

Regulatory Landscape

On a global scale, many regulatory bodies and other government agencies have been assessing the vulnerabilities of the virtual currency industry to money laundering risks, and have been issuing guidance and performing industry specific reviews to better understand and manage these risks. However, regulators have not yet developed a consistent approach.

The recent announcement by the People's Bank of China is an example of this inconsistency. The Central Bank banned Chinese mainland financial institutions and third-party payment service providers from using Bitcoin. This resulted in the world's largest Bitcoin market suspending the intake of Chinese currency (yuan).

The Financial Crimes Enforcement Network (FinCEN) has provided industry guidance that establishes that certain administrators and exchangers of virtual currencies must register as Money Services Business (MSBs) and have a legal obligation to comply with the Bank Secrecy Act (BSA). Simultaneously, the US Federal Bureau of Investigation (FBI) and the US Senate have announced an initial investigation into Bitcoin and its involvement in money laundering schemes.

While US regulators have chosen to focus on the obligations of the exchangers and administrators, German regulators have concentrated their efforts on regulating the users by classifying virtual currencies such as Bitcoin as "unit of account". This classification has both legal and tax implications for users as it now subjects them to a capital gains tax if held for less than one year.

The UK Financial Conduct Authority (FCA) has recently confirmed its position of "keeping an eye on Bitcoin developments" rather than actively pursuing regulation at this time.

With the virtual currency industry expected to continue to grow, guidance from supra-national bodies like the Financial Action Taskforce to help shape the regulatory landscape in a more consistent way is necessary and much-needed.

Money Laundering Risks

It is evident that virtual currencies currently pose a wide range of money laundering risks. The leading challenge for the virtual currency industry is its anonymous nature, ease in movement of funds across borders, and the speed at which the industry operates. This allows criminals to participate in financial markets and convert, transfer, and withdraw funds without detection.

Industry-specific money laundering training and staff awareness, including familiarisation with red flags and suspicious customer activity, will be paramount to preventing and reporting money laundering activity. Testing the robustness and effectiveness of systems and controls relating to anti-money laundering initiatives has become the overriding principle in safeguarding against criminal activities.

Financial institutions and exchanges that provide the link between traditional and virtual currencies will also need to consider whether their existing systems and controls to prevent and detect money laundering remain fit for purpose in dealing with this emerging industry, and should continually monitor these as it evolves.

For further information on this subject, please contact Clark Elder at celder@kpmg.gi

www.kpmg.gi

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commercial property; reflecting "the current shortage of supply" in the Gibraltar market, 67% of estate agents and all property surveyors polled said they expected commercial property rentals will increase. However, Lawrence warned: "Although I recognize for the medium term demand may exceed supply, assuming continued growth in the economy, I am not sure there is room for more than one new substantial office building.

"With moderate growth over then next 3-5 years, I don't see a desperate need for much more, but this view will of course be influenced by real economic growth during this period. At the moment, there could be a sizeable gap between perception and reality."

5-star competition

Early this year, a 5-star £120m Sunborn yacht hotel - in which the government, through associated companies of the State-owned Gibraltar Savings Bank, has a circa 25% stake – is expected to open at Ocean Village. Originally, destined for Barcelona, the 189-bedroom Sunborn vessel will face competition at that service level with the proposed Marriott hotel in 2016 and yet another 5-star project that the existing Caleta Hotel has unveiled, on Gibraltar's east side, that it is hoping to create by 2017.

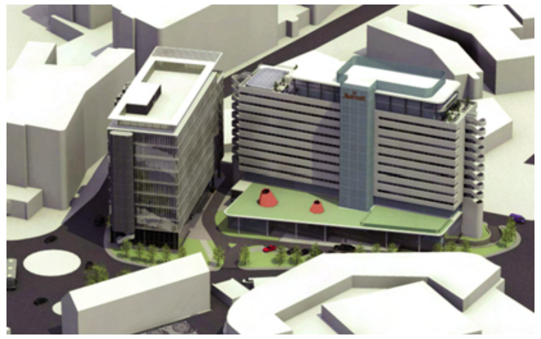
Franco Ostuni, Caleta general manager, said the new hotel would cater for increasing numbers of corporate clients, who look for the same high standards found in other destinations across the globe.

The £15m development, subject to planning, will incorporate 41 suites and a ninth floor rooftop infinity pool and spa and involve a revamp of the existing 4-star seaside hotel. In a second stage £25m project, a block with 50 residential apartments mostly for sale, will incorporate environment-friendly technology and some shared hotel background services, plus 175 new parking spaces.

Some residents are suggesting that there will be an over-supply of hotel facilities on The Rock and point to average 2012 occupancy rates for the existing 4-star hotels of around 60%, which are not thought to have changed much in the last year.

● Fairhomes is understood to have agreed a contract with a private bank new to Gibraltar for leasing of 2-storey Trinity House with 280m2 being built beside the main entrance to Ocean Village.

● Planning permission was granted in December for the £5million 'Alexander Hotel' over seven stories and with up to 20 bedrooms on Engineer's Lane.



Apartments and hotel upgrade for a futuristic seaside Caleta (top); new town centre offices and Marriott hotel (below)

Larger team selects fewer targets to grow finance business

A new business development team and a London-based generalist - covering funds, insurance and private client business - has been assembled by Gibraltar's Finance Centre department. Ray Spencer investigates a strategy that must produce results within three years

"The government has made a significant investment, much more than it has done for decades in the financial centre", says Jimmy Tipping, department director. His four senior executives, selected from over 50 applicants, have three-year contracts and result from a budget that has trebled.

Peter Montegriffo, chairman of the Finance Centre Council (FCC) representative body, points out: "Expectations are very high as a result of the quantum leap in resources. We expect quite a gear-change."

In Gibraltar, the Finance Centre team: (l-r) Paul Astengo, Philip Canessa, Jimmy Tipping, Michael Ashton.

Tipping's headcount now is 12, and marks "a shift in focus, so almost all resources are front-facing". The newcomers are expected to deploy tactics drawn from years of experience at or near the top of their respective specialist fields in financial services, which accounts for 20% of Gibraltar's economy.

The FCC saw a detailed marketing plan in January. "It isn't the easiest of environments in which to kick off the campaign," Montegriffo conceded, "but we are looking for a number of things to happen."

Key events and exhibitions are a basic marketing building block; this year around 20 will be attended with private sector players – three times more than last year.

Social media has been harnessed: the department presently reaches some 2,500 people - mostly on Linkedin [a social network connecting business professionals] - only 6% of whom are in Gibraltar. The reach is being extended.

Direct mail and unsolicited e-mails "help create noise and awareness of Gibraltar" as well as a new stand-alone web site (www.financecentre.gov.gi). "We have a list of 4,000 names as target prospects in different countries and I'd like to double that and systematically target relevant information to them," Tipping declares.

The FCC wants "a Gibraltar finance centre conference this year and, through improved knowledge of the markets, faster changes to legislation (as happens in other finance centres) when the need arises", Montegriffo explained.

Each of the three target sectors – funds, insurance and private client work – contributes to an overall road map of activities and how the team will behave.

Personal contacts key

But making and extending personal contacts focused primarily on the UK and Swiss markets provide the greatest potential for new business development. Anything beyond that is seen as a bonus.

"The department is now attending conferences and specialist forums, perhaps on a more structured and diverse basis, targeted at key areas, and through our own contacts in previous jobs", explains Paul Astengo (54), the Gibraltar-born private client specialist.

During 30 years in banking in Gibraltar, London, Spain and Jersey (mostly with Barclays), he "helped people bring order to the financial aspects of their lives – important transactions for their homes or business interests, with pensions, investments and orderly succession planning".

Deals in sight

Private clients in Gibraltar are particularly interested in tax residence issues, trust and company management - "very wealthy people are attracted to Gibraltar and locate their firms" - and banking, Astengo says. With 16 licenced trust and company administration firms in Gibraltar, "there are some deals in the pipeline that I expect will complete in 2014."

A Gibraltarian, Philip Canessa (55) spent 18 years with Hambros Bank (now S G Hambros) dealing with investment and credit analysis in London, Channel Islands and Gibraltar, where he became deputy-managing director.

But it was a move as managing director to EIM (Gibraltar), a specialist investment firm managing custom-tailored portfolios, encompassing hedge funds and traditional strategies, that boosted his wide funds credentials. He served as a board director of various EIM Group companies with the holding company in Luxembourg and on the boards of various in-house funds, including an Irish Qualifying Investor Fund, a Luxembourg UCITS Fund and SICAV-Special Investment Funds, a BVI Fund-of-Hedge-Funds and Jersey Expert Funds.

"This gave me an understanding of the practical end of creating and managing funds and investment management," Canessa relates.

Gibraltar's Experienced Investor Fund (EIF) regime is popular, with these funds being tax neutral and having an easily approachable regulator, is beneficial. "The support infrastructure works efficiently, because we are small enough for everyone to know each other", he enthuses.

Rapid response

"The main competition we face is from Malta, because it shares most of our advantages of lifestyle, is also part of the EU, and has good regulation, but our trump card is the time-to-market for funds to launch". In Gibraltar, an EIF can begin trading and has 10 days to gain approval from the Financial Services Commission (FSC).

The UK regulator is fighting back, expecting from April, a six week approval for 90% of Ucits schemes, while regulatory approval of retail-focused non-Ucits funds will be cut to three months this year and to two in 2015. However, it can take 12 months to become authorised as an investment manager in the UK, compared with Gibraltar's norm of 18 weeks.

Gibraltar investment managers benefit from 10% corporation tax, special personal tax and fixed low social security. Having Sterling currency and common law is also helpful.

"It is a combination of all of these things that sets us apart from others," says Canessa, who will "concentrate on the lower hanging fruit" of London and in Switzerland, where he worked for eleven years.

Swiss to visit

Early this year he aims "to get 30-50 Swiss asset managers to visit The Rock". There are 27 licensed investment firms in Gibraltar "and by speaking to more of the right people, we should see more funds set up here or expressing interest in the jurisdiction by end-2014", Canessa believes.

There are 95 EIFs and more than double that number if the cells of PCCs are added. "We are looking at how we can make it easier for [investment managers] to become AIFMD-compliant", he adds.

Victor Galliano (49) is another of three returning Gibraltarians and the department's London representative based at Gibraltar House, which is used monthly, by all of the team. With 25 years financial services experience in banking and specialist Latin America market analysis from working in Gibraltar, the UK and the US, Galliano's remit spans all three target sectors.

"I have a pretty extensive contact list of clients from my activity in the US – 40% are American and 40% in Europe. Otherwise, it's a case of cold calling and unsolicited e-mails", Galliano observes.

"There are people, who know about Gibraltar, but I am surprised at the lack of depth of knowledge about what we have to offer. There's an awareness, but not a deep knowledge." But Gibraltar's reputation and involvement in insurance already rates highly.

Innovative expansion solutions are being explored by London born Michael Ashton (52), a chartered accountant with 20+ years of insurance industry experience. Whilst chief operating officer in London for ACE Global Markets, the single largest insurance underwriter owned by the Bermuda-based group, in 2000 he started ACE Gibraltar and mid-way through his six years there, he with others, provided seed capital to launch local motor insurer, Tradewise, where Ashton remained a non-executive director for five years until 2008.

Growing EU-wide

However, geographically, 80% or more of Gibraltar's near-£4m gross premiums arise from the UK: Ashton aims to diversify the insurance base by type and to extend Gibraltar's reach across Europe.

"I am talking to existing insurers and potential new entrants and asking them to think about what Gibraltar can offer on a pan-European basis given the opportunity of EU passporting", notes Ashton, who commutes weekly from his Basle home. "Setting up in

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Gibraltar means easy access to the regulator and the FSC has a service level agreement for new insurance businesses to be licenced within 18 weeks – faster than anywhere in the rest of Europe!"

London link: Victor Galliano

As Montegriffo, a lawyer, states: "Gibraltar has been very much in the news as a result of the actions of our neighbour [Spain], but a lot of noise is often not what a finance centre wants to hear. The reality is that it comes at a price and at a time when simpler messages about the jurisdiction's value ought to be the news."

In London, Galliano admits: "Some people question the latest situation with Spain having seen items in the news and I then debunk the myths." However, Canessa sees an up-side to the border 'issue': "As one investment manager told me, at least his US clients know where Gibraltar is now."

Meanwhile, Tipping acknowledges: "We must produce a real increase in Gibraltar business, given the level of investment and high financial resources and support staff, and probably that is best demonstrated by the number of new licences that are issued."

For insurance, Gibraltar is already "on the beauty parade", but he suggests: "The biggest universe in the UK is in the private client area", where large accountancy firms have a huge contact base. By contrast, in funds, 90% of the business is handled through few lawyers.

"We traditionally have had core business areas across the UK - principally London, but also some important regional centres such as Edinburgh for asset management, Bristol for insurance and Chester for High Net Worth Individuals (HNWIs)," Tipping explains.

In addition to Switzerland, the team is looking also to the US, Bermuda, Hong Kong and South Africa (SA) for business. He reveals: "Broadly, we are targeting those countries with cultural and significant other similarities and offering something that takes advantage of our position as a gateway to the EU."

Common links

Those countries have things in common with Gibraltar – common law, small financial hubs, language and a history of understanding how things are done, "so they can relate to us culturally, which then makes it relatively simple for us to put across our message", says Tipping.

SA, with world-renowned regulatory standards, is a viable place for a return on investment. It is the only part of the government's original push for business from the BRICS countries – Brazil, Russia, India, China and SA – where any early progress seems likely.

"None of our suggested links are tax-driven (although it is up there as part of the mix); they are all commercially-driven. We are not looking to be predatory", he asserted.

"We have to look at where there are opportunities to add value. "I cannot over-estimate the importance of culture, infrastructure, etc. If you have to do due diligence on a South African proposition, it is significantly easier than in dealings with many other territories beyond the EU."

Other EU countries are trying to attract wealthy private clients, with citizenship and residency offers. "We are not offering permanent residency and are aiming to attract EU, EEA and Swiss individuals, but overwhelmingly from the UK. This defines Gibraltar and provides the distinction," Tipping declares.

New State bank to demonstrate independence

The autumn announcement by Barclays to remove its retail operation and dramatically reduce private finance work meant only one high street banking name remained to serve the community. It was not good for the finance centre image either, but the planned launch of Gibraltar International Bank (GIB) next October is set to change things.

A new State-controlled retail bank is to be established this autumn in Gibraltar to meet the needs of local business and individuals and to coincide with the withdrawal of Barclays services locally.

"This can be achieved in the timescale, but it will be a challenge", said Marcus Killick, retiring chief executive of the Financial Services Commission (FSC), which is responsible for issuing a banking licence in response to a government pre-Christmas application to form GIB.

The FSC most likely will issue a 'banking licence in principle, but subject to conditions' by mid-February assuming the initial application meets with the regulator's approval, and that will give the investing government confidence to build a team, acquire offices and prepare for launch.

"But the bank doors will not open until all of any conditions the FSC requires are met to its full satisfaction. We need this to protect depositors, borrowers and anyone using or having dealings with the bank. We will not cut any corners in our supervisory approach", Killick told *Gibraltar International*.

"The last thing the FSC wants is to see any bank under its supervision get into any difficulties, let alone fail. Apart from anything else, this would be materially harmful to the reputation of the jurisdiction as a whole."

The GIB banking license application is being treated by the FSC like any other with the same process, except for the fact that the regulatory body has agreed to "prioritise the application in the interests of the community as a whole".

Two, not one

But the devil will be in the detail. The October decision by Barclays to remove retail and corporate services within a year as part of a global reduction in services, caused the government to accelerate its long-standing consideration of whether to establish a community bank in addition to, or as part of, its existing Gibraltar Savings Bank.

A 'professional team' has been engaged for GIB and initial discussions held with the FSC; the government assured the bank would be "independently managed by professionals with appropriate banking experience". No detail on who is involved has been given, but most likely will involve at least some of the Barclays team.

But approval of the application requires more: the FSC, mindful of public awareness of worldwide historic banking issues, will look closely at the quality of the management and Board before the bank begins business.

Independence key

The FSC will need confidence in the people, the governance and independence in the manner in which it conducts day-to-day business. The Board must demonstrate that it is keenly aware of what is going on at all times and evidence that it is not doing what others want.

There has long been a call for wider availability of loans to overcome quotas from existing banks on the extent to which they will lend for a particular purpose – in this case mortgages – and by location that for example, places limits on individual housing projects. Civil servants can be Board members, but most of the Board should be independent of government as principle shareholder on the basis that shareholders do not run the bank, the Board does!

Killick, who received an OBE in the Queen's New Year Honours for services to the regulation of financial services in Gibraltar, confirmed: "The level of supervision will be identical to the other licensed banks and in full compliance with European requirements and international standards."

There will be checks on finances – analysing income, expenses, capital (tiered by risk to reflect greater risks) - and business plans. After launch, on-site risk assessments will take place and the bank will be required to make regular prudential returns to the FSC. Crucially, it will need to know details of the most significant depositors and borrowers to assess counterparty and other risks.

Minimum capital

The basic minimum capital for a Gibraltar bank start-up is €5m – the old rule was 8% to the amount being lent, but in Gibraltar it usually has been set at 12-15%. Banks also need to look at the liquidity to make sure there is sufficient capital available to meet immediate demands, and then varying layers (proportions) thereafter.

Regulator Marcus Killick says no corners cut

Basel III is the worldwide new standard for banks, effective in Gibraltar from January, ensuring a sufficiently high core Tier 1 capital level to absorb any losses.

Samantha Barrass takes over as FSC chief executive in mid-February from being executive director of the Solicitors Regulatory Authority (SRA) in England & Wales, and as such will have responsibility of steering the licence approval process.

Gibraltar Savings Bank was to have been developed more as a retail bank, but the government now says it will cater not just for deposit holders, but in conjunction with GIB, offer further services, including managing payments made by Government in the most cost efficient manner. Managing the relationship between the two banks was a "critical" factor, the Chamber of Commerce said in welcoming formation of GIB, which should have "commercial, but reasonable" lending terms.

Growth in lawyers masks tightening budgets

The major constituents of Gibraltar's economy – offshore work, financial services, and e-commerce – are continuing to grow, increasingly there is demand for sophisticated legal skills and services, and greater competition

Gibraltar is said to have the world's largest legal representation, putting California into second place; there are 230 lawyers working in commercial enterprises or one of 32 legal firms and partnerships, for a population of just 30,000.

The only common law jurisdiction in continental Europe, Gibraltar has a multilingual background and its multi ethnicity has enabled some firms to move more easily into multi-jurisdictional operation.

The legal system dates from 1740 and largely reflects that of England and Wales with its Common Law and rules of equity adopted wholesale in 1962, except for property law, which differs significantly. Some local laws aim to give the finance centre a competitive advantage, but much of new legislation is driven by universal EU requirements; indeed Gibraltar last autumn became the first in Europe to have transposed into law all EU legislation.

Above: Melo Triay and right: Charles Gomez

Chief Minister, Fabian Picardo said that in the past two years the Government's legal work had been "spread out amongst a much larger part of the legal fraternity – always choosing the best lawyer or firm for the job – quite unlike the position before we were elected when a favoured few got all the work".

Although the number of lawyers registered with Gibraltar's Supreme Court continues to grow steadily by 10 or so each year there are signs that the rate of increase in the jurisdiction's legal work is slowing, making for greater competition and pressure on fees.

Law a commodity

"Some firms are having to redefine and develop in the way they will approach evolution. The days of companies with huge budgets for legal expenses are gone. People abroad are looking at law as a commodity and there is a huge downward pressure on legal fees," observed Peter Montegriffo, one of Hassans' 28 partners and corporate and commercial team leader.

Melo Triay, senior partner at the 113 years old Triay & Triay, said: "We are taking on lawyers on a needs basis. Five years ago we couldn't get enough lawyers, but today the workload is not necessarily increasing that much locally as a result of the impact of the recession."

At end 2009 there were 200 in the legal profession, it having doubled over the previous decade as a result of substantial economic expansion largely on the back of the international finance centre and e-gaming.

The collective turnover of lawyers was then estimated at some £95m, including several associated enterprises in the territory and in nearby Spain. Four years on, and there are 15% more lawyers, the pace of growth having slowed.

The number of lawyers returning home creates a dynamic: some suggest there is the potential for saturation, because so many Gibraltarians have qualified as lawyers in recent years. Fewer Gibraltar students opted for Law Degree courses last autumn - 18 compared to 23 in 2012.

Other legal work

"Youngsters choosing to study law today may well not end up working in local law firms, but instead join gaming and financial services businesses, where there is growing demand - to help with regulatory or compliance matters, for example; we have to manage expectations", insisted Triay, grandson of the original managing partner, P S C Triay QC.

Yet Hassans, employing 250 people (245 in 2010) in offices in Gibraltar and on Spain's Costa del Sol, said its revenue last year grew by more than 5%, helped particularly by gaming and funds work.

"Gibraltar is a small, densely populated jurisdiction so any business sector which is a large part of the economy will involve a high number of people per capita", reasoned a spokesman for the 43 years old Hassans practice.

In 2013, six of 88 lawyers left Hassans - one to a small, growing local law firm, and the remainder "took up positions in industry, for example in-house legal departments, compliance, fund managers/promoters etc"; five of six trainees have remained.

Accountancy in Gibraltar has grown from international firms establishing or buying into local operations and recruited from outside of Gibraltar to expand their areas of expertise, whereas the same generally is not true for legal firms it has been suggested.

However, at Triay Stagnetto and Neish, associate Nick Culatto joined in late 2007 and was primarily involved with litigation, construction and maritime matters.

But in 2010 he moved to work on both contentious and non-contentious construction matters, including public procurement in a specialist London law firm. Culatto returned to TSN – it has three QCs in its 19-strong legal team - in October 2012.

And a year ago Peter Howitt formed Ramparts Law as a sole operator and has since developed to become a four-lawyer practice by building on his wide in-house legal experience. In January, William Rawley joined Ramparts to lead a new Corporate & Finance team, having been Head of Execution and Syndication of the EMEA Corporate Solutions team at Citigroup Global Markets in London.

More competition

"Having worked within companies - gaming, e-payments and financial services - in varying sectors and gained detailed knowledge is a big advantage; you know how people in those sectors think and see more clearly what they are seeking to achieve", Howitt asserts.

"It is becoming very competitive here with UK legal firms," Howitt noted, "and some of Gibraltar's legal firms are becoming involved in cross-border work for clients, including from the UK – it's a sign the Gibraltar market is maturing."

Yet no large UK legal firms have moved to open Gibraltar offices, so local firms have yet to be challenged.

Charles A Gomez & Co, specialising in general dispute resolution and commercial law, was established 25 years ago and is retained locally by two of Gibraltar's largest firms – Morrisons supermarket and Saccone & Speed, wines & spirit merchants.

"We have always been different to other firms. We took a decision in 2001 to concentrate on litigation work and general legal work on companies and trusts. However, we will not offer trustee and company management services - unlike other Gibraltar firms - because we think that represents a potential conflict and we prefer absolute independence in our advice. That has created a niche market for us," 54 years old Gomez declared.

Stretching boundaries

Hassans actively seeks to work with leading UK, US and European law firms and claims "a high level of international referrals and regularly advises internationally and on cross-border transactions". The firm handled the first European cross-border merger in Gibraltar between two major internet gambling companies, PartyGaming plc and bwin Interactive Entertainment AG in 2011, and last year three simultaneous European cross-border mergers of Gibraltar companies were formed into a single legal entity incorporated in another EU Member State.

Gibraltar's fused legal system giving both barristers and solicitors rights of audience in court has not caused many to appear before judges: it is estimated that no more than 50 are involved in advocacy and appear in Court.

Yet, Gibraltar courts are now dealing with some very sophisticated issues and, as a result, the jurisdiction has seen a big temporary import of Silks – senior barristers known as Queen's Counsel (QC) - with specialised knowledge for cases.

Gillian Guzman

"There is a changing basis of work for lawyers – more litigations and trust and international activity - so Gibraltar could present itself as a centre of excellence on the technical points of the law," Triay suggested.

However, local frustration built over years at having only few QCs for the size of the profession arises not only from perceived added kudos of the status, but also the potential for Silks to earn higher fees.

Silks demand

Gibraltar has 15 QCs - some are semi-retired – and at this stage, in-house legal counsel is not included.

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In March 2012, six QCs were admitted to the Gibraltar Bar – the first for ten years – and included a Isalas civil and commercial litigator, Mark Isola, and Gillian Guzman, a Hassans partner in the litigation department, who became the first woman QC and at 39, the youngest ever.

Peter Isola

The profession is also troubled by the fact that QCs seem only to come from Court advocates, when 70% of the total are commercial lawyers

"It is unfortunate that the guidelines for the appointment of QCs so inadequately cater for the vast majority of lawyers practising in this jurisdiction yet our number is taken into consideration when appointments are made," Peter Isola, vice chairman of the Bar Council, told the Ceremonial Opening of the Legal Year in September.

Isola, senior partner and great, great nephew of the firm's 1892 founder, Horace Parodi, argued that those with a non-litigation background should not effectively be excluded by setting the barrier to entry too high. The next batch of QC appointments is expected early this year.

Regulation coming

At the same time, a Legal Practitioners' Act - making the Bar Council a statutory body responsible for ethics, and creating a separate Lawyers Regulatory Authority (LRA) - needs parliamentary approval and is unlikely to be functioning until 2015.

Membership of the Bar Council will become compulsory for all lawyers and the LRA will issue practicing certificates, ensure accounting rules are followed, and check for Professional Indemnity insurance. It also will be concerned with complaints, taking responsibility from the Chief Justice Anthony Dudley, who has executive power on discipline matters.

Isola highlighted the need for "regulation of a higher standard" and for greater efficiency to better protect the public.

The LRA will plug into the UK's Solicitors Regulatory Authority programme of continuous learning and the High Court Inner Temple has offered support as has former Gibraltar Chief Minister, Sir Peter Caruana QC and Attorney General, Ricky Rhoda, QC.

In the meantime, Rhoda said that Gibraltar's success rate in obtaining convictions in cases prosecuted compares favourably with experience in England and Wales - 46% and 32% respectively - "despite the smallness of our jury pool and particular problems posed by a small jurisdiction".

Giving the profession a boost, Gibraltar's new Law Courts – four Supreme Courts, two Magistrates' Courts and a Coroner's Court - were officially opened last year in refurbished and extended premises complete with new technology, including a video link, improved access to online services and a new IT system.

Isola highlighted the need for "regulation of a higher standard" and need for greater efficiency to better protect the public.

Ray Spencer

Gibraltar as a 'career domicile'

by Tom Stephenson, Underwriting Management & Business Development, Robus, Gibraltar / Gibraltar Insurance Association (GIA)

The case for Gibraltar as a great place to do business, is made time and time again by industry professionals, as well as Gibraltar Finance and the Gibraltar Insurance Association.

Most of us know the script off by heart; we can talk confidently about the merits of Gibraltar in terms of EU passporting rights, regulatory efficiency and corporate taxation. But what we rarely do is talk about Gibraltar as a great place to develop one's career. Promoting Gibraltar as a 'career domicile', and not just a corporate domicile, is vitally important to the future of our industry.

In the UK there are likely to be hundreds of industry professionals who would seriously consider a move to Gibraltar, if only they knew about it. Many employees in the industry in the UK would love to work abroad, but feel hampered by their inability to speak a foreign language.

That's why, for example, a lot of them talk about the US, Canada, Australia and a few other international centres, such as Dubai and Singapore, where English is the de facto business language. Europe is generally ruled out in its entirety due to perceived language difficulties.

Only Ireland is a realistic option, but its climate and lifestyle is quite similar to the UK. Gibraltar however, offers a great opportunity for a positive lifestyle change without leaving Europe and without learning another language. So what are the opportunities in Gibraltar?

Opportunities for insurance professionals

Gibraltar has a well-developed insurance industry with insurers, reinsurers, insurance managers, brokers and of course, a regulator. Some insurers and brokers focus on the local market, whereas others are more focused on other European markets, particularly the UK. Lines of business vary widely. Motor insurance remains a dominant class, but Gibraltar companies also underwrite property, liability, personal accident, financial lines, health, surety, marine and most other major classes of general insurance.

In anticipation of the forthcoming Solvency II regulations, regulators are renewing their focus on corporate governance. The concept of "mind and management" is particularly relevant because it means Gibraltar insurers must demonstrate they have the expertise to manage their businesses here in Gibraltar.

In practical terms, this should mean increasing demand (and therefore opportunity) for specialist underwriters, managers and directors.

The close-knit nature of the Gibraltar insurance industry means that it's possible to gain exposure to areas of the industry which, in the UK or elsewhere, would be far less accessible. An insurance underwriter in Manchester, for example, is unlikely to have any sort of interaction with their regulator or have the opportunity to sit on their employer's Underwriting Committee.

Similarly, in Gibraltar there is far more interaction with business owners and entrepreneurs. This level of exposure can significantly accelerate personal development and lead to new opportunities in unexpected areas.

Developing local talent

Currently around 50% of the Gibraltar insurance industry was born in Gibraltar. In its efforts to attract expertise from outside, the industry must not ignore the huge potential of local graduates and school leavers. Over the past two years, the GII has done an outstanding job of raising awareness of the insurance industry among 16 and 18-year olds. I am certain this will continue over the next few years and hopefully we will see more local young people attracted to the industry.

This will not be easy, as other sectors, particularly the accountancy and legal professions, continue to have a very high profile among local graduates seeking a professional career.

Promoting Gibraltar as a 'career domicile' is vital for Gibraltar's future. It has long been my view that one of the critical risks to the Gibraltar insurance industry is a potential shortage of skilled professionals. In many respects, this is inevitable in a territory the size of Gibraltar. With only 30,000 people living here, to find a specialist underwriter in a new line of business is not always easy.

> Most of us know the script off by heart; we can talk confidently about the merits of Gibraltar in terms of EU passporting rights, regulatory efficiency and corporate taxation

Gibraltar also provides opportunities for more formal continuing professional development. The Gibraltar Insurance Institute (GII) is, among the more active local insurance institutes and hosts regular seminars on a range of topics. They also offer support for those studying for professional insurance qualifications with the Chartered Insurance Institute (CII).

There are simply not enough people outside the industry trying to get in. By raising awareness of the Gibraltar insurance industry, both inside and outside Gibraltar, we can hopefully encourage more people to think of it as a career option.

www.robus-risk.com
www.gia.gi

EU signals finance centre 'clean bill of health'

Gibraltar's finance centre has received a welcome shot in the arm from the European Commission (EC) that has declared Spanish allegations around tax and money laundering issues are unfounded.

The government of Sr. Rajoy has repeatedly claimed that The Rock fails to collaborate on tax investigations, is a depository for illegal money and has unregulated financial services.

The clean bill of health on these issues has been given "by an independent entity, [the] European Commission", Fabian Picardo, Gibraltar's Chief Minister declared.

Sir Graham Watson, Gibraltar and South West Liberal Democrat MEP, asked the EC: "Can the Commission state whether it has ever received a well-founded complaint regarding an alleged failure by the Government of Gibraltar to provide or exchange information or failure to collaborate generally on tax, financial services or money laundering matters?" The replies by the Commissioner responsible for the Internal Market, Michel Barnier, made clear: "To date the Commission has not received complaints meeting the description given by the Honourable Member."

He also said that "there are no infringement proceedings pending against the United Kingdom concerning the non-transposition of Directives on financial services in Gibraltar."

In fact, Gibraltar boasts it is the only EU member state that is up to date in transposing into law all Euro-wide directives, including those affecting financial services.

As a result, Picardo declared: "This shows that Gibraltar is a well regulated EU-compliant jurisdiction and it demonstrates that our finance centre has been at the receiving end of inaccurate and unjustified criticism by the Government of Spain."

Gibraltar, with fellow Overseas Territories and Crown Dependencies, has given a commitment to automatic exchange of information with the United Kingdom, the USA and to join the G5 pilot automatic exchange programme.

And at the late November annual meeting in Jakata of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, Gibraltar – as one of some 110-member countries - signed an Intergovernmental Agreement (IGA) with the United Kingdom.

The move followed consultation with Gibraltar's financial services sector and the views of a Working Group specifically set up to consider the impact of the Foreign Account Tax Compliance Act (FATCA), to prevent and detect offshore tax evasion

IGA with UK signed by Minister Albert Isola.

Signed by Financial Services Minister, Albert Isola, the Agreement comes into force, when both parties notify each other in writing that all necessary internal procedures have been completed.

However, Isola urged: "We should keep in mind our shared objective of the promotion of a single global standard for the automatic exchange of information, which the international community considers to be the most effective way to tackle tax evasion while minimising costs for governments and business."

Hedge Fund Lawyer joins Hassans Funds Team

Felicity Cole has recently joined Hassans Law Firm as Of Counsel in their renowned Funds Team.

Felicity has been practicing for over 20 years and is admitted as a Solicitor in England & Wales, an Attorney of the State of New York, and an Attorney of the Cayman Islands and Bermuda.

She has practised in the City with Linklaters and Hogan Lovells, and offshore in the Cayman Islands, where she ran the practise of Conyers Dill & Pearman.

A former member of the London Education Committee of 100 Women in Hedge Funds, her focus includes European and Gibraltar laws in respect of the establishment and management of alternative funds, in particular hedge funds and private equity funds.

Felicity also has extensive experience in art law through a Masters degree from Sotheby's Institute of Art in London. She is currently completing a diploma in art law from the Institute of Art & Law.

FSC becomes a full signatory to the IOSCO MMoU on regulatory information exchange

Following the enactment by Government of the Financial Services (Information Gathering and Co-operation) Act 2013 in October last year, the Financial Services Commission (FSC) has become a full signatory to the Multilateral Memorandum of Understanding (MMoU) of the International Organisation of Securities Commissions (IOSCO).

The resolution to confer this upon the Financial Services Commission was made by the Decision Making Group in December 2013 and has been formally communicated on the IOSCO website.

The IOSCO MMoU is an international protocol between financial services regulators for the provision of assistance and exchange of regulatory information between regulators on financial services, in the area of investment services.

The Minister for Financial Services, the Hon. Albert Isola, stated "The government is committed to ensuring that all aspects of financial services regulation continue to meet international standards.

We are committed to a culture of compliance with European and International obligations and standards."

Consultation on the licensing of 4G mobile services

The Gibraltar Regulatory Authority (GRA) has issued a public consultation on proposals to licence the provision of 4G mobile communications services in Gibraltar.

The introduction of 4G mobile will provide better mobile data services, faster speeds and improved quality of service.

The focus of this consultation is to set out the GRA plans for the spectrum bands which should be granted access for the provision of 4G services.

The GRA has considered current spectrum assignments, and what spectrum is available, and how this may best be offered to mobile operators.

The public consultation is available on the GRA website www.gra.gi

KPMG announces Gibraltar eGaming summit date

The KPMG eGaming team has announced that the fourth instalment in the firm's series of Gibraltar eGamming summits will take place on the 3rd April 2014 at the Caleta Hotel, Gibraltar.

Delegates, speakers and key stakeholders will be invited to return for a full day of discussion and presentations on issues pertinent to the Gibraltarian eGaming sector, as well as those more widely related to the global industry.

The KPMG summits have become key events in the eGaming calendar, and offer attendees the opportunity to discuss the future of online gaming in an open and collaborative environment with an academic focus.

As with past events, this year's summit will tackle issues as diverse as taxation, regulation and legislation specific to online gaming, and topics such as on and offline technological advancements, payments provision, social gaming, start-up and capital market environments, potential market opportunities, and much more. The summit will also provide sector specific and global updates, as well as a series of panel sessions which draw together industry experts to discuss contemporary issues and field questions from the floor.

For more information on this year's summit, please visit www.kpmg.gi/egamingsummit

Europa Trust donates to the Nelson Mandela Children's Fund

Europa Trust Company Limited supported the Nelson Mandela Children's Fund as their charity of the year for 2013. The start of the New Year 2014 saw the company consolidate its contribution to the fund, made up by individual donations from staff at the company.

The company's donation formed part of their commitment to the charity which was for raising awareness, making a company contribution and giving team members an opportunity to personally be part of the charity.

Kathi Scott, the executive director of Nelson Mandela Children's Fund (UK) expressed her appreciation of the commitment and efforts from everyone at Europa Trust Company Limited, and said: "The contribution will assist with the building of a special children's hospital, which will be dedicated to children's health and recovery."

Anyone wishing to contribute to the charity can do so by visiting www.mandela-children.org.uk

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* Mailing list compiled in association with Gibraltar Finance Centre

Professional Bodies based in Gibraltar

Gibraltar Association of Pension Fund Administrators (GAPFA)
Steven Knight, Chairman, Tel: + (350) 200 40466
Email: steven.knight@castletrustgroup.com

Association of Trust & Company Managers (ATCOM)
Marc X. Ellul, Chairman, Tel: + (350) 200 70921
Email: marc@ellul.gi

Bar Council
David Dumas, Chairman, Tel: + (350) 200 59026 / 79075
Email: barcouncil@gibtelecom.net david.dumas@hassans.gi

Gibraltar Association of Compliance Officers (GACO)
Ivan Perez, Chairman, Tel: + (350) 200 73520
Email: communications@gaco.gi

Gibraltar Bankers' Association (GBA)
Christian Garcia, President, Tel: + (350) 200 44144
Email: christian.garcia@turicum.com

Gibraltar Betting & Gaming Association (GBGA)
Peter Howitt, Chief Executive, Tel: + (350) 200 68450
Email: info@gbga.gi

Gibraltar Chamber of Commerce (GCC)
Christian Hernandez, President, Tel: + (350) 200 78376
Email: info@gibraltarchamberofcommerce.com

Gibraltar Finance Centre Council (GFCC)
Peter Montegriffo, Chairman, Tel: + (350) 200 79000
Email: peter.montegriffo@hassans.gi

Gibraltar Federation of Small Business (GFSB)
Stuart Rodriguez, Chairman, Tel: + (350) 200 47722
Email: gfsb@gfsb.gi

Gibraltar Funds & Investments Association (GFIA)
James Lasry, Chairman, Tel: + (350) 200 64740
Email: james.lasry@gfia.gi

Gibraltar Insurance Association (GIA)
Chris Johnson, Chairman, Tel: + (350) 58452000
Email: chairman@gia.gi

Gibraltar Insurance Institute (GII)
Peter Abbott, President, Tel: + (350) 200 74570
Email: peter.abbott@quest.gi

Gibraltar Society of Accountants (GSA)
Colin Vaughan, President, Tel: + (350) 200 73520
Email: colin.p.vaughan@gi.pwc.com

Society of Trust & Estate Practitioners (STEP)
Peter Isola, Chairman, Tel: + (350) 2000 1892
Email: peter.isola@isolas.gi

Gibraltar HR Forum
Ruth Halsall, Chair, Tel: + (350) 200 43865
Email: hrforumgib@gmail.com

Gibraltar Electronic Money Association (GEMA)
Dani Spier, Chairman, Tel: + (350) 200 79645
Email: dspier@idtfinance.com

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