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EDITORIAL COMMENT

Keeping a grip is essential

The transformation over the past 15 years of Gibraltar from tax haven to on-shore finance centre is a matter of record, confirmed by the growing number of companies – in insurance, funds and more generally – choosing to establish or relocate operations to the territory.

As Kevin de Haan, a British barrister and expert in EU-wide consumer protection and gambling law, told the KPMG e-Summit conference, his brief in helping to formulate the jurisdiction's Gaming Act was to establish a legal and regulatory framework that would form the basis of a world-class regulatory regime.

And so it has proved to be, to the extent that Gibraltar and its gambling commissioner are seeking to prevent the UK from now doing just the reverse of what good regulation is all about by instead opening the floodgates to "the good, the bad and the ugly" e-gaming operators from "more remote locations" hosting unsafe or unreliable suppliers.

Even within the UK today, its present plan to licence and then arms-length regulate remote gaming operators without the means or ability to control them stands to dilute rather than build on firm customer protection and crime free operation. Phil Brear, Gibraltar's gambling commissioner, says the new 'light touch' approach follows on previous UK efforts that failed to deliver allowing "elements of undesirable behavior, abandonment of due diligence and misappropriation of customer funds on an industrial scale".

No wonder Gibraltar Inc is planning UK legal action to protect its best-in-class operators and regulatory standards. Contrast that with the reported experience of regulators in both Jersey and Luxembourg – major centres for insurance and funds, respectively – which are charged with being too restrictive or remote such that they stifle business innovation.

Gibraltar's financial services sector has been supervised by a "firm but flexible" Regulator in Marcus Killick, who has helped this sector to grow and reach 20 per cent of the economy, and by streamlining bureaucracy, enabled a "fastest to market" claim in funds licencing.

Unfortunately, Killick (50) is standing down as Financial Services Commission (FSC) chief executive after a decade and has been universally praised: he's a highly respected financial regulator both within Gibraltar and internationally. As important, he's championed involvement of the FSC in worldwide regulatory forums; he believes strongly that since the global financial crisis, it's more important than ever that regulators cooperate across national boundaries.

A hard act to follow, all agree, if nothing of that momentum is to be lost by a change in helmsman. But Killick may just stay around. Chief Minister Fabian Picardo, perhaps revealingly, says: "… the benefit of him staying (in Gibraltar) is that I hope in the near future to draw on his experience and expertise in advising the Government and me in particular, as Minister for Finance, on some of the macroeconomic issues affecting the Finance Sector, having regard to the importance of this sector to our community and economy."

Watch this space! But in the meantime, that co-operation on standards across boundaries that Killick has encouraged in financial services, is what Brear and the Government are rightly pressing for in e-gaming too.

Ray Spencer

NEWS

UK's gaming plan could "cut 1,300 jobs, cost £20m in lost revenue and destabilise" the territory", new economic report predicts

The immense scale of impact on Gibraltar of the UK plan to introduce a 'point of consumption tax' and a new "light touch" licencing system for remote gambling is revealed in a Gibraltar government-commissioned report. Prepared by an internationally renowned economist, that is expected to be published early in May.

"The [UK] proposals are likely to have a significant impact on the economy of Gibraltar, with over 11 per cent of the working population and over 2,500 people employed in online gaming," an initial draft of the Report notes. A further 800 jobs are involved in supporting the jurisdiction's online gaming sector.

More realistic view

But last summer's draft document also reveals: "A more realistic scenario would see the relocation of some of the (Gibraltar) operators with the loss of approximately 1,300 jobs and £20m of Government revenue".

Gaming Regulator, Phil Brear says UK Bill "re-writes the rulebook on remote gambling"

The initial study by Professor John Fletcher of Bournemouth University was shared with selected UK politicians at the three main Political Party Autumn conferences.

The full report was being finalised as *Gibraltar International* went to press and is likely to appear around the time of the Queen's Speech setting out the Bills and draft legislation expected to be advanced in the 2013-14 UK Parliamentary Session.

There is, however, no certainty that reference to the Gambling (Licencing and Advertising) Bill will be included at that time, but industry insiders feel it is likely given that the European Commission raised no formal objection after agreeing an extended 'notification standstill' period that expired in early April. Nor has there been a definitive statement from The Treasury on the expected 15 per cent gross profit tax on bets made by UK residents, which forms a separate, but parallel part of the UK plan.

As the draft Fletcher report goes on to warn: "The result will be a significant redistribution of revenue out of Gibraltar to unregulated jurisdictions overseas that in turn will impact on jobs and could act to destabilise a key overseas territory."

Prof Fletcher, an internationally renowned economist, who has worked on Gibraltar economic reports since 2003 when he jointly produced an Input-Output study that, amongst other things, enabled the contribution made by varying sectors of the economy to be quantified.

He updated it in 2008 (but it remains unpublished) and today forms the basis of adjusted Treasury calculations of the economy that suggest gaming accounts for more than 20 per cent of Gross Domestic Product (GDP) - some £240m+.

Fletcher's report therefore, would seem to suggest that around 8 per cent of Gibraltar's GDP is at risk at a time when the government is intent on achieving a 50 per cent growth in GDP to reach £1.65bn in 2015. European Court of Justice (ECJ) rulings have classified e-gaming as a financial (rather than a leisure) service, but because of the sheer size of remote gambling, Gibraltar has kept it separated from the financial services sector that also accounts for 20 per cent of GDP.

"We licence only the best in the world": Gilbert Licudi, Minister for Gaming.

There are 24 Gibraltar gaming licencees, notes Phil Brear, the jurisdiction's head of gambling regulation, twice the number when he arrived five years ago. "Interest in Gibraltar licences is greater than I can remember and probably greater than it ever has been, despite all that is going on," he told the 3rd annual KPMG e-Gaming Summit at the Caleta Hotel early in April.

Ten more companies involved in e-gaming are discussing a move to The Rock, and he expects half of those to be licenced within 12 months, bringing the then total to around 30.

Gibraltar has 20 gaming operators dealing with on-line betting and gaming and between them they account for 60 per cent of betting in the UK, where more than 3,000 gaming enterprises have been licenced as "White Listed" operations.

The UK is very important for some Gibraltar-based firms – 4 or 5 have a very significant footprint there and one or two others have most of their business in the UK.

But as Hassans' e-gaming specialist lawyer, Peter Montegriffo, told *Gibraltar International*: "The impact on Gibraltar extends well beyond the e-gaming companies; for telecoms and property for example, e-gaming is pivotal and (if UK proposals take effect) we will see the pool of talent available to the jurisdiction reduced.

"We risk undermining the immense supply of innovative and technical talent that uniquely has been built up here. To lose that sort of human capital would be a reverse, given such people have cutting edge experience and expertise that can be expected to feed through to our broader e-money and e-commerce sectors too," he added.

Hassans lawyer, Peter Montegriffo, warns Gibraltar's "boader e-money and e-commerce sectors" will be affected.

Around half of the total 2,300 people employed in e-gaming live in Gibraltar, including some of the most highly paid, and some companies have said they want increasingly to have a greater proportion of their staff living securely in Gibraltar, rather than in Spain.

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Gibraltar had made "a commitment to licence only the best [e-gaming companies] in the world and that is a cornerstone of the government's approach", Gilbert Licudi, Minister responsible for gaming, told around 130 summit delegates.

Flawed, but not emotive

The strength of Gibraltar opposition to the UK's proposals was "not an emotive reaction against greater taxation, it is opposition to the flawed basis of this proposed tax", he emphasised.

But as Brear observed, the political and public policy aspects around the Bill's four short paragraphs had still not been fully examined. "The danger is that to many in positions of influence, it is a side issue for government and media, or a stick with which to beat the industry.

"We will need a lot of experience and a lot of luck to have the discussion properly informed."

Montegriffo pointed out to *Gibraltar International*: "The UK is the most mature, open market for gaming in the EU and if it is allowed to regress away from this position, any hope of pan-European access and common approach will be gone and all of Europe will retrench into a purely protectionist model."

Brear publicly also pulled no punches. "It's a clever (UK) Bill and as far reaching as the very (2005 Gambling) Act it seeks to amend in terms of how it seeks to change the face of the volume of regulation of remote gambling in the UK, in Europe and the rest of the world.

"It re-writes the rulebook on remote gambling, but not in a way that offers benefits to consumers, governments or the established regulated industry," he told seminar delegates.

The Bill had the means and potential to ensure that everybody currently in the system lost out, especially if other countries replicated it as Ireland is said to be considering.

Creates a 'Brass Plate' Britain

"In my view the Bill creates Brass Plate Britain for the global remote gambling industry. It commits the UK to being the remote gambling licencing hole for there will be need for little else to be there - no equipment, no staff or very few staff, no real presence; that's the new model," Brear asserted.

"The outcome of this new Bill is to scrap the concept of jurisdictional approval on the basis that the UK Regulator can do a better job than the White List regulators in overseeing companies that will be based many thousands of miles away, where that regulator has no presence or relationship whatsoever – that includes the good, the bad and the ugly, Brear accused.

Seen simply as a money-making device, the Bill may enable HM Treasury "to gain £200-400m in taxes, but it stands to lose far greater amounts in corporation tax and employment tax," he insisted.

In order to survive, some operators would be forced to re-domicile into more tax friendly jurisdictions.

Ray Spencer

Legal challenge increasingly likely as lobbying fails to impress

A legal challenge from Gibraltar's e-gaming companies seems increasingly likely in an attempt to prevent the UK progressing with its planned new gaming tax from December next year.

The Gibraltar Betting and Gaming Association (GBAGA) is reconstituting itself in early May to become an incorporated body. When the UK Bill is published, the GBAGA, subject to formal member approval, will seek a judicial review of the licencing aspect, which it considers to be "disproportionate" and "illegal".

Such a move could delay the UK Bill by more than two years by the time national and ECJ courts consider the matter, plus potential appeals from either side.

Gibraltar's three meetings with UK Ministers and with British Prime Minister, David Cameron, and submissions to a UK Select Committee reviewing the draft Bill and to the EU Commission and members of its Parliament, has so far not produced results.

In July 2011, the UK Government announced that it also intended to tax e-gaming operators on the basis of customer location by introducing a point of consumption tax, "effectively imposing a gross profit tax at an initially indicated rate of 15 per cent on all online transactions that take place with UK customers", the GBAGA maintains.

However, there is the possibility that the UK may introduce only the tax element, without progressing

UK Bill is "tax driven", says Kevin de Haan QC.

with the licencing measure, supposedly being introduced to provide greater consumer protection, particularly for the young and vulnerable.

But as Kevin de Haan QC, a barrister specialising in consumer protection and gambling law, told The Rock's KPMG e-gaming conference: "Yes (a government) can take restrictive measures, but they have got to be proportionate – no more than absolutely necessary to deal with the problem identified; and they [the UK] has to produce evidence of the problem before the national court.

"The evidence is just not there," he asserted, "to justify the sea change in the Gambling Act, which institutionalises the passporting of licences throughout the EU.

"The answer is tax driven; where the Treasury is strapped for revenue and looking to find places to get it, licencing is [seen as] the answer."

Even so, there is still the potential for a legal challenge. That new model may then attract some operators to return to the UK as the tax then would be only on their UK business, (which Gibraltar says is discriminatory), whereas in Gibraltar tax is paid on all gambling business, regardless of source.

Corporate governance practices within the hedge fund industry

By Joey Garcia, head of the Funds and Financial Services Team at ISOLAS. He is a member of the GFIA executive committee, and sits on the FSC Funds Panel

Corporate governance practices for hedge fund firms are more closely examined today than at any other time in the history of the industry, hedge funds firms have experienced a shift in their investor composition from High Net Worth individual investors to institutional investors. Institutional investors have shown that they view the evaluation of governance and oversight as it relates to risk management, valuations, operational controls, transparency and the investment process as important as analysing a hedge fund manager's investment performance.'

Although many of the principles relating to a directors duties and responsibilities to a Fund are already enshrined in law, it is clear that this is a changing and evolving model in the fund universe. The idea behind the introduction of the Corporate Governance Code for Gibraltar Funds is to more specifically define, codify and develop this framework over time.

The reinforcement of governance of hedge fund boards is a key factor in the ongoing growth and development of the fund industry in Gibraltar. The Gibraltar Funds & Investments Association (GFIA) is trying to promote a good governance culture that investors and regulators want, and in fact need. Institutional investors in particular recognise the importance of good corporate governance.

To illustrate this point it is useful to consider the recent survey from Carne Global Financial Services of 100 of the largest allocators to hedge funds globally. In this survey, the following question was asked;

'Have you ever decided not to invest because of concerns over a fund's corporate governance?'

76% of the allocators responded that they had at some point chosen against investing in a fund because of corporate governance concerns. Poor corporate governance is an 'undiversifiable' risk for an investor. That is, a risk that an investor cannot receive a return. The obvious question is why this would or should ever be accepted?

The same Carne survey asked the even more direct question of *'would you choose not to invest as a result of poor corporate governance on a hedge fund?'*

91% responded in the affirmative which clearly demonstrates the importance of solid corporate governance arrangements.

Setting aside the issue of poor governance being a factor, or limiter, on the ability of a manager to raise capital, there have also been other important developments in the field of corporate governance of funds recently. Critical rulings such as that of Weavering have highlighted situations where directors without a clear understanding of their roles can face serious consequences.

Recent moves

There have also been recent moves in other jurisdictions to define and specifically tighten hedge fund corporate governance. The Cayman Monetary Authority (CIMA) commenced its consultation on corporate governance in January this year. This comes at a time when CIMA is attempting to respond to investor concerns relating to corporate governance as well as tightening regulatory oversight.

The CIMA is also proposing to include a recommendation to amend Cayman Companies Management Law to enable the regulation and supervision of individuals offering themselves to or acting as directors of six or more Cayman Islands registered entities. Gibraltar has in fact had a regulatory regime for Experienced Investor Fund Directors since 2005.

In Malta a corporate governance manual for directors of investment companies and collective investment schemes was introduced earlier this year by the Malta Financial Services Authority (MFSA). This quite prescriptive document aims to provide guidance to a director on how to implement good corporate governance practices for an investment fund. The Irish corporate governance code took effect in 2012, and although voluntary in nature, its adoption is strongly recommended by the Irish Funds Industry Association with a 'comply or explain' approach. The more substantial Irish code was a natural development of the Luxembourg Code of Conduct which is effectively a series of 8 separate high level principles, with a series of recommendations as to implementation of that particular principle.

A positive step

The Code of Conduct for Gibraltar Collective Investment Schemes is a positive step for the jurisdiction and will capture existing accepted principles of good practice and guidance. However, the value in the exercise will also be in developing these principles further, and capturing Gibraltar-specific issues such as the governance of self-managed funds and oversight of Experienced Investor Funds structured as Protected Cell Companies.

As well as dealing specifically with the role and responsibilities of a Fund Director, the Code seeks to set out Directors duties during each stage of the life cycle of a typical Fund. It will define what is expected in respect of the effective oversight and supervision of service providers to the Fund, and deal with specific elements of the composition of a Fund's Board and its collective skill set.

Gibraltar's Code of Conduct is another step in the right direction for its Fund industry. Following further consultation with industry and with the Financial Services Commission, the code is scheduled to be launched at a GFIA event at the end of May this year.

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INVESTMENT

Equities good bet as global economy starts to grow again

A Swiss banker's (Credit Suisse) analysis of investment choices surprised some in the finance centre

"Never say never, but I think Spain is probably out of that bailout zone. Political questions remain open on whether to tighten further the economy – probably not; it's a matter of waiting."

That was the unexpected cautiously optimistic view of Giles Keating, head of Zurich-based Credit Suisse global research, who travelled in early-March to Gibraltar to address private clients, intermediaries and family concerns at a series of presentations on "Global Economy and Markets: Is the crisis over?"

Slow recovery ahead

Overall, he thought, "the world economy is growing still and global recovery is happening." Speaking ahead of the Cyprus bank crisis, he didn't perceive a real risk of the Eurozone collapsing this year. "It will be a slow, miserable recovery, but not blowing up to the extent it will affect global economic recovery, which underpins the growth of stock and credit markets."

(And it's a view the bank still holds. Marvin Cartwright, who organised the presentations as head of private banking for Credit Suisse (Gibraltar), assured: "The political discussions around the Cyprus rescue plan, and to a lesser extent, the formation of a government in Italy, are the chief drivers of risky assets these days, as seen in this week's market action … but in our view, such political processes are very country-specific, and are unlikely to derail the global economy, which has been recovering at a gradual pace.")

> *"We have seen an immense collapse in house prices, which is a good thing"*

Keating argued that given the world economy's gradual recovery, investors had "not missed the boat" to get more into equities, assuring that "equities are related to recovery in the economy, which is not just related to Quantitative Easing (QE). Monetary stimulus is much more than simply driving up stock and credit markets, it is having major effects in the US, although not in Europe."

He pointed to the recovery in cyclical stocks, new gas and oil sources – exploration and infrastructure resources – "good for another half decade or more."

Keating's analysis of key economic influencing factors, showed, "a story of apartheid in the Eurozone between the extraordinarily high measured unemployment rates in Greece, Spain and (fairly high) in France, contrasting with Germany, where the unemployment rate of 6½ per cent is one of the lowest in the industrial world."

More price cuts

German economic strength was on-going and if anything, he worried that its housing market was overheating, unlike in the peripheral EU economies, where "We have seen an immense collapse in house prices, which is a good thing; we have to get them down to a level that is attractive, so banks can get rid of them and buyers can buy (stock) in confidence."

Ireland, he thought was "more or less there," but in Spain the process "possibly needs to go a bit further – maybe 20 per cent-ish – down over the next nine to 12 months, so that the market can finally get to bottom out and begin to stabilize".

Keating emphasised: "It's not a firm forecast – it's a flavour." But he noted the problems of countries with a current account deficit had largely disappeared, with Spain running a big surplus, and Portugal, Italy and Greece more or less in balance.

"There is a route that we can see ahead in which gradually the Eurozone periphery economies will stabilize, and that has to do with the banking sector being recapitalized, working through its inventory of bad loans and eventually starting to lend again," Keating said.

Bank loans missing

Nevertheless, he warned: "All of this is painful and slow and there is probably another year to year and a half of extreme pain, and even after we stabilize and economies start to go up it will be a long, very slow and not very inspiring recovery."

He noted: "We have now seen in Spain the banks having the capital injection, which is meant to be sufficient to put them on a solid basis. But one really big missing link in the peripheral economies of Spain, Portugal and Greece is the price and availability of bank loans, particularly to smaller businesses that can't access global capital market."

Overall the stock market looks good – equities have "quite a lot of valuation juice there and seem to be driving markets". Credit Suisse internally had earlier this year pulled back to a neutral position in stock markets, but "people are now going into more aggressive stocks, in part because they saw the world didn't fall apart, despite Italy's uncertainties and the Euro problems.

Risk appetite returns

People had seen reassuring signs on monetary policy and, in particular, after the FED (US Federal Reserve Bank) confirmed QE would be retained for a long period. "There are legs to the economic recovery," Keating maintained, and "peoples' appetite for risk is coming back."

Keating quite fancies investment in US real estate stock, (directly, or indirect equities related to that market), and in foreign exchange other than Sterling, which he regarded as "still very vulnerable and likely to take two years to regain value). If diversifying globally, he liked the Chinese Renminbi – "it's not going to set the world on fire in returns, but it's a stable currency with relatively stable returns" – and also the Mexican Pesos.

Ray Spencer
www.credit-suisse.com/gi

TOURISM

€120m+ hotel to float in

Gibraltar is to get a 5-star hotel – after many years of successive governments trying to attract one of the leading international hotels chains to open on The Rock, a new concept Sunborn Yacht Hotel is now to open - well before the end of this year.

With 189 bedrooms, including 22 'super luxury' suites, the decision to anchor the vessel at Ocean Village Marina was taken by the Finish privately-owned property development and investment group after three separate studies confirmed the business and tourist potential for the project.

Costing "in excess of €120m, this exclusive yacht hotel will be 5-star classified and will feature extensive hotel, leisure and event facilities", Hans Niemi, Sunborn's Director of Group Operations in Europe, told *Gibraltar International*.

The firm that 13 years ago pioneered the concept of yacht hotels with the Sunborn Princess based at Finland's Naantali Spa Resort has diverted to Gibraltar a ship that was destined to open this Spring in Barcelona, "where we have a 25 years licence anyway to operate", Niemi explained.

This means the hotel territory's 5-star hotel launch could be as soon as Summer, the speed of which has caused "some concern" to the owners of Gibraltar's three 4-star hotels – the iconic 104-bed Rock Hotel that is about to be refurbished, the City centre O'Callaghan Eliott (118 rooms), and the Caleta Hotel on the east side, which is the largest with 168 bedrooms.

The anticipated £250 a night room cost for the Sunborn Yacht Hotel compares, for example, with a general top rate of £150 for the 4-star hotels, which feel they may lose business if the Sunborn cuts proposed rates to stimulate custom.

"Our intention is to build additional business for our hotel by establishing it as an attractive destination in its own right, through extensive marketing beginning in May," Niemi revealed. "It's not about taking share from others, but expanding the market through Gibraltar becoming better known to benefit all hotel operators and others in the hospitality business," he added.

Other local concerns are in the potential for leakage of good staff from existing hotels to fill at least 200 new jobs on a project that, it is argued, could easily move out of Gibraltar if commercial expectations are not realised.

Niemi told me: "These craft have a lifespan of 100 years and maybe in four or five years' time the market will have changed, so we can move the home port of our ships around to provide a different specification to satisfy demand in each location."

London is to get the third active super yacht hotel next year, after the original Sunborn Princess in Docklands was sold in 2008 a decade after first opening there. Another Sunborn yacht hotel is to open this Summer in Brunei.

The company's website makes the point: "Floating hotels can be easily relocated and they offer the security of a hotel investment that can be moved for economic reasons, or where a location has become politically unstable.

"There are significant financial benefits in being able to build where there is no available land, particularly when a waterfront location is next high-value commercial real estate."

Gibraltar's tourism minister, Neil Costa believes the floating hotel "will become an icon and attraction for Gibraltar." Niemi pointed out: "Super yachts have become the world's ultimate symbol of wealth and exclusivity.

"Our unique concept – the yacht hotel – combines the high value associated with luxury yachts and a modern 5-star hotel."

The 140m long vessel – subject to the Gibraltar planning process – will be attached to the dockside by mooring arms that are specially designed to hold the yacht in a fixed position. Guest access to the vessel will be via a faced entrance and an enclosed glass bridge.

Designed to meet high EU environmental standards as a European Green Building, the hotel yachts will have triple glazing throughout for weather and noise protection and are designed with a zero discharge and emission policy and will not be using engines or generators while in mooring.

All rooms will have a balcony or sundeck and the hotel will feature a panoramic restaurant with "sun terraces and a glamorous outdoor bar and lounge and entertainment spaces," as well as comprehensive banqueting, meeting and conference venues holding up to 1,000 delegates – more than double the present hotels' capacity.

"We'd like to do catwalk shows, product launches and things like that we can attract to Gibraltar," Nieimi enthused, "and partner with local businesses in the operation of facilities such as the luxury spa and gym."

Ray Spencer

Shared ethical business values prompts Austrian invitation

Gibraltar's aims of ensuring "social development, prosperity and sustainability" align strongly with those of The Center for Global Dialogue and Cooperation (CGDC) to the extent that Chief Minister Fabian Picardo and Finance Minister Gilbert Licudi, are to attend the organisation's annual meeting in Vienna.

Attended by Heads of State, leading international business people and opinion-formers in a variety of fields, the focus of May's AGM is on topics relating to Energy and Democracy, two key policy areas for the near-18 months old Gibraltar Socialist Labour and Liberal Alliance (GSLP) government.

Peter Stroyanov, founder & president of CGDC feels the jurisdiction and new organisation share a conviction "that ethical values in business and politics are essential for sustainable and stable global welfare".

The former President of Bulgaria until 2002, was so taken by the jurisdiction's economic progress that CGDC published earlier this year a 'Global Investor's Guide 2012' report, running to 136 pages, in which Stroyanov noted: "Gibraltar's Rock has long been a historical symbol of solidity and stability – and it is still getting stronger.

Well-regulated business

"This is done through the encouragement of well-regulated business across a variety of established and thriving industries. These co-exist within a relatively small yet international community whose personal breadth and operational reach stretch far beyond the Rock," he says.

The strong endorsement of Gibraltar fits neatly into Picardo's aim of drawing attention to the opportunity for investment in the territory with its low 10 per cent business tax and relatively low – and reducing - personal tax within the EU.

Picardo believes "this particular conference is one that I think will produce value for money for the Gibraltar taxpayer, because I can see that it is the sort of place where Gibraltar needs to be to continue to punch above its weight in the international community".

Stroyanov sets the tone by referring to the transformation from off-shore tax haven to on-shore International Finance Centre, by saying: "Gibraltar has also risen up to challenges through international cooperation, transparency (in tax) and a culture change of its own."

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Advertising Feature

Atlantic Suites Serviced Apartments

Atlantic Suites Serviced Apartments opened for business 18 months ago. Manager, Kristina Kjeldsen, explains about the rapid growth of the business, the challenges of the start-up and how enthusiastically guests have reacted to this new style of accommodation in Gibraltar.

We started with only 3 studio and 2 one-bedroom serviced apartments. We knew the concept was popular abroad, and it has turned out to be a very successful concept in Gibraltar as well. Gibraltar attracts many well-travelled international visitors, so we wanted to offer something more than an ordinary hotel stay - another level of comfort and convenience – more spacious, modern, chic apartments fully-equipped with free high-speed Wi-Fi, 42-inch TVs, MP3 connectivity, etc – in other words: A Home Away from Home. Atlantic Suites is the perfect location: a very high tech building, with 24 hour security and Danish built apartments that have fabulous designer kitchens and bathrooms, and stylish high ceilinged rooms. There is underground parking and guests have full access to Atlantic Suites Health Club, with use of the gym, spa and pool, or they can relax in our spacious garden.

We designed, furnished and equipped all the suites ourselves to ensure that we achieved the 5-star look we were aiming for – and our guests agree that we have achieved just that.

Before opening we recruited highly trained staff, so that we could offer a high level of customer service and care to the best international standards. It is essential that our apartments are kept immaculately clean and our guests' needs are met and exceeded where possible.

From day one and with little advertising in Atlantic Suites offices and Europort next door, we found ourselves with more guests than we had room for. Over the last year we have added several 2-bedroom apartments, based on requests from key corporate clients, and many more 1-bedrooms and studios to meet growing demand. We are still bringing new apartments into the business.

We also listen to our guests' wishes and are now able to offer daily rates as well as our original offering of weekly or monthly rates. We have also introduced a loyalty programme based on the number of nights stayed with us.

Personally I am thrilled by the positive feedback from guests and the loyalty of our clientele.

For more information go to www.atlanticsuites.com

Continued from page 16

Minister Licudi stayed on-message. “Gibraltar is a small jurisdiction, but one which is an important player in the world market. It is a jurisdiction that punches much higher than its weight in the Financial Services and Online Gaming sectors and we are recognized as such”, he proclaimed.

New products developed

Gibraltar’s business base would be expanded and new products developed to produce growth for those currently operating in the jurisdiction and to attract new operators.”

However, soon-to-retire Chief Executive of the Financial Service Commission, Marcus Killick pointed to that fact that “the behaviour of Spain always presents a threat to Gibraltar, but it also presents opportunities.

“Spain should see Gibraltar as the natural international Finance Centre of the Iberian Peninsula. What the Channel Islands do for London, for instance, in terms of material benefits of placing funds, we could do for Madrid; if the Spanish realized the opportunities, we could present them and not just the other way around,” he felt.

Yet Prof Michael Maineli, executive chairman of z/Yen Group, which produces the bi-annual Global Financial Centres Index (GFCI), says that in terms of small International Finance Centres, “Gibraltar has a reputational disadvantage” (amongst professionals surveyed) and it “is clearly a big issue for Gibraltar as it suffers from a stronger reputational disadvantage than other centres in its class.”

However, Gibraltar’s low reputational score did not necessarily mean that the quality of its services and infrastructure were any less than a centre with similar ratings, but instead that it is perceived as such by respondents.

In Maineli’s view: “Policy makers in Financial Centres have to decide whether to prioritise the fundamental development of a centre’s competitiveness or to bolster the reputation of the centre.

“Our research suggests that Gibraltar offers a stable regulatory environment, respectable infrastructure and a skilled professional base, but that currently Gibraltar needs to address the issue of reputation as a priority in order to be seen as a more competitive Financial Centre.”

Minister for Employment, Joe Bossano told the CGDC Report team that other world business leaders could learn that “Small is beautiful”. With a population of some 29,000 and a target GDP of £1.65bn by 2015, he counseled: “The lesson to be learned is that everything that is big is made up of many small parts.

“In Gibraltar there is no big business, there is a very tiny part of many different businesses. They are here, though, because Gibraltar is more efficient and profitable than elsewhere.”

One area he wanted to expand was the State-owned Gibraltar Savings Bank set up in 1882 that had been used as a Colonial Savings Bank, but now modernized had a deposit base of around £300m “and the target is to double this figure every 12 months”.

Ray Spencer

Flexibility and speed proving winning factors

When one of the most successful Swiss currency trading companies agreed to link late last year with a UK wealth management firm to launch a Foreign Exchange (FX) fund for institutional and 'expert' investors, the idea of basing the fund in Gibraltar had not even been a consideration

In March, Daniel Stewart Mercury Forex Currency Fund PCC Ltd, was licenced and launched in the territory as a first joint venture between the UK and Swiss firms with the open-ended fund aiming to raise €200-300m and plans to move five Mercury staff to Gibraltar.

Peter Shea, Daniel Stewart's executive chairman based in London, admitted to not knowing even where Gibraltar was, but after repeated approaches from jurisdiction lawyers Hassans, and fund management firm Whitmill Trust, "the flexibility and speed to market offered proved unbeatable".

The success in attracting the new fund illustrates the effort now being put by Government and the industry behind ensuring Gibraltar's EU credentials as a domicile for funds and for the establishment of asset management operations, markets presently dominated by Luxembourg, Ireland and non-EU state, Jersey.

Even more attractive

Minister for Financial Services, Gilbert Licudi, this year has been spearheading initiatives to spread the message beyond the traditional UK market.

At a February industry forum in Zurich, Licudi stated: "Gibraltar is well on course for the transposition of AIFM [the EU Alternative Investment Fund Managers Directive] and we are determined to hone our funds product range still further so as to become even more attractive for Swiss asset managers to consider using Gibraltar in various ways."

Swiss asset managers face increased regulation and although Gibraltar's regime is no less strict, the territory provides passporting rights throughout Europe, a benefit unavailable in Switzerland.

Most recently in Brazil at a specialist Rio de Janeiro conference for hedge funds experts from both North and South America in March, Licudi revealed that Gibraltar was specifically targeting New York (following recent Ministerial visits to the US) and Latin American funds and fund managers.

Contrasting experience

The timing could not be better to promote the territory's bid to be "the jurisdiction of choice" for funds in the EU.

As Shea pointed out: "We wanted our new fund to be EU based and looked at the possibilities of Jersey, the Cayman Islands and BVI before first settling on Luxembourg, but then we found the process there was far too difficult and far too long, and the Regulator was not helpful".

Noting that the Luxembourg experience "was like pushing a rock uphill", he added: "I suppose it's a factor of having been so busy with funds and for so long that the Luxembourg service providers just don't seem to have a real care for new applicants, which is in marked contrast to our experience in Gibraltar."

Whitmill began 20 years ago in Jersey as an independent, privately-owned trust, fund administration and company services business, but three years ago established its Gibraltar operation, bringing "a range of valued experience and expertise in compliance, money laundering and risk assessment".

Whitmill's international director, Fred Deacon, said: "Some of the issues our clients were raising had an international dimension, so we thought it best to have a footprint in other jurisdictions. We looked at Singapore, Switzerland and Dubai before settling on Gibraltar to service a Morocco-based client".

But Whitmill, - named by Jersey Finance (the joint industry/government-funded promotional organisation) as 'Jersey fund administrator of 2012' – also felt the need to "branch out in 2009, in part because of increasing Regulation in Jersey".

As Deacon explained: "In respect of Funds, Gibraltar is catching up on Regulation with a more pragmatic and open approach to developing business than is the case in Jersey, whereas the Jersey Regulator's mandate to protect the jurisdiction's reputation is so rigid, it is almost stifling business."

However, Wayne Meenagh, managing director of Whitmill (Gibraltar) emphasised: "We have in Gibraltar the same laws, rules and regulations, but this jurisdiction wants to encourage business – it's a matter of experiencing a more welcoming style and approach".

Meenagh - recognised in the 2012 Citywealth Magazine Finance Centre 'leaders list of wealth professionals' - says being inside of the EU and part of the new European regulatory regime, gives Gibraltar an advantage over Jersey as a location for funds, which many asset managers find is attractive.

"There is much more movement on funds in Gibraltar, compared to Jersey where the market has stagnated a bit, as people become more aware of Gibraltar and what it has to offer", he asserted.

Flexibilty with protection

Currently there are around 90 funds licenced in Gibraltar with almost £9bn of funds under management at end-March 2012 – the lowest total since 2006 with figures updated mid-year. That compares with an estimated £198.5bn assets in Jersey-based funds, administered by 84 firms.

James Lasry, chairman of the Gibraltar Funds & Investments Association (GFIA), notes: "In an age where promoters are seeking regulatory arbitrage, Gibraltar, because of its size and the close working relationship of the parties involved (Government and Financial Services Commission as Regulator) can offer solutions that provide flexibility within the European framework without compromising the protection of investors."

Given the recent trend towards harmonization of fund law and regulation across Europe, GFIA has just published a first-of-kind guidebook to present a comprehensive overview of what investors, fund managers, lawyers, administrators, auditors and other fund practitioners need to know.

The guide highlights how Gibraltar distinguishes itself from other jurisdictions, whilst remaining fully compliant within the EU framework. In a foreword to the Guide Lasry asserts: "I am sure this will raise awareness of what is arguably the most flexible professional fund regime in Europe with the quickest time to market".

There's a general shift too in who to target for business, as the Mercury Forex fund launch illustrates: Mercury, which has achieved impressive 18 per cent average returns for the past 18 years, specialised in High Net Worth individuals (Cat2), institutional and corporate investors including proprietary trading, whereas Daniel Stewart's experience was more with smaller investors.

Shea said: "We strongly believe that ongoing volatility in currency markets provides excellent opportunities for investors to boost returns compared to the relative weakness of equities and bonds."

Road shows

The Gibraltar G20 Absolute Return Fund from CIMCO Partners, which achieved nearly 90 per cent return in the 37 months to end January, was shortlisted in March to become "Best Global Macro Fund" at the "Global Emerging Manager Awards" in New York, organised by S&P Capital IQ in partnership with New Legacy Group.

The nomination by the US based selection panel was "not only related to performance, but to those funds which have distinguished themselves among their peers in the areas of best practice processes, business building and fund performance", CIMCO declared.

Two exhibition road shows initiated earlier this year by Whitmill in London and Switzerland were aimed at asset managers running client money invested in real estate and alternative investments, as well as law firms and tax advisors; in May, a third opens up a new area - the Ukraine – and targets real estate, agricultural and bio energy funds.

At the time of going to press there was still no news on the appointment of a funds industry expert to complete the team of three specialists responsible for marketing the jurisdiction's main sectors within the government's Finance Centre department.

The insurance and private client work posts were filled in January, but recruiting a funds leader, to help determine where in the world and what aspects of funds best to target, has proved more difficult than expected for Licudi, who had hoped to have a strategy in place by end-March.

Ray Spencer

See Gibraltar International Feb-April 2013 issue at www.gibraltarinternational.com.

Insurers bringing more and varied business to expand the market

Gibraltar motor insurers' growth from UK premiums outstripped that achieved by British-based competitors, including the largest, Lloyds of London, in 2011 and are thought to have done so again last year

Two major international accountancy reports published late in 2012, show gross written premiums up by some 60 per cent in 2011 to reach around £2.4bn, aided substantially by the inclusion for the first time of four new insurers – Southern Rock, Enterprise, Calpe and Preserve.

According to accountants Ernst & Young's motor report, that prompted Gibraltar's share of the UK market to rise 56 per cent in 2011. Since then there have been other motor insurers opening on The Rock, including the most recent, a specialist chauffeur, limousine and private & public hire vehicle insurer, Nelson, managed locally by Willis.

Still more insurance operations are being introduced to the territory, including it is understood from trade media, one backed by a group of well-established US investors in motor insurance known as St. Bernard Assurance. Once licenced by the Financial Services Commision, the new insurer progressively will offer policies throughout Europe.

Opening up the opportunity for The Rock to handle UK insurance 'run off' work is one of the issues that Michael Ashton, the government's new insurance marketing specialist, is expected to have high on his list of fresh activity following a March meeting with the Gibraltar Insurance Association (GIA) strategy group led by chairman Chris Johnson.

Run-off ahead

Gibraltar has long been prevented from taking on British run-off work, known as 'Part 7 transfers', through an unintentional omission from UK legislation that allows everywhere else within the EU and European Economic Area (EEA) to do so!

Yet that has not prevented Ocean Village-based Quest, managing such business for a new insurance Gibraltar-licenced operation EIFlow, that paid €17m to the Irish Government for the discontinued insurance portfolio of the former Insurance Corporation of Ireland (ICI) that has been in run-off mode for 26 years!

EIFlow, represents a first in this type of business for the territory and for Quest, whose managing director, Steve Quinn, is looking to a second similar operation soon to be added from elsewhere in Europe, circumventing the present UK block.

Quinn is also "very confident our new initiatives will bear fruit in the next 12 months with at least three more insurance operations coming on board".

Michael Ashton, Gibraltar's finance centre's insurance tzar, discusses the way forward with Gibraltar Insurance Association chairman, Chris Johnson.

The arrival of new insurers and types of insurance business is welcome news after three small Gibraltar-based insurance companies – accounting for less than 1 per cent of general insurers, were last year removed from the Financial Services Commission (FSC) authorised list after they were suspected of being capitalised by false or invalid bonds from elsewhere in Europe.

That led to the FSC issuing a no-holds-barred instruction to see that auditors in particular, are applying appropriate standards and procedures.

The Regulatory body in February said: "The FSC acknowledges that the primary responsibility for the prevention and detection of fraud falls with those charged with governance and management of the Licensee. Whilst it is recognised that statements and documents produced for these purposes will generally be genuine, professional skepticism should always be at the forefront of the Auditor's mind."

Although the company failures were "an unwelcome event," Ashton told *Gibraltar International* that the "interest shown from some quarters was disproportionate, as it had no serious impact on the Gibraltar insurance sector.

"People in London tell me that in any mature insurance market, company failures unfortunately can occur, and even within well-Regulated jurisdictions such as ours."

Anxious to "move on from those episodes" as one insurance insider remarked, the GIA's Johnson is "enthused with Government's renewed commitment to raising Gibraltar's positive profile in the insurance arena."

The Rock's 56 active licenced insurers employ some 375 people and embrace all 18 classes of business to provide an expertise found in very few other jurisdictions. In 2012, the sector is estimated to have written £3.5bn of gross premiums, with life and general insurance accounting for all but £0.5bn, which was in captives.

The last captive insurer opened in Gibraltar five years ago and this is an aspect Ashton feels offers a big opportunity, as evidenced by his attendance as part of a government team at London's 'Captive Live UK' conference in February.

Captive advantage

"Although the jurisdiction offers several advantages over other locations – including no tax on premium investment income – some captives [insurers established with the specific objective of insuring risks emanating from their parent group or groups] may be biding their time to see how the effects of the EU Solvency II requirements work out in practice when implemented next year," explained Ashton.

"They have the option to say, set up in Jersey or Guernsey where it is generally cheaper and rely on any exceptional arrangements those states may make with the European Commission, rather than take advantage of Gibraltar's EU status with opportunity as of right for passporting business throughout Europe."

New business goal

Tasked in this first year with increasing awareness of The Rock's insurance credentials, he found people "quite surprised at the size and scale of Gibraltar's involvement with insurance and the opportunities presented in establishing Protected Cell Companies (PCCs)," Ashton enthused.

The territory has five cell companies – the two largest being AON and Euroguard – and establishing an operation on The Rock "is certainly cheaper and quicker than in the UK and, I hear, than in Dublin too, said Ashton, who for 15 years worked on London's Lloyds market.

"Profile, however, is only a first step and the ultimate target has to be on new financial services businesses coming to Gibraltar," as Gilbert Licudi, Minister with responsibility for Financial Services, noted after the February conference:

Ian Clarke, a London partner specialising in insurance for accountants Deloitte, points out: "2012 motor insurance figures are not available until mid-year, but the results will show a continued improvement last year for Gibraltar motor insurers, in part as a result of further premium rate increases."

The EU requirement from late last year to remove premium discrimination for young women over those for males will not show through until this year, but the impact will have been broadly flat, he said.

However, legal reforms involving new personal injury factors, including the high incidence of whiplash claims, could affect motor insurers' net premium income.

Gibraltar motor insurers' - Admiral is the largest with around 40 per cent share, followed by SAGA and Advantage (part of Hastings Group) - are also significantly more profitable than those in the UK and this also is expected to have improved marginally in 2012.

But the requirement for motor insurers to maintain a higher level of capital in relation to their business under EU Solvency II proposals will hit Gibraltar companies hardest, because the jurisdiction's present base-level is less than in the UK.

As a result companies operating from The Rock will need either to retain a greater proportion of profits within the business, or raise fresh capital to meet Solvency II requirements and, with the intervention of the Financial Services Commisison, the greater capital requirement is likely to be increased incrementally until 2016, Clarke pointed out.

Gibraltar motors speeding ahead
Gross Written premiums (£bn)

Year	Gibraltar	Lloyd's
2009	1.2	1.12
2010	1.47	1.1
2011	2.38	1.19
2012	2.62*	

* Estimated Source: **Deloitte, London**

In the meantime, Robus, an insurance management company established in 2011 to provide services to insurers, reinsurers and brokers throughout Europe, became the first to be awarded Chartered Status by the Chartered Insurance Institute (CII) in recognition of its high levels of expertise and professionalism.

Ray Spencer

Looking to other financial centres to help Gibraltar grow

"Gibraltar has a huge strength over other jurisdictions, which we have used, but also underused," charges the new Leader of the Gibraltar Social Democratic (GSD) Opposition Party, Daniel Feetham, in an exclusive interview, with *Ray Spencer*.

"We are a small jurisdiction that is capable of reacting very, very quickly to events and that is capable of doing what needs to be done to take advantage of future trends", points out Feetham, who in February became Leader of the GSD. His Party was narrowly beaten after 16 years of power at the December 2011 election.

In analysing the economy, he feels more needs to be done if the Gibraltar Socialist Liberal Alliance Government (GSLP) is to achieve its "very clear projections of growing the economy by 50 per cent over 4 years; at the moment all indicators are that the economy is not growing at much more than 5 per cent".

On becoming GSD Leader, Feetham declared that whilst he will oppose, scrutinize and hold government actions to account, it is also "important that we are constructive, particularly where Gibraltar's vital interests are at stake".

Looking for strengths

Among early actions he would have undertaken is to "commission a study into our important area of financial services and where our strengths and weaknesses are against competing jurisdictions", he said.

A lawyer whose early UK background was in insolvency, Feetham is credited with promoting Gibraltar legislation to attract hedge funds, and other aspects of the financial services sector that accounts for 20 per cent of Gross Domestic Product (GDP).

"I don't think we have to reinvent the wheel, because it's very difficult to come up with ideas that have not been tried before, but I would look to see what other jurisdictions - Cayman Islands, BVI and Malta for example - do well", he suggested "and whether they are potentially applicable to Gibraltar and if we can improve on them."

Feetham pointed to the example of the Insolvency Act, [still to come into effect] which in 2011 he introduced as Minister of Justice based on BVI's law that had attracted "a lot of business - companies went there with structuring deals, because their legislation was creditor friendly".

Danny Feetham, new Leader of the Opposition GSD Party in Parliament.

It was important to a bank lending money for a project to know that "if something goes pear shaped, it will be able to appoint a receiver or liquidator over the assets of the company", without having the situation (as in the UK for example) where a creditor could appoint an administrator.

"Our legislation ensures that whilst it is possible for an administrator to be appointed, the ability of a secured creditor to appoint a receiver will always trump the ability of non-secured creditor to appoint an administrator", he said.

'From a foreign investment point of view it's important that a bank can appoint a receiver for a sale of the assets. We've done that – I introduced it in 2011 – but it's not come into effect yet, because there are still some Regulations the government, hopefully this year, has to finalise", the Opposition Leader, explained.

His proposed study, which would take no more than a year to introduce legislation, would look at other jurisdictions' regulatory structures in relation to those successful business areas - "they might have a product that is adding value in, it may be through the way that the Regulator is approaching that product".

Feetham noted: "We are blessed with being able to get access to Ministers very quickly (of whatever colour or political persuasion), and to Parliament quickly. We have a proactive approach that does not necessarily mean travelling all over the world, but focusing on the lines to be pursued to make Gibraltar more profitable."

Construction vital

Emphasising that he was not speaking in context of any new GSD manifesto, Feetham declared: "To grow the economy by 50 per cent, which is the government's target, we need certain sectors to be working at full pelt and one is construction – it's absolutely vital. In the GSD government's years of economic growth, the level of construction was a major factor.

"It was not a coincidence – when we built the new prison, court and airport, we knew we were giving the economy a significant boost at a time when the world was plunged into recession."

There was a need to stimulate the economy, and this was not peculiar to Gibraltar. "There isn't enough private work at the moment to keep construction companies afloat", he declared. "Unless we get construction moving - at the moment it is virtually zero - local construction companies may start to disappear, with a significant knock-on effect to businesses dependent on them in the supply line".

He was particularly concerned that a number of home building tenders are "basically on terms that the government will pay 5 per cent of the project cost at the outset and the remainder at the end, with no stage payments, which makes it very unattractive for smaller local companies, particularly in the current economic climate when banks are unwilling to lend".

He suggested: "Some Spanish companies might be tempted to tender on these terms and then start arguing half way through the project that they can't meet the terms and need to renegotiate."

Funding is issue

The 5 per cent initial payment could appear as capital spending in the current term of office, leaving the government to fund the balance from the sale of the properties at the end of the project and any shortfall from borrowing.

Feetham said: "The Government has a Manifesto commitment of some £600m of capital projects, including a new power station and over 1,000 apartments". If those projects came to fruition, then the Government's economic growth targets will be met, "because there is an awful lot of economic activity – mainly construction-related – that will have been generated.

"The issue of course, is the funding for it. Some may be private investment and self financing, but the majority will not", Feetham asserted. Projects were usually funded either through borrowing or Government surpluses, but the Government had said surpluses would be gifted to Community Care, a local charity making payments to the elderly, and also that it would cut public debt by half, he pointed out.

"That inevitably means trying to look for alternative ways of funding projects, if that is at all possible. Hence the terms of the construction tenders trying to make projects as self-financing as possible", Feetham charged.

The government, he thought, might "be tempted to use some form of PFI (Private Finance Initiative}, which the UK Parliamentary Treasury Select Committee found in mid-2011 often represented poor value for money and were excluded from government debt calculations, because, the true costs were being hidden "off balance sheet". (Andrew Tyrie, the Conservative committee chair, said: "PFI means getting something now and paying later.")

"There are many political observers today who say the whole cost should be on balance sheet and not mostly off balance sheet. If they do this, it will receive Opposition criticism", Feetham warned.

Cutting corners

Design and build projects anyway were problematic, he believes "because it encourages construction companies to cut corners – they give an outline of a project, but don't specify exactly the materials to be used for each part, so the contractor has a degree of leeway to save money".

More generally, he emphasised the need to encourage new businesses to come to Gibraltar – inward investment. "In May 2012 we were told by the Chief Minister (Fabian Picardo) that he had a number of investors up his sleeve – we don't know what sectors these investors are in, international services, hotels, construction – but they will be welcome in Gibraltar."

Ex-pats fuel QROPS growth of over £50m

Promises of 'a new line of business' are bearing fruit

Six new Gibraltar-based qualifying recognised overseas pension schemes (QROPS) for importation of British expatriates' personal pensions schemes have joined the Revenue & Customs (HMRC) 'recognised' list since last summer. The inflow in pension funds so far is estimated to be over £50m, with much more expected from schemes only recently launched.

Whilst a great many of the transfers have been from people with remaining UK interests, some have transferred into Gibraltar from other jurisdictions. Most interest for Gibraltar has come from "outside Europe", says STM Group, which has seen "a dramatic increase" in enquiries from international clients, in particular since Gibraltar QROPS became acceptable to HMRC.

The Gibraltar government's change to its tax law in June introduced limits on imported pension provisions in line with UK policy – lump sum cash distributions to over 55 year olds limited to 30 per cent, payment of a 2.5 per cent tax on distributions and restriction on transfers out only to jurisdictions having equal or greater provisions.

Lite versions taking off

Finance Centre Minister, Gilbert Licudi, saw it as opening up "a line of business which has previously, in effect, been out of reach for Gibraltar", creating work for pension schemes administrators and income from taxation for Gibraltar in respect of distributions from the imported pension schemes.

To attract people with smaller pension pots, Gibraltar has seen several cheaper to enter and operate 'lite' versions introduced in the last three months, incorporated within, or alongside more broadly-based investment QROPS.

Sovereign Trust did so in December with its 'Calpe Lite Retirement Benefit Scheme' for sub-£100,000 pensions; Castle Trust followed in March with the Equus Silver Retirement Annuity Trust Scheme aimed at pension pots under £75,000; and newest entrant to the market, in April, London & Colonial, with the 'EU QROPS' for those with up to £100,000 to invest.

There are now 15 Gibraltar QROPS listed as meeting HMRC conditions, with among the oldest being STM's 2008 Gibraltar Pensions Transfer Plan and Castle's Equus QROPS opened in 2009.

"Gibraltar is gaining traction, with substantial amounts being received within QROPS" says Steven Knight, Castle Trust chairman, and chairman of the Gibraltar Association of Pension Fund Administrators (GAPFA).

QROPS Code of Conduct launched: Steven Knight, GAPFA chairman

"We have found since the Summer that Gibraltar is more recognised on the international scene and we have made headway. More than 100 pensions have been transferred to Gibraltar this year, he calculated. "We expect to see 100 transfers a month from now on," he added.

To develop business and gain additional experienced back office administration facilities, Knight has recently entered into Business-to-Business deals with four firms in the Channel Islands and Isle of Man.

He's also just opened an office in Kuala Lumpur to penetrate the Asian market, including Malaysia, Thailand and China, and appointed a representative in South Africa.

Knight spoke about Gibraltar's QROPS experience in March at a world retirement planning conference in Dubai organized by International Advisor Magazine, and has agreed to do similarly at three other international events – at Singapore, Cape Town and Hong Kong – later this year.

London & Colonial (L&C), a privately owned independent financial services group, waited two years before launching full and 'lite' versions of its 'EU QROPS' product in April, at a time to coincide with the formal introduction of the Gibraltar industry's Code of Conduct.

The Code, says Knight, sets out "how we expect QROPS to be handled to bring consumer reassurance and to protect Gibraltar's reputation, and has been prepared after wide consultation within the local pensions sector, Financial Services Commission (which regulates all QROPS business through licensing of trustees) and the Tax Commissioner".

Adam Wrench, L&C head of product development, said: "We see the EU QROPS appealing mostly to clients living abroad, who have left their pension funds behind and some who have several pension schemes from working at different locations. Some people have a QROPS already and want to do something more with it."

Cutting costs

L&C will administrate the QROPS both in Gibraltar, where it has had an office since 2000, and its UK offices providing strong links with Independent Financial Advisors through its SIPPS business.

"The reasons for using either our onshore or offshore platforms will vary depending on a client's circumstance. For advisers who understand these complexities", said Wrench, "it can be an opportunity for them to add real value."

Wrench explained that traditionally, clients using a QROPS would have the underlying assets put into an offshore bond – ostensibly for the tax benefits. However, clients were then "exposed to two layers of charging – once for the top wrap, the QROPS, then again on the offshore bond".

By using a platform, Wrench maintains, "these costs can be significantly reduced while still providing the client with exactly the same tax advantages through the QROPS. Using a platform is, as far as we see it, the most efficient way of investing a client's assets within a QROPS," declared Wrench.

However, there is "still a need to educate UK IFA's – our target market - in the advantages and suitability of QROPS for their clients, but we are encouraged by the UK Financial Services Authority's reported remarks that IFAs must now consider QROPS within their strategies, so knowledge and awareness should increase."

Gibraltar-based since 2004, European Financial Planning Group (EFPG) launched its 'Diamond Personal Retirement Planning Scheme' in March and has "kept it low key initially", offering the new QROPS to ex-pats from the UK who want to relocate their pensions benefits to where they are living, through its UK specialist tax advice sister company, The Family Office.

Andrew Drew, a chartered financial planner with EFPG, explained: "There has been quite a lot of interest in this type of product for many years, but there has been a lot of confusion too – even blatant stupidity on the part of some providers – so we sat back and waited until everything settled down."

"The QROPS market is coming of age now, but it is still an area where care is required, because HMRC has signaled there may be more changes still to come." EFPG acts as an IFA, as well as QROPS product provider.

Two Gibraltar QROPS providers – STM Fidecs and Sovereign – also have schemes registered in Malta, a jurisdiction where HMRC lists 12 QROPS considered Gibraltar's main competitor.

"Gibraltar has all the benefits attached to well-regulated EU jurisdictions", declared, Ian Le Breton, managing director of Sovereign Trust (Gibraltar) and at companies such as his, "considerable expertise in what is, after all, still a very recently developed skill set [that] has been built up."

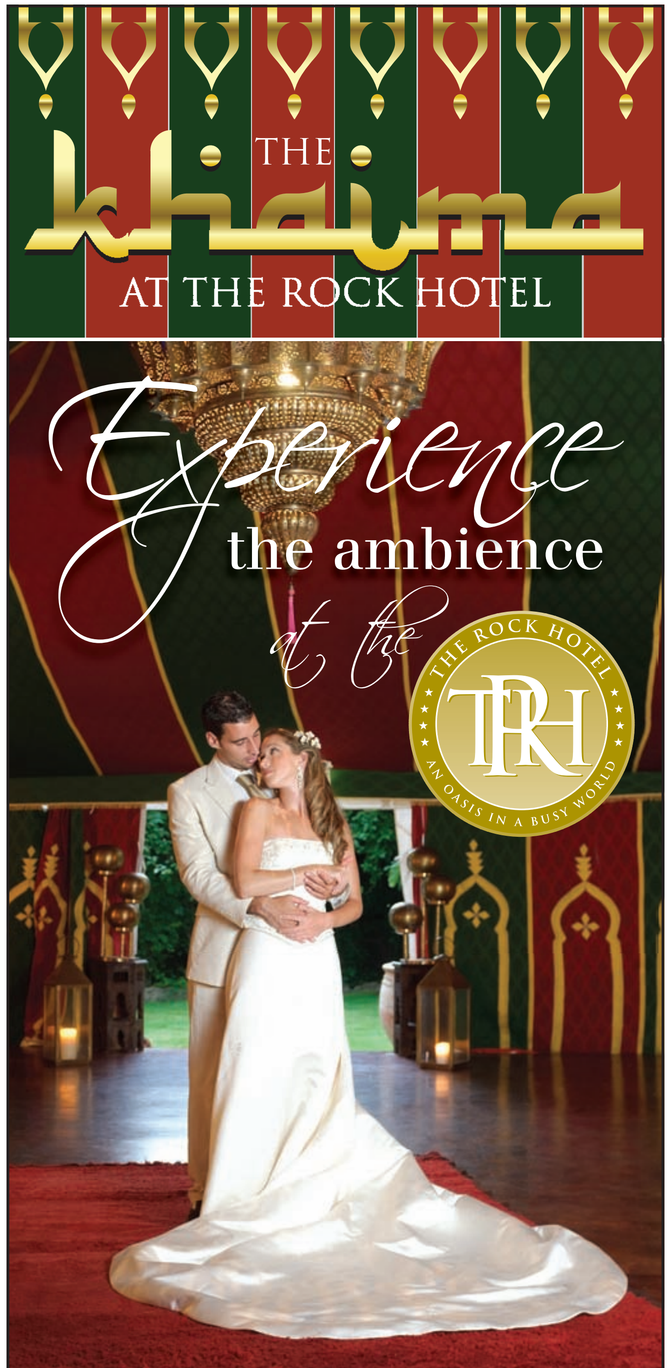
Malta was also an excellent centre for QROPS, "but which jurisdiction to choose will depend on the client's particular circumstances," he pointed out. Malta's tax rate of 25% on distributions, compared to Gibraltar's 2.5 per cent, but "is mitigated by the wide range of tax treaties in force.

"If a client lives in a country where there is not a tax treaty with Malta, it is likely that Gibraltar offers the better choice, but again every case must be considered individually," Le Breton concluded.

Gibraltar has no Double Tax Treaties (DTAs) but is hopeful of concluding some this year. However, Knight argues that DTAs may present problems for some people from countries where "the administration, valuation and interpretation of assets may be different", adding: "A simpler route is with Gibraltar where people can feel more comfortable by paying some tax, which our jurisdiction's flat rate of 2.5 per cent satisfies!"

UK Chancellor George Osborne reiterated in his March Budget statement that administrators of QROPS need to notify HMRC every five years that they continue to meet the QROPS rules. He also said there will be additional reasons for excluding a pension scheme from being a QROPS.

Ray Spencer



Business Round Up

New MD for Abacus

After more than 30 years in banking – the most recent seven as head of Barclays Wealth (Gibraltar) - 52 years old Franco Cassar is making a surprise change of career by joining independent trust company, Abacus Financial Services as Managing Director at end-May.

He assumes responsibility for day-to-day front office operations of a 80-staff business launched a year ago after amicably splitting from PricewaterhouseCoopers (PWC) in Gibraltar, where Abacus Chairman Bob Guest and Chief Executive, Chris Pitaluga, worked for 25 years.

Franco Cassar (second from right) is welcomed as Abacus new Managing Director by (l to r) Paul Bowling, Operations Director, Bob Guest Chairman, and Chris Pitaluga, Chief Executive

Cassar, who for nine of 15 years in Gibraltar was a Financial Services Commission Board member and a past president of the Gibraltar Bankers Association, feels "it is time to do something different in financial services – new challenges and disciplines".

Abacus has rebranded and built on the success it achieved over 15 years with PWC to become one of the best known in the fiduciary services industry internationally, but now independent its team includes trustees, accountants, bankers, lawyers and chartered secretaries.

With the aim of getting "more face-time' with clients, Cassar hopes to "build on existing areas of business, as well as possibly breaking into new areas of activity".

Regulator moving on

Well ahead of 2015 and what was billed as his last term of office, Marcus Killick, has given notice that he will leave early as chief executive of the Gibraltar Financial Service Commission in September.

Showered with praise from politicians of all three parties and the various elements of the important sector of the economy that his reputation for 'firm, but flexible' regulation helped make possible, Killick insists after a decade in post, that it's time for "a new CEO to drive the FSC forward in the medium-to-long term".

Headhunters are searching for a successor to Marcus Killick as financial services Regulator.

An English barrister and member of the New York State Bar, he's been Deputy Chief of the Isle of Man Supervision Commission, as well as Head of Banking, Trusts and Investment services in the 90's for the Cayman Islands Monetary Authority.

Although his team grew from 14 to 45 in ten years, the FSC is now self-financing and he's worked both to reduce bureaucracy as well as ensuring Gibraltar's voice and good reputation was heard amongst groupings of regulators worldwide.

Headhunters have been drafted in to help find his replacement within the next six months, after which he will have to remain outside of financial services locally until next Spring if he is to remain in Gibraltar as planned. "I'm too young to retire and Gibraltar is my home", is all that he is saying for now.

Guernsey banker to head Natwest Gibraltar

A move from being Senior Relationship Director at RBS International (RBSI) in Guernsey means David Bruce has become the new Regional Director for NatWest Bank, which in 2013 celebrates 25 years in Gibraltar.

Bruce has more than 20 years' experience in the corporate banking sector with NatWest's parent organisation, RBS Group in the UK, and most recently at RBS International.

Most recently dealing with large private equity funds in Guernsey, he previously spent several years in the Large Corporate sector at RBS's corporate office in Yorkshire, which makes Bruce "the ideal candidate to take the helm in Gibraltar", Graeme Smith, Director of Corporate Banking, RBSI commented.

New NatWest Regional Director, David Bruce

Married with four children, he succeeds Marvin Cartwright, who has become Head of Private Banking at Credit Suisse (Gibraltar).

Insurance pioneer joins FSC

Bruno Callaghan, who sits on various insurance captive boards and is a Director of Tradewise Insurance Company (Gibraltar) as well as Callaghan Insurance Brokers, has been appointed to the Board of the Gibraltar Financial Services Commission.

From end-May Callaghan takes over from Nigel Feetham, who has served six years at the Commission.

Having originally trained with Willis in London he went on behalf of Willis Group, to set up Willis Management (Gibraltar) Ltd managing captives and third party writers, as well as his own business dealing in all aspects of non-life insurance business

He is credited with being among the first three insurance

sector professionals to launch Gibraltar jurisdiction marketing and promotional initiatives in the UK and has travelled extensively throughout Latin America, specialising in Medical Malpractice and major insurance programmes for quoted and finance sector companies.

GFIA publishes guidebook for funds

The Gibraltar Funds & Investments Association (GFIA) has published a guidebook for funds and fund managers wishing to set up in Gibraltar. The publication presents a comprehensive overview of what investors, fund managers, lawyers, administrators, auditors and other fund practitioners need to know about Gibraltar's vibrant fund industry.

Given the recent harmonization of fund law and regulation across Europe, GFIA's guidebook serves to highlight how Gibraltar distinguishes itself from other jurisdictions, whilst fully compliant within the EU framework.

GFIA's Chairman, James Lasry commented "Benjy Cuby, Anthony Jimenez and their team of editors have done a fantastic job in putting this information together, I am sure this will raise awareness of what is arguably the most flexible professional fund regime in Europe, with the quickest time to market".

An electronic version of the guidebook is available on the GFIA website or to obtain a printed copy, please contact GFIA.

www.gfia.gi
info@gfia.gi

New MD for KPMG

Due to the continued success and growth of KPMG's Gibraltar practice, Micky Swindale has been appointed Managing Director, replacing David McGarry, who will continue as Managing Director of KPMG Isle of Man.


New KPMG Managing Director Micky Swindale

Micky who joined KPMG Isle of Man in 1997, has been closely involved with the Gibraltar practice since it was set up in 2008, and was responsible for the intial logistics of launching the office, recruiting staff and establishing new client relationships.

Mike Harvey, KPMG (Gibraltar) resident Director of Audit, commented "Micky is a familiar face to our clients and staff here in Gibraltar, and will be a popular appointment, helping to take us to the next level of what has proved a very successful business expansion for KPMG".

Micky Swindale commented "I very much appreciate this opportunity to manage a successful practice, acquire new skills and widen my network of contacts here in Gibraltar".

Professional Bodies based in Gibraltar

Association of Pension Fund Administrators (APFA)
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: comunications@gaco.gi

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

Gibraltar Betting & Gaming Association (GBGA)
Freddie Ballester, Chairman, Tel: + (350) 200 40595
Email: freddieb@PartyGaming.com

Gibraltar Chamber of Commerce (GCC)
Nicholas Russo, 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)
Derren Vincent, President, Tel: + (350) 200 51801
Email: vincentd@willis.com

Gibraltar Society of Accountants (GSA)
Freddie White, President, Tel: + (350) 200 45502
Email: freddie.white@gi.gt.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