Nov/Dec/Jan 2015/16

GIBRALTAR INTERNATIONAL

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GIBRALTAR INTERNATIONAL

Nov/Dec/Jan 2015/16
Volume 21/ Number 4

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Editorial Comment

Overpowering the elephant

It was the first time there has been an "elephant in the room", but that is what financial services minister Albert Isola considered the effect of Britain's possible exit from the European Union - BREXIT - at the 16th annual Gibraltar Day in London. He was, if nothing else, being pragmatic.

The Gibraltar government is studying closely how the economy would survive a BREXIT situation. Chief Minister Fabian Picardo has already determined: "For Gibraltar, the disastrous consequences of economic exclusion from our main trading bloc — in our case mostly in financial services — would be compounded by giving Spain a brand new opportunity to lock us out at the border," he noted on the Politico Europe website. The common standards set by the European Commission, OECD and IMF, meant Gibraltar's financial services operators could compete and prosper within the single market.

Yet at the same time the financial services sector was being wooed by ministers to ensure Gibraltar was on the list of favourable business jurisdictions when advising their clients, quite apart from perhaps, setting up operations themselves. Picardo hopes the newly selected developer of a large prime site, London & Regional Properties, would also open a local office in addition to ones it has in London, Ireland and Panama to administer its £9bn+ portfolio.

Picardo believes – and he's almost certainly right - that Gibraltar's 22,000 voting population will "vote in favour of remaining in Europe" in the 2016-17 referendum. The UK's relationship with the EU needs to be "fixed, not thrown away", he insists.

Providing a fast-track, inexpensive access to Europe for overseas investors utilising EU passporting remains a mainstay of Finance Centre marketing, but some feel other plus points should be more prominent. The adaptable and approachable financial services regulator, providing fast, simple and relatively inexpensive licensing, is an obvious target.

Indeed both Picardo and Isola were at pains to emphasise the positive role of the Financial Services Commission (FSC) when addressing more than 1,500 people at the City events in London's Guildhall. Yet that should not be taken to mean the FSC is a soft touch: the moves to up the maximum potential FSC fines from £10,000 to a more realistically £200m deterrent are an indication that the regulator means business in protecting both consumers and investors. Reference to "serious issues" being exposed amongst a minority of Experienced Investor Fund Directors is worrying, because as the FSC notes, they stand to harm Gibraltar's reputation.

The government has prepared legislation to establish a Financial Ombudsman to assist individuals when any wrongdoing is exposed, but this is unlikely to come into effect until well into next year whichever political party wins the next general election, expected in December.

The government's Gibraltar Day pitch to the City, supported by private sector firms, was unashamedly about 'togetherness'. Picardo forcibly made the point: "Rock & City together for mutual benefit and profit."

The London Gibraltar Day event is "crucial", and has spawned other 'Gibraltar Days' in Switzerland, Singapore and Hong Kong, to open up business opportunities.

Ray Spencer

Published by
Gibraltar International Publications Ltd.
21 Bell Lane
PMB 104, PO Box 561
Gibraltar

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Developments buck BREXIT uncertainty to boost economy

Multi-million pound development projects are destined to add significantly to Gibraltar's economy in 2016, Chief Minister Fabian Picardo has revealed

Speaking at London Gibraltar Day events in mid-October, he told *Gibraltar International* that agreement had been reached for payment of "tens of millions of pounds in premium payment" for a 16,000m^2 mixed-use development at Rooke, a prime central site.

London and Regional Properties, a London-based company with a worldwide £9bn+ investment portfolio, is preferred bidder to provide "a once in a generation opportunity" for a new school, facilities for emergency services, commercial, residential and offices.

Chief Minister Fabian Picardo addresses the audience at the Finance Centre lunch

Development value, he revealed, would "certainly be in the hundreds of millions". That project follows a £1.1bn east side Blue Water reclamation development by Camoren Group, providing the government with £87m in premium payments for the 700,000m^2 marina, luxury private and affordable homes, shops and offices to be started before year-end.

The Camoren money alone virtually equals the total received in premiums by the government in 2014-15! Picardo had hoped to announce payment at the Finance Centre lunch in the City of London's Guildhall, but as the chief minister explained: "It's my job to play hardball in respect of negotiations for the development of Gibraltar land; we have had some extended negotiations, in particular over infrastructure and phasing - the conclusion is imminent."

Work is under way at Midtown, a £120m residential, office and car parking central development, and at the £45m Gibraltar World Trade Centre, that will be complete next summer. (see Profile, P12)

Planning approval has already been given for new private residential projects at Kings Wharf (£40m) and Ocean Spa Plaza (part of £80m worth of general development), both projects contributing new premium payments and strengthening the £1.65bn gross domestic product that is destined to grow by circa 10% for the fourth successive year.

Wine tunnels

In September, a £6m project was unveiled to create a wine storage facility with up to £60m worth of wines laid down from 2017 for international investors. Work starts before year-end for Gibraltar Wine Vaults (GWV) in tunnels created before World War II by Royal Engineers within the Rock, and represents a new economic activity for the jurisdiction.

Around 80% of the 33 linear miles of tunnels have been handed to the government by the Ministry of Defence and used for tourism, distribution of services, water storage & other secure storage as well as for car parking, fuel storage & distribution (in the past). A three-storey 'interpretation centre' will provide wine tours and tastings and help provide up to 30 jobs initially.

Together, the developments represented "a huge vote of confidence in the strength of the Gibraltar economy", Picardo told some 400 lunch guests and was a positive sign even given uncertainties over Britain's continued membership of the EU (BREXIT).

Speaking as the 'In Europe Campaign' was launched, he assured City businesses: "I am sure that together we will face off challenges in the future". Days earlier a Guardian newspaper report quoted his assurance: "The Gibraltar economy is resilient."

But Picardo added: "As part of the European Union, at present we have access to the single market, and if we were no longer to have that access, if the United Kingdom were to leave the European Union and the European Economic Area, and if we were not able to renegotiate EFTA, then we would have to carefully reconsider what the economic prospects for Gibraltar are and how we would be positioned.

"We would still have a port and an airport, and we would still have privileged geographical access to a pivotal maritime point which is the Strait of Gibraltar. Survive, we would, but how our economic model would change is something that the government is working on."

Albert Isola, financial services minister, referred to Brexit as "the elephant in the room" and he insisted that "business always needs to present all options for their clients and all we ask is that they put Gibraltar on the list to consider". Businesses - from the UK, US and Asia - were still showing interest in Gibraltar because it "is a more liberal jurisdiction than others, more innovative and capable of looking at things in a slightly different way."

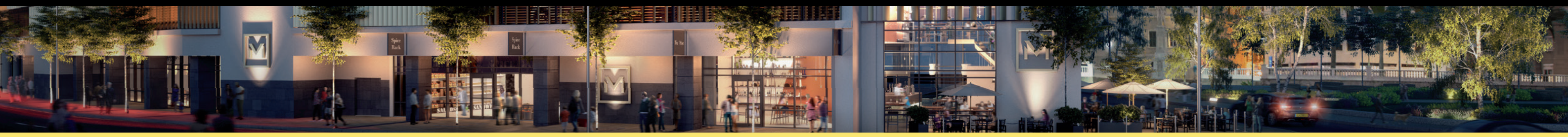
First with register

Gibraltar was "growing as one of the most reputable financial services jurisdictions in the world", Picardo maintained. It was likely to be the first EU jurisdiction to implement the Fourth Anti Money Laundering Directive and establish by year-end a 'Central Register of Beneficial Ownership'. "We are able to do so quickly, because we already have the names and addresses of all owners of companies in Gibraltar", Picardo explained.

Being at the forefront of compliance with international standards of transparency has meant Gibraltar signing as an early adopter of the Common Reporting Standard known as Global FATCA, putting the financial services sector in the same group as the City of London and Frankfurt, for example. The first tax information exchange under the US FATCA occurred in September, to be followed next year by the UK FACTA agreement going live.

Gibraltar now has Exchange of Information relationships with 79 other nations and as Isola, pointed out, the European Commission has confirmed it has no concern that the jurisdiction's tax is harmful. Two further EU jurisdictions had removed Gibraltar from tax 'black' lists, leaving just seven to be convinced (including Spain), despite the fact that they all have TIEAs with Gibraltar as part of an EU-wide agreement.

Ray Spencer




NEW DEVELOPMENTS
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New ESMA Guidance Sets Out AIFMD Passporting Criteria for Non-EU Fund Managers

By Jay Gomez, Associate, Triay & Triay Financial Services Team

> ESMA's guidance is based on a "country by country" assessment of the suitability of a non-EU jurisdiction to be granted the AIFMD passport

Gibraltar's regulatory framework regarding the registration and marketing of Alternative Investment Funds (AIFs) is established under the Financial Services (Alternative Investment Fund Managers) Regulations 2013 (the "Regulations"), following the transposition of EU Directive 2011/61/EU (AIFMD). Among other regulatory aspects, the Regulations established a "passporting" platform enabling fund managers licensed under the Regulations to market their funds in other EU member states. Despite widening the market within the EU, AIFMD ultimately presented a rather limited scope for non-EU fund managers wishing to market AIFs within the EU in what is undoubtedly a significant global industry. The application of passporting rights to non-EU fund managers remained, and to some extent still remains, unclear and dependent on the much anticipated guidance from the European Securities and Markets Authority (ESMA). By the end of July, the wait was finally over and ESMA provided its advice to the European Commission, Council and Parliament in relation to the potential extension of the AIFMD passport to non-EU fund managers (the "Advice").

AIFMD passport

ESMA's guidance is based on a "country by country" assessment of the suitability of a non-EU jurisdiction to be granted the AIFMD passport. ESMA's evaluation procedure involved a detailed assessment of a non-EU jurisdiction with specific emphasis on; investor protection, market disruption, competition and monitoring systemic risks (the "Assessment Criteria").

Having specifically evaluated six non-EU jurisdictions, ESMA advised that the passport be extended to Switzerland, Jersey and Guernsey whilst advising that the European Commission, Council and Parliament delay their decision to extend the same to the United States, Hong Kong and Singapore. At the centre of the decision-making process is ESMA's need to ensure a "level playing field", the continuous emphasis of which throughout the Advice, arguably signals a need for non-EU jurisdictions to carry out their own internal assessments with a view to granting similar marketing rights for EU fund managers in non-EU jurisdictions, achieving an acceptable level of reciprocity. Citing a need for "more time" in the Advice, ESMA have ostensibly left the door ajar for the objectives of non-EU frameworks to be aligned with those of AIFMD.

The need for cooperation between jurisdictions also proved poignant, particularly in the case of Switzerland, where incoming legislation regarding the exchange of information provided a significant milestone in obtaining ESMA approval.

non-EU jurisdictions

In the case of Jersey and Guernsey, they are jurisdictions which have all deployed a framework for the regulation of AIFs similar to those required of EU jurisdictions under AIFMD (and other AIF related legislation). In this respect the Advice may suggest that a lack of "EU-like" regulation presents various issues which would prevent any potential extension of an AIFMD passport to non-EU jurisdictions. However, it would appear that the similarities in frameworks were only used as indicative that the Assessment Criteria is unlikely to be disturbed and it seems that the AIFMD passport extensions will not strictly require non-EU jurisdictions to substantially alter their respective frameworks with a view to mirroring AIFMD. It will, however, be the case that some amendments will be required in order to ensure that the objectives of AIFMD, and the Assessment Criteria, will not be adversely affected – note the aforementioned example of Switzerland.

With no major legislative reforms in the pipeline, the Advice might prove grim reading for fund managers in the United States, Hong Kong and Singapore. This does not, however, mean there is no access to the European market for those fund managers (and indeed other fund managers from non-EU jurisdictions which have yet to be assessed) to market AIFs within the EU. Non-EU AIFMs without the extension of passport rights can, of course, rely on the National Private Placement Regimes (NPPR) of the respective EU member states in which they wish to market.

Gibraltar's NPPR was implemented in December 2014 pursuant to the Financial Services (Alternative Investment Fund Managers) (Amendment) Regulations 2014 and provides a platform for non-EU fund managers (or non-EU AIFs managed by EU managers) to market AIFs in Gibraltar. It remains important to note, however, that the adoption of such NPPR's remains subject to a further report due in 2018, in which ESMA will again opine on the AIFMD passport framework as well as advise on the potential termination of the existence of NPPR's. In light of this recent development, it will be interesting to see whether that timeline will be extended. It would certainly appear that maintaining the NPPR as a suitably viable alternative for non-EU AIFs and non-EU fund managers for an extended period is an obvious and crucial necessity.

The implementation of the recommendations in the Advice is now dependent on the drafting of a "delegated act" pursuant to the final recommendation from ESMA. Under AIFMD, the delegated act should be implemented three months after the Advice is issued, but with ESMA carrying out their assessment on a country by country basis, and having only opined in respect of six out of twenty-two of the non-EU countries which are intended to be assessed, any changes to AIFMD or indeed the NPPR may, opportunely, be much further down the line than originally anticipated.

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LAWYERS

Gibraltar, an attractive alternative

By Gavin Gafan, Assistant Tax Manager, Deloitte Ltd

Following the UK 2015 Budget, Gibraltar has become even more of an attractive alternative for long-term UK resident non-UK domiciled individuals or non-doms as they are more frequently termed.

The UK budget in June proposed changes to the taxation of non-doms, that may be so significant for some individuals that they may reconsider their residency in the UK. Non-doms planning to relocate away from the UK would do well to consider Gibraltar given its attractive taxation system and its British heritage and institutions, as well as its idyllic Mediterranean lifestyle.

The UK system of taxation for non-doms has always been considered very attractive. As it stands, individuals who are resident and domiciled in the UK are taxed on their worldwide income and gains, unlike non-doms who have the option to elect for the remittance basis of taxation, such that their non-UK derived income and gains are only taxed in the UK when this is transferred ("remitted") to the UK and not otherwise.

Non-doms residing in the UK can make the election to be taxed under the remittance basis of taxation at the end of a relevant tax year. Being taxed under the remittance basis is not an automatic election and therefore grants the taxpayer a chance to determine whether they would be better off under this system or not. This is particularly important for non-doms who have been long-term residents of the UK (i.e., those who have been resident for more than seven years) given that they will have to pay an annual charge in order to be able to claim the remittance basis. Electing for the remittance basis at the end of the UK tax year enables non-doms the chance to ascertain whether this applied charge exceeds the benefits derived were they to elect to be taxed under the remittance basis.

IHT

Further, UK domiciled individuals are liable to Inheritance Tax (IHT) on the chargeable transfer of their worldwide assets. In contrast, a non-dom is currently only liable to UK IHT on the chargeable transfer of assets that are located within the UK.

Under UK law, an individual acquires their domicile status at birth (domicile of origin), which tends to be that of their father. This is not influenced by the father's residence status at the time of birth, e.g. a child born in Australia from Australian-resident but UK domiciled parents will acquire a UK domicile of origin.

Whilst a domicile of origin can never be changed, this can be 'displaced' when an individual can demonstrate a settled intention to permanently reside in another jurisdiction other than the UK.

In the recently announced 2015 UK Budget the Chancellor proposed three main measures that could bring about far-reaching changes on how non-doms residing in the UK will be taxed.

1. Longer term UK non-domiciled individuals will not be able to claim the remittance basis of taxation after 15 years of tax residence in the UK.
2. Individuals born in the UK to UK domiciled parents will always be treated as UK domiciled when they are UK resident.
3. UK residential property, even if owned via a non-UK corporate, will in all circumstances be within the UK IHT net.

Proposed changes

These proposed changes means that non-doms that have been UK resident for 15 years, or more, will now need to make a choice as to whether they stay and pay tax in the UK on their worldwide income and gains, or whether they relocate outside the UK.

Furthermore, individuals who were born with a UK domicile of origin who subsequently managed to displace this by creating a 'domicile of choice' in another jurisdiction will be impacted by these new measures if they return and become resident in the UK at a later date. On becoming UK resident once more, said individuals would be taxed in the same way as a UK domiciliary, irrespective of their domicile status under general law. Upon leaving the UK, said individuals can once again lose their UK domiciled status subject to certain conditions being met.

Lastly, the budget changes would also see non-doms being chargeable to UK IHT on indirectly held UK-located residential property. Thus trusts or individuals owning UK residential property via a non-UK company, partnership or other opaque vehicle will be liable to IHT on the value of the property, much in the same way as if it was held directly by said individuals.

Long-term UK resident, non-UK domiciled individuals that have decided to leave the UK and are considering relocating to Gibraltar will benefit from the fact that unlike other jurisdictions Gibraltar does not charge IHT, nor does it charge death duties, VAT or capital gains tax. Furthermore, investment income tends not to be chargeable to Gibraltar income tax, thus making Gibraltar an attractive residency choice.

Additionally, the Rock of Gibraltar provides an appealing alternative to those looking for a British way of life in the sun, given it is a safe and friendly jurisdiction with a very low crime rate, offering a relaxed Mediterranean lifestyle and a gateway to the European mainland.

Category 2

An added incentive to relocate to Gibraltar is the special qualifying Category 2 (CAT2) tax status, which enables individuals with demonstrable wealth of over £2 million to limit the income that is considered when calculating the tax they need to pay in Gibraltar to £80,000, with a minimum tax payable of £22,000 per tax year. If the individual declares assessable income in excess of £80,000 then the tax payable will be based only on income of £80,000 resulting in a maximum tax charge at 2015/2016 rates of £27,560.

A CAT2 Individual may elect for the income of a spouse, civil partner or any child of his or his spouse be deemed to be that of the CAT2 Individual for the purpose of the rules, so that the spouse, civil partner or children will not themselves be taxed in their own right. This election may only be made if the spouse, civil partner or child is not prevented by virtue of their previous residency, nor activity undertaken in Gibraltar, to apply for this status in their own right.

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Beauty products to trees

– unleveraged development fuels expansion

Thirty years ago, a teenage university student set up a natural skin care products company from his bedroom that provided the springboard for a huge international property investment enterprise – including, as Ray Spencer found, the creation of a £½bn Gibraltar integrated office, retail, entertainment and residential Ocean Village marina development

Unpretentious, unassuming, Gregory (Greg) Butcher says he has no idea what he's worth financially; nor does he know which has been his largest property development – "I don't think like that, honestly".

Aiming for revenue, not primarily capital gains: Gregory Butcher, Fairhomes chairman

His assets span large-scale land holdings, commercial, retail and residential properties and manufacturing (mostly UK, Europe and the US), and consumer data handling companies (Asia). Almost all interests are underpinned by his deep-rooted commitment to healthy living principles: a desire to improve our work and living environment.

It started with Montagne Jeunesse, the face mask to rubs business that he established in 1985 when studying for an economics degree at Kingston-upon-Thames University, at the same time Butcher became a vegetarian. His beauty products are based on natural ingredients – "we cut and chop whole oranges into our lines when others simply use a fragrance, for example, so you sometimes get the tissue of oranges in them and we use grapefruit similarly".

The beauty business (now renamed 7th Heaven) grew substantially from the UK's first Eco-Factory (with its own wind generator and all manner of environmentally advanced innovations) that he had developed in South Wales, to dominate markets in the UK, Germany, Holland, US, Canada and Australia and sells in 86 countries. Early on he also developed a research and development operation; "together [with toiletries] they were very profitable, (the toiletries business spectacularly so), which funded my property investment."

Fairhomes Group, Butcher's Gibraltar-based development company, buys in distressed, special and turn-around situations. His UK, Dutch and Gibraltar investments were said five years ago to have development value of some €192m.

All assets unleveraged

Buying in a slump and capitalising on recovery is his modus operandi. "I tend to invest in countries that have experienced a crash, but I'm a long-term holder; Germany, for example, is major – we have hundreds of assets, including an office park, supermarket and 80 commercial platforms, and hundreds of residential properties". But he insists investment is not primarily for capital gain: "I like revenue, which allows me to have an even bigger war chest for the future years; it just builds up."

The extent of the US downturn was unusual, so America collectively is Butcher's largest investment, all assets unleveraged. He became the third largest holder of land lots when he bought well over 1,250 lots in coastal areas or by rivers, with all roads, lighting, sewage infrastructure installed, in one of Florida's counties. "I have three quarters of a decade of development to do there when we get round to building them out." He also owns many hundreds of US homes.

"I have always gone against market wisdom", he admitted. "I believe you should back an economy based on what will happen over time to that economy, not what other people are thinking", he explains, adding: "When I see a dichotomy between those two, whereby the current valuation is far lower than my expectation of the future, that's when I try to invest."

The Channel Islands was Butcher's original investment administration base, but he first visited The Rock in 1997 after a friend suggested, "Gibraltar works harder". Butcher, frustrated by professionals ceasing work at 16.30, instead started using Gibraltar where "there was more of a work ethic than the Channel Islands, so if you needed to do a property completion that day, [lawyers and accountants] would stay in their offices until 8pm to get it done." A year later he opened a Gibraltar office and soon saw development opportunities.

In 1999, he bought the severely fire damaged Heritage House in Main Street that he still owns. After reducing the height, because the building's construction integrity had been compromised, he recreated the original design: "We even laser copied the engraving on part of the original interior windows we had saved."

Restoration followed on the former Gibraltar and Iberian Bank building in Cannon Lane. "The place was a wreck and had been empty for many years except for all of the bank's documentation relating to mortgages and deposit details – it was like the Marie Celeste," Butcher recalls.

Three years' work at Lord Napier Mews that he restored and extended instead of demolishing, utilised an American construction system "allowing us to tailor the individual [floor] levels of each part of the building and even to replicate the waviness of some walls" to produce 12 luxury homes in 2006.

"These buildings [dating from the late 1800s] are always a challenge: as they were, they were pretty much unusable", he says. "Restoring old buildings is my penchant, but to do it successfully, you have to change things."

During the 1990s property downturn, he bought "a portfolio of 248 assets in London and the south east". And then his

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environmental card resurfaces: "If I had my choice to build a new area, it would be a village with many trees. I am a great supporter of Prince Charles' Urban Villages concept."

Butcher emphasises: "It's absolutely where the future should be, where you have a community in close proximity with each other, using traditional materials (if you can) and a lot of trees - that's the over-riding priority."

It's a paradigm applied to Ocean Village (OV), where since taking over Sheppard's Boatyard and a strip of waterfront land in 2003, he has so far built 315 apartments in three striking blue glass-fronted 16-17 storey towers, 13 retail outlets, 12 bars and restaurants and created a cobbled marina with 100 berths.

By 2006, Butcher's OV vision had expanded to include the adjacent Marina Bay, a late-70's development of offices, apartments, and 209 boat moorings. A 4-storey Leisure Island block on land reclaimed in 2009 housing 6,500m2 in offices and a casino, with the world's first 5-star luxury yacht hotel, (the 7-storey Sunborn Hotel) moored alongside, completes today's OV.

"Planting trees is a challenge and I know there is not universal agreement over this and some people have different views to me" – four local residents have vocally opposed the concept, one threatening legal action! "I have introduced to Ocean Village over 5,500 trees and large shrubs – small and large trees – we put many on roofs and on top of the 35,000 sqft car park, which is full of vegetation." Now he is planning "very large trees".

Citing his US property lots, he would "love to develop [homes] and place a thick set of trees around; where we have, say, 100 lots next to each other, we would turn that into a beautiful tree-adorned, vibrant community. And maybe one day later in my life, I'll be able to drive by and say, 'look at how the trees have matured'."

Butcher considers the UK's Council for Protection of Rural England has "got its wires crossed" in that the policy in Germany and Holland, for example, stipulating low density by law, makes land less valuable and the cost of homes lower.

"In the UK we seem to want to do the opposite forcing more properties per acre, which means you get less vegetation and nature in a development, because they don't want to cut up a field that is next door. The result is that you end up with an over-concreted development and an area outside of it with miles and miles of fields."

A challenge: planting 5,500+ trees at Ocean Village

£125m more development

Butcher recently introduced to OV his first green roof on the 2-storey Trinity House office, already described as "the first nearly carbon neutral Gibraltar building". Ocean Spa Plaza (OSP), one of his next two OV tower developments, has green walls pioneering in Gibraltar vertical garden sustainable technology to create "an envelope of oxygen-emitting and carbon dioxide absorbing foliage", as well as having a green roof. That idea "is very popular in Asia and if I had my time over again I'd add even more green". OSP and Imperial Ocean Plaza will add 245 further apartments in 2017 and all were sold off-plan within days of being released.

Also still to come at OV are 106 short-term rental units on stilts, along with new super-yacht berths, bringing the total additional investment to circa £80m, in addition to £45m for a 16,260m2 Gibraltar World Trade Centre (WTC) office development due for completion next summer.

The original OV development concept covered 14,400m^2 of waterfront; when his extensions and new projects are complete, he will have added more than 3½ times to the land area, in addition to having a hefty 77,262m^2 of marine area.

Butcher realised some US assets when he was offered nearly three times what he had paid, and this helped to get the WTC development off the ground to "act like a beacon for Gibraltar in the business world". So far, 27 firms have committed to two-thirds of the 7-storey building and, he says, "other [firms] - including one already in 26 other WTCs - are in the process of gaining approval from their boards".

Apart from the worldwide charisma of WTCs and their members' wide-ranging business connections, providing a tenant-centric, 'healthy office' environment is key. "We avoid in the building design formaldehyde donors and when complete, clean the air continuously", eliminating the possibility of 'sick building syndrome', where workers get headaches or become slouchy, he maintains.

In 2002, Fairhomes promised 270 full-time equivalent new jobs at OV; today, more than 400 new jobs are there, even before the expected 1,700 WTC workers arrive!

Lacking rental homes

The main issue for Butcher is the lack of residential rental property for the staff of incoming WTC firms. "We go outside of the territory and act as a recruiting sergeant for Gibraltar, and those people require rental homes, at least at the outset", whereas "certain office blocks here are sold off-plan to speculators, so they simply sit there and wait for someone to knock on their door and rent it – and that is almost certainly going to be a local business relocating". He hopes renters will find space in the next two OV apartment blocks.

Butcher is not moving to "my dream home" in Gibraltar's South District – the 7-bedroom New Aloes built for his family, including his two children, Gregory (13) and Lauren (7). At an enormous 9,526 sqft, the grand villa won 'Best Property Single Unit – World' in last year's International Property Awards, but is now for sale at £10.9m!

He lives on the job at Ocean Village with its seven pools and 11 jacuzzis and explains: "Saying to my children that we are moving to this great place – wonderful for me - but by the way, your friends won't be anywhere nearby, wasn't popular."

Having been resident on The Rock for

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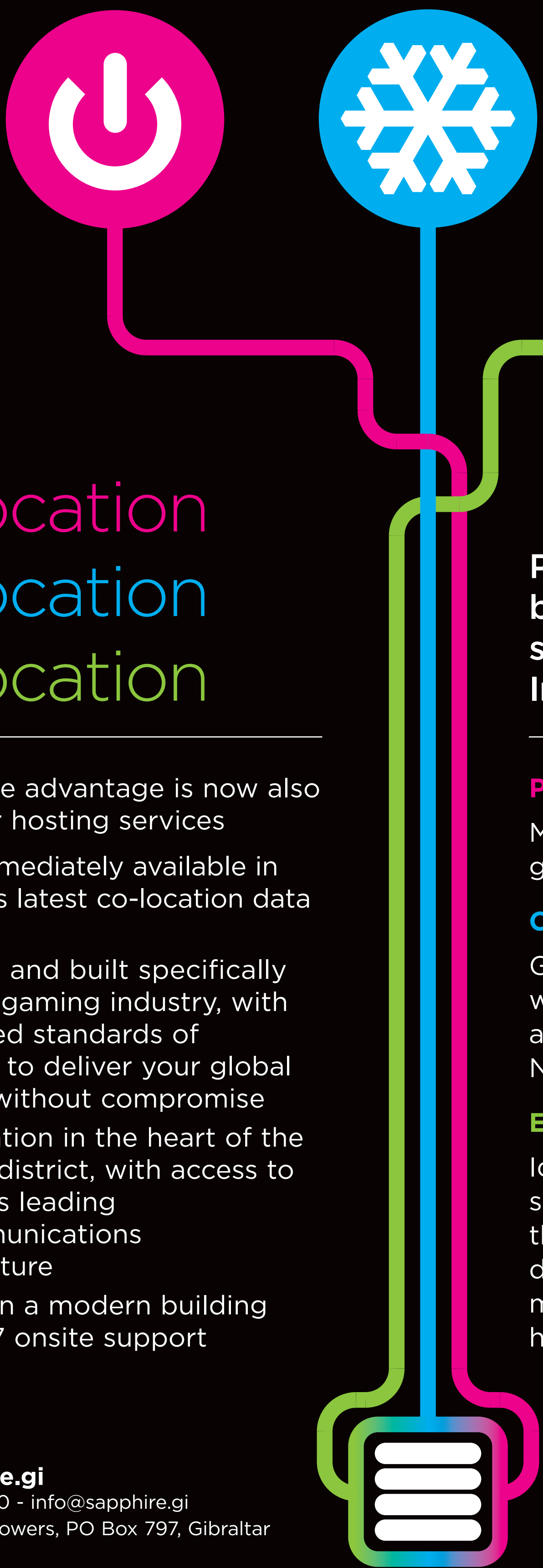

Better consumer protection needs huge lift to 'paltry' fine limit

Gibraltar's financial services regulator is seeking a huge increase in the amount of fine it can impose for breaches of license conditions, raising the present £10,000 maximum to a possible £200m by end-2016

The higher monetary penalty comes as part of law changes sought by the Financial Services Commission (FSC) to strengthen enforcement compliance measures for both individuals and entities. The aim is to better protect investors and consumers more generally.

"£10,000 as a fine is paltry and goes back a number of years; for some it is less than the annual license fee they pay", noted Samantha Barrass, FSC chief executive. "The new maximum levels being proposed are, in effect, future proofing."

Zoe Westwood and Mike Lynch looking to see "a credible deterrent"

Presently fines are limited to £400pw for late submission of accounts, up to £10,000 for the most serious offences. "We are looking for it to be much higher – possibly a £100m to £200m maximum fine - the aim being to have a maximum that does not constrain action against firms and individuals who have greatly enriched themselves through significant wrongdoing," the Regulator maintained.

Higher fines are "an aspiration", but "we want to be able to both look at the revenue and the benefit gained by firms or individuals in assessing the realistic size of any penalty", she added. Advising the FSC is Zoe Westwood, an investigation and enforcement specialist formerly with the UK's Solicitors Regulation Authority, who explained: "The objective is to create a strategy that will deliver a credible deterrent that is fair and consistent."

Stakeholders will be consulted this winter as part of an overhaul of over 80 pieces of Gibraltar financial services laws and multiple FSC guidance notes to produce a single Act and handbook. Jersey raised its maximum financial services fine to £4m in June.

The FSC plans to "set out a non-exhaustive list of what we will take into consideration when dealing with breaches by license holders" and for example, this would include: the number of clients affected; the extent of any consumer detriment; and the reputational risk to the jurisdiction, all in the context of the regulatory history (previous infringements and any lack of co-operation).

Of particular interest will be how a firm or individual reacts when there has been a problem –a firm discovers it has breached a capital holding requirement, for example, or engaged in an unauthorized activity - whether the infringement has been self-reported and measures taken mitigating the transgression, including whether those involved have been sacked.

"There will be some situations where the breach is so serious that enforcement is necessary; if consumers are affected or if Gibraltar's financial services reputation could be harmed, then it will be treated more seriously", Barrass warned.

Proportionate and open

The FSC response must be "proportionate and transparent", she insisted, with enforcement action open to inspection on its website. "It may seem counter-intuitive, but having a broader range of fire-power gives us an ability to be more proportionate, when it might be a bit over the top to remove a license or declare somebody as not a fit and proper person," Barrass pointed out. "But it must be a credible deterrent. We have some very big financial services providers in Gibraltar."

Mike Lynch, a former police financial crime investigation officer who joined in May as FSC head of enforcement, said: "An infringement of license conditions happens quite a lot and sometimes comes to light when an annual return for the FSC is being prepared." His team of four interviews both victims and license holders.

"We have a half dozen or so on-going enforcement and monitoring investigations, apart from enquiries from different jurisdictions, which may, or may not result in enforcement action", Lynch revealed. "It has been quite busy – more [cases] than I had expected."

International tentacles

The FSC has signed seven Memorandum of Understanding (MOU) with other financial jurisdictions to "help get through statutory gateways and ensure good lines of communication when needed". Work is progressing on "a very big international case involving the West Indies, Europe, South Africa and UK", in which a Mauritius company in liquidation is suspected of passing money in various ways through Gibraltar and on to other places.

As Barrass observed: "With firms and individuals having tentacles all over the place, including Gibraltar, there is a serious potential for criminal and unauthorized activity. Co-operation with other regulators allows us to get on top of individuals, who could be anywhere in the world, but who cannot easily be pinned down in any single jurisdiction.

The Gibraltar Supreme Court earlier this year upheld a groundbreaking FSC decision banning a local person from working in financial services, and curtailing another's activities, following findings of an absence of "fitness and propriety". That Advalorem Fund case, involving the loss of pension pots of 600-700 people, is seen as setting a precedent underpinning the authority of the Regulator and represents "a credible deterrent'.

As part of statutory reforms the FSC is considering whether there should be an independent appeals process, outside of the Courts. "The advantage now is that we have the opportunity to develop policies and our approach in consultation with the sector before we gain new legislative powers," the Regulator affirmed.

The FSC had hoped to recruit locally a lawyer to become Director of Legal Enforcement & Policy, but after a year an international search is now underway.

Ray Spencer

Tuning into TV leads to broadband wars

Telecommunication company profits are under pressure as competition intensifies, prices fall across the board and demand for service content grows. Ray Spencer looks at how, in a small market, the suppliers of broadband Internet services are counting on diversification to maintain business growth

High bandwidth, superfast broadband services have been available for well over a decade to Gibraltar's eGaming and financial services sector businesses fuelling the growth of State-owned Gibtelecom (Gibtel) and private concern, Sapphire Networks.

Gibtelecom chief executive, Tim Bristow: take-up of higher internet speed "most disappointing"

But with uncertainty over expansion of the jurisdiction's all-important Internet gambling sector (as a result of a spate or industry mergers and acquisitions), the two largest telecoms suppliers are being joined by two smaller firms in a bid to attract residential custom.

More than £25m has been invested by three firms on installation of fast broadband through new fibre optic cables offering download speeds of 100mps or more – GibFibreSpeed, an offshoot of old-established local firm, A J Sheriff Electrical, even boasts 200mps, way more than most computers can handle!

A readily available superfast bandwidth of 100mbs puts Gibraltar "well ahead of the EU digital agenda on delivery of broadband speeds", points out Gibtel chief executive Tim Bristow, who with a claimed 90% broadband market share says his fibre cabling reaches directly to homes and offices throughout The Rock, or within 500m of their premises.

Sapphire Networks is spending some £5m over three years on top of the £10m already invested in fibre optic cabling to extend its network beyond the estimated 70% of eGaming companies it presently supplies, to reach small and medium sized businesses (SMB) and also to homes through its new u-mee subsidiary.

A necessary move

u-mee claims it can already reach more than half of residential and business properties with fibre optic cable and will be everywhere by mid-next year, while GibFibreSpeed says its 50% coverage will exceed 60% by year-end and 80% by 2016.

Sapphire has been doing well in gaming in recent years, a sector that is still growing, but diversification into the residential market was seen as "a necessary move". As Sapphire Networks and u-mee chief executive, Lawrence Isola, explains: "Gaming revenues are not growing; we are selling more capacity for less and that is part of the reason for going into other areas - banks, small businesses and [homes]".

The choice has been between offering residential services "or do we stick with local business and make hay while the sun shines without diversifying". Sapphire decided a year and half ago to extend fibre to the home. "It wasn't an easy decision to go into the residential market, because it is without doubt a risky investment given the size of our economy," Isola observes.

Given a small market – an estimated 15,000 residential dwellings, plus the data hungry gaming companies and thriving business community – financial returns are uncertain.

Gibtel's 2014 income stalled at £41.9m, the result of price competition in key sectors such as data storage centres, and the bandwidth supplied to eCommerce and eGaming. "Last year we announced price reductions of between 4-25% and this year we have taken further steps with price reductions", Bristow explains.

With the intervention 18 months ago of Financial Service Minister, Albert Isola – Lawrence's brother – the gaming companies have seen prices fall. "The price is continuously coming down – it's probably 70% down on those from 2-3 years ago for the gaming community. Its been the combination of government intervention and competition with Gibtelecom", the Sapphire chief executive suggests.

Now the retail cost of broadband has become the battleground. Bristow denies the reduction in Gibtel's publicly advertised rates are primarily the result of competition. "It was something we had been meaning to do anyway, because we had always recognised that our prices were comparatively high, compared to some larger places", he maintains.

Gibtel has twice cut its original £96pm price for 100mbs internet connection, to today's £54pm! The telco sells 16mbs services for £28pm, little different to its 8mbs and 4mbs offerings.

Internet speed is as promised

Even so, Bristow is "most disappointed" with the take up of higher Internet speeds, being "nowhere near as great as we wanted; most people have stayed around the lower bandwidths in the 4-8mb offerings we always had when we ran them over ADSL".

One reason, "is the fact that what we offer is what you get", suggests Bristow. In another place, a 50mbs [download contract] may rarely run beyond 8mps "whereas when we offer 8mbs, broadly speaking you are getting it." However, actual speed can be reduced: if copper wire is being used to households, or the number of devices being used at the same time, it can slow down individual units.

Gibtel's Internet revenue accounting for 13% of the total, saw 7% growth – "more customers joining every month still", Bristow notes, adding "whether we get hit in this area by competitors has yet to be seen - how much they will eat of our cake".

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Attractive add-on services are growing. u-mee offers free voice calls over the Internet (VOIP) as part of, or in addition to, users' Gibtel landline number. Normal fixed line 'phone use has declined for years throughout the world – however, at £7.2m it still accounts for 17% of Gibtel revenue after falling 5% in 2014. "One reason is that people are using more data to communicate [on computers and mobile], and second, there are disruptive technologies where people are able to use voice services and not having to pay for it [Skype, etc]", he explained.

Andrew Sheriff supplying The Rock with TV for 27 years.

TV is an attractive, potentially profitable, but contentious area. UK terrestrial channels – BBC, ITV, Channel 4, etc – plus Sky, all refuse to transmit outside of the UK under EU agreements, yet with availability of fast internet connections IPTV makes viewing possible throughout the world.

A J Sheriff Electrical, which as Gibsat has been providing television services through a UK supplier to around 85% of The Rock using cable for 27 years, began its GibFibreSpeed to home internet & TV service 6 months ago. "We tried to get contracts with the channels, but they said 'Gib is not part of the UK, nor part of Spain, it's nowhere' – the revenue is too little for them to bother about", explains Andrew Sheriff. The company's Internet offering ranges from 10mps for £10pm to 200mps costing £65.

Most TV 'provided legally'

Isola says u-mee is now offering HD quality access to more than 120 TV channels, including from all UK broadcasters, with catch-up, rewind and recording as part of its fast broadband account.

"We are bringing most of the TV channels down from the UK by fibre optic cable… we are not capturing channels over the internet," he declares and insists that "most of our channels are provided legally", with efforts being made to legally tie up similarly other "relevant channels". The u-mee offer for 50mbs Internet connection, VOIP and TV, is £39pm.

His u-mee diversification "will either have been a big success or a flop", but he hopes the new residential and SMB market offering will in future account for "30-35% maybe of profitability – but I could be wrong here".

Gibtel has flirted with TV-down-the-line for years. Yet Bristow maintains: "Gibtelecom, as the leading telecommunications provider on The Rock, has to do things properly and sensibly. Yes, perhaps where others operate in 'grey' areas, we choose not to - but we are looking at the matter again to see if there is a way we can bring certain TV and DVD services. I suppose we are encouraged to do so by the competition."

The Gibraltar government bought the 50% stake it didn't own in Gibtel from Telekom Slovenije in January for £47.7m, a move prompted by privatisation of the eastern European telecoms giant. Dr Joseph Garcia, deputy Chief Minister, said: "There have been several expressions of interest, [but] the Government is not in a hurry to find a suitable partner."

u-mee fibre to homes with TV "a risky investment', says chief executive, Lawrence Isola

In the meantime, Bristow emphasises: "Gibtelecom, whether partially or fully State-owned, has to operate within what is a very clear umbrella of the law and, therefore, we are not in a position where we can afford to take risks in a way that more margin players perhaps can." He thought it too early to say how successful his competitors might be.

However, it's a different story with mobile, where the demand for data on the move – even live or catch-up TV shows – is growing exponentially. Mobile, where Gibtelecom dominates, "is our really big potential growth engine", and "competitors haven't seemed to fair as well", Bristow reported. Mobile produces £12.3m for Gibtel -up by 2% in 2014 after price reductions - and at 29% it is the largest revenue sector.

A license to provide 4G services to 95% of Gibraltar's population by the end of the year was enhanced for Gibtel by a £3.5m deal with Ericsson to provide 4G+ services providing 150mps downloads for mobile users. Fifth generation mobile facilities are on the horizon.

While u-mee is not extending into mobile connections, it plans by the year-end to compete through a mobile application that links to Sapphire's switch and with VOIP subscribers keep their existing 'phone numbers they gain a new number that will ring in the home and mobile at the same time anywhere in the world.

Smile, a small mobile 'phone operator owned by Gibraltar-registered EaziTelecom, has been offering cheap pre-pay mobile 'phone services for two years, and was reported to be up for sale last year, however, no company representative was available to comment.

Fierce price competition

For Gibtel, the big diversification has been its US$31m investment for a 4.1% stake in the Europe India Gateway (EIG) submarine telecommunications cable, selling unused capacity to telcos worldwide for the past two years. Around half of its wholesale capacity has been taken amidst "fierce price competition" from Gibtel's international partners, "some with submarine departments much bigger than our entire company".

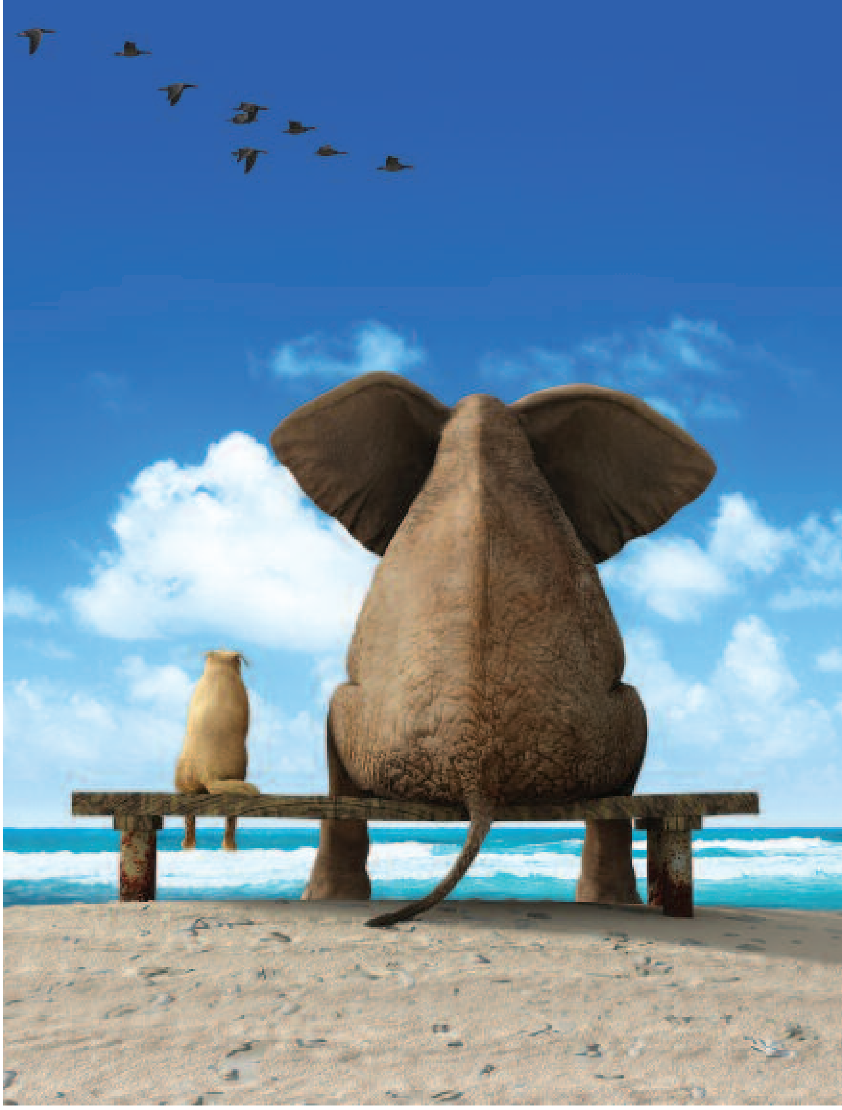
The investment has a projected 15% return over the full 25 years expected EIG life and was 50% funded from Gibtel working capital, the balance via a bank loan. The company has 15 carrier partners, including a small amount into Europe for Telstra, the Australian telco, as well as 15 consortium members.

Now, Gibtel claims to be just about "the biggest, smallest global carrier around the world - in terms of reach" and Bristow notes: "No-one to my knowledge of our sort of size has moved into this global communications space." He expects shortly to sign a deal with Asia "to carry a substantial amount of traffic on a back-to-back deal".

Bristow has ambitions to join other submarine cable consortia (subject to Board and shareholder approval), and sees connecting further to Africa, perhaps via Morocco, as a natural long-term objective - "it's not an overnight win" involving "quite serious money".

The 2014 annual report for Gibtelecom shows net current assets of about £50m and "a very healthy balance sheet, so we can attract leverage", Bristow points out.

A lot of people think worldwide telecommunications is via satellite, "but 96%+ of the world's traffic is by submarine cable and the cost of investing in those cables and operating them is the same irrespective of the traffic that is on them", he adds.



The Bank Cultural Revolution

By Professor Ted Gardener, Chartered Banker MBA Programme Director, Bangor Business School

Two of the major challenges facing the banking industry today, are improving its risk management governance and changing the kind of risk culture that strongly characterised many banks up to the 2008 financial crisis. Of these, the most fundamental and pressing need is developing a more acceptable, responsible and professional risk culture. A quiet banking revolution has been underway for some time across the globe that addresses these key concerns.

Basel 3

The new Basel 3 rules were immediate and predictable responses to the 2008 crisis. These were needed and they have re-emphasised *inter alia* the fundamental importance of key bank prudential resources like capital adequacy and liquidity. They have also served to explicate and refine the importance of the required techniques, like stress testing, to evaluate capital and liquidity adequacy in banks.

At the same time, regulators and other key stakeholders in banks have to be careful about what they wish for. History has shown that excessively burdensome and restrictive bank regulations can help encourage the very events that they target to reduce or moderate (like contagion risks and systemic crises).

When bank regulation becomes overly constraining, incentives may develop for banks to move into shadow banking – business that is unregulated and which may lead to the build-up of new systemic risk potentials.

> When bank regulation becomes overly constraining, incentives may develop for banks to move into shadow banking

Research (PwC and the London Business School, 2015) suggests that over-emphasising punishment for bad behaviour can also create a climate of fear. An unintended consequence of this could be that it may lead to more unethical conduct in financial services. This research argues that generating excitement about winning is the key to more ethical and better innovative behaviour in banking.

Recent experiences have reaffirmed the importance of banking supervisory regulation and the need for it to have a significant degree of independence. They have also confirmed that supervisory regulation must reflect the macro-economic role of banks (hence the rise of anti-cyclical capital adequacy buffers) and the reality of bank market anomalies, like the Too Big To Fail (TBTF) problem. The latter also reflects another apparent lesson that market discipline unaided cannot cover off all the needed prudential targets that responsible banks should observe - hence, the need for regulatory-directed stress tests.

Risk culture

Risk culture and risk appetite are key components of a bank's corporate culture. As with most areas of corporate culture, there are continuing debates about the essential elements of a strong risk culture and how these might best be embedded and integrated into wider strategic and operational models. Nevertheless, there is a wide consensus that getting the risk culture right is an essential foundation for effective risk governance.

Fundamentally, it boils down to how managers behave – their attitudes to evaluating and managing risks, and how they balance such risks against the respective profit return. It is about their risk appetite – how much and what kinds of risk the bank is prepared to take, and embedding this risk appetite and the respective risk culture throughout the entire organisation. Risk culture and risk appetite have to be a priority of senior management.

Recent survey evidence (EY/IIF, 2014) confirms that banks worldwide are now engaged in a risk culture revolution. Examples of these latter changes include the importance of top management ownership and its driving forward of the required new risk management systems and technologies.

Overall, important stakeholders (like society and Basel regulators) have strongly reinforced the need for this risk culture revolution. Survey evidence on banks' experiences during the financial crisis confirmed the overriding importance of a disciplined, top-down and risk-orientated management. Also especially important are aligning the board, the leadership team and the banking business units around a shared understanding of risk culture. Risk culture has to be built from the top.

ALM

There is a widespread view that getting a risk appetite framework established has to be central in constructing a strong risk culture. A major challenge in strengthening the risk culture is striking the right balance between a sales-driven front office culture and a risk-focussed Asset and Liability Management (ALM) one. Developing the required systems data and forward-looking risk metrics are also crucial in achieving these aims.

The risk culture revolution in banking is far from easy, but it is a necessary part of the developing post-crisis environment. The new bank business models are being shaped by it. Ultimately, the best insurance for the sustainability of free market banking is the quality and professionalism of bank staff, and those who run the organisations. The recent intensification of the risk culture revolution in global banking is reflective of the new, emerging post-crisis business model.

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UK Residential Property Tax Changes

By Lynette Chaudhary, International Tax Manager, STM Fiscalis Ltd

A number of Gibraltar residents (individuals/companies/trusts) own UK residential property.

Gibraltar does not tax foreign rental profits and neither does it levy Capital Gains Tax (CGT). The tax position is somewhat different in the UK though:

• The UK taxes UK rental profits even if the owner of the property is not UK resident.

• From 6 April 2015 it also levies CGT on non-UK residents on the disposal of UK residential properties.

• From 6 April 2017 all UK residential property will be subject to UK Inheritance Tax (IHT), currently certain non-domiciled individuals may not be liable to this.

The UK is clearly extending its grip on the taxation of UK residential property and keeping up to date with the rapid pace of legislative change can pose considerable challenges.

UK Income Tax

If the property is rented out, the rent less allowable expenses is liable to UK Income Tax. This remains the case even in the hands of a non-UK resident.

In the UK, there is a requirement for 20% tax to be withheld (by either tenant or agent) on rent paid to a non-UK resident. However, it is possible for a non-resident owner to register as a Non Resident Landlord (NRL) with HMRC. This enables the owner to receive the rent in full, achieving an important cash-flow advantage. However this does not mean that the rent is exempt from UK tax (a common misconception). The liability to tax on the rental profits remains in a NRLs hands, and an annual Self Assessment UK Tax Return ("Return") must be filed.

The current Income Tax rates are:

• For non-resident individuals – 20%, 40% or 45% depending on the level of taxable income (currently with a standard personal allowance of £10,600 for 2015/16, whether and to what extent non-residents continue to have entitlement to UK personal allowances in the future is under review).

• For non-resident trustees (for most discretionary/accumulation trusts and most pension schemes) - 20% on the first £1,000 of taxable income, then 45% on all other (non-dividend) UK income.

• For non-resident companies (not already within ATED, see below) - 20%.

UK Capital Gains Tax (CGT)

From 6 April 2015 disposals of an interest in UK residential property by non-UK resident owners will be liable to CGT if not already liable to ATED related CGT (see below). This is a significant change to the previous regime which, generally, allowed non-UK residents to realise gains on UK residential property free of UK tax.

The charge applies to gains from April 2015 and owners have a choice how to calculate this. The standard approach is by using an April 2015 market value as the base cost, so some owners have already been obtaining valuations. The gain must be reported to HMRC on the annual Return.

The current CGT rates are:

• For non-resident individuals – 18% or 28% depending on the level of taxable income and gains (with an annual exemption being available, £11,100 for 2015/16).

• For non-resident trustees - 28% (with half the annual exemption above).

• For non-resident companies (not already within ATED) - 20%.

There are exemptions, which include non-UK pension schemes.

UK Inheritance Tax (IHT)

IHT is charged on transfers of value. It is most often paid on estates on death but can also be due on gifts made during lifetime and on certain transfers made in to and out of trusts. There are various exemptions and reliefs.

Generally the scope of IHT is determined by where an individual is domiciled, which very broadly means where their permanent home is. Historically UK domiciled individuals are liable to IHT on their worldwide estate, with non-UK domiciled individuals generally only liable on UK sited assets. Therefore if a non-domiciled individual owns shares in a Gibraltar company which owns UK property, the assets in his hands (i.e. the shares) are non-UK sited and therefore the value is outside the scope of IHT.

However on 8th July 2015, the UK Government announced that from 6 April 2017 UK residential property held directly or indirectly by non-domiciled individuals will become subject to IHT. This change will apply to all residential property, whether occupied or let and whatever value.

Annual Tax on Enveloped Dwellings (ATED)

In April 2013 ATED was first applied to high value UK residential property owned by a company. Currently this applies to properties valued at more than £1 million, from April 2016 this threshold will be £500,000. The reduction in this threshold coupled with an accelerating property market could soon mean that an ATED charge has to be considered in relation to all UK residential property held in enveloped structures.

The ATED charge is based on property value and currently ranges from £7,000 to £218,200 per annum. There are a number of reliefs, for example if the property is let to a third party on a commercial basis or if it is part of a property trading business. There is also a 28% ATED related CGT charge on capital gains.

In summary, now may be a good time to review current structuring, to address those changes which have already occurred and plan ahead for those which lie not far away on the horizon. With increasing transparency and enforcement powers internationally, the need for comprehensive tax advice will inevitably grow exponentially.

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STM GROUP PLC

Gibraltar, "on a roll"

By Louis C. Montegriffo, Managing Director, BMI Group

Over 200 off-plan units sold, near 26,000sqm of offices launched, a new bank, a new university and from the sounds of it, a great deal more to come.

It's only when talking to newcomers to the Rock that you realise the extent to which Gibraltar is viewed as, "on a roll". Believe me I'm getting seriously bored with having to write up news of growth, building, rising prices and a general feel good factor, where's the downturn I'm hearing you all shout.

As much as one likes to pretend to know all there is to know about property, and Estate Agents have a habit of this. The fact is that it's the market, buyers and vendors that dictate where we head to next. Yes, agents will influence and will steer, but it will be the confidence in the market, that drives the property agenda.

Gibraltar is incredibly fortunate to have had a period of economic growth that has lasted for nearly 20 years! This is almost unprecedented and clearly not the norm, we've all heard of economic cycles; economists try to predict them and invariably get it horribly wrong; so I'm not about to start making any predictions, I'm no economist, but it's fair to say that our recent 5 year property bubble isn't looking like it's about to get pricked anytime soon.

> Prices aren't being made up; they are a reflection of a demand that is fuelled by new sources and an economy in continued growth

April this year saw some rates per sqm reach close to a peak of £7,000; this unless otherwise informed is the highest rate achieved to date in Gibraltar and once again continues to support the view that the high value market which we have spoken about on various occasions, is very much here to stay. This is further supported by recent High Value clients relocating to the Rock and the fact that some are not just using Gibraltar as their residency, but rather looking at the possibilities of investing sizeable funds into a jurisdiction they believe has a great deal of mileage.

These clients have confidence and an interest in Gibraltar that really does underpin our thoughts, on the fact that the market drives the market. In particular the substantial external influence from high value international buyers relocating to what is in fact, a relatively small market. The effects therefore can sometimes be difficult to accept from a local perspective. I believe the term I'm alluding to is "thinking from outside of the box". If one was going to make predictions they should be supported by some evidence; so here's another quote for you "the proof is in the pudding". Prices aren't being made up; they are a reflection of a demand that is fuelled by new sources and an economy in continued growth.

I recently had a conversation with a young up and coming lawyer who was, in part, shocked at the levels prices had reached in Gibraltar and the recent success of high value off-plan sales in Midtown. His concern was centred on the alienation of local first time buyers unable to meet the pricing levels reached. To be fair he is right to take issue, an average first time buyer would need to seek lending almost 12 times their salary, in order to purchase within some of the mid-end/high-end schemes.

Question: is Gibraltar moving into territory where applicants with limited means are not being catered for, or where the mid and high level markets are driving prices to the extent that even the lower sector is being adversely affected? I will answer with trepidation and at the risk of being ostracized from the community - No! Unlike most other high value jurisdictions, Gibraltar has consistently catered for its own, we have done so for over twenty years in the form of affordable housing. This very model is why Gibraltar is successful and a great place for people from all walks of life to relocate to.

Whilst one continues to be mined numbingly annoying with outbursts of positivity and bullishness, I can't but help to also consider the threats that our property sector and more specifically our economy may face. It would be fair to say that although our politics with Spain are not seeing the most fruitful moments, it is also true to say that regardless of our status quo, we have never really suffered, whatever their mood. A bigger concern might be the prospect of the UK wanting to leave the EU. I can just hear the palpitations of the financial services community, most of whom might be spending more time in the cloak room than ever before. From an objective point of view, the chances of the UK leaving are low, the prospect of the Germans and the French actually allowing the Brits to actually go is akin to that famous John McEnroe quote "you cannot be serious." Nevertheless, this is in my view the greatest concern and just the idea of it will hang a light cloud over heads for a while.

Buena Vista Park Villas

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Slow down prompts study of new business fronts

A review of Gibraltar's overseas funds marketing as a gateway into Europe is underway by government and the industry to offset a significant slow down in new funds business generally.

The review involves changes to legislation and possible opening of new fronts, such as crowd funding and new ways to market overseas funds within Europe using the jurisdiction's stock exchange, GSX. It coincides with a crackdown on directors of regulated entities, particularly of flagship Experienced Investor Funds (EIF) that have a form of self-certification to fast track Regulatory approval.

Nick Cowen, managing director of the 10-month old GSX, admits: "The placing of open ended funds with us so far has been less than expected." Only one has been listed on the exchange, but GSX says it hopes for around 25 by year-end; nine have been lodged with the FSC and four waiting approval.

The European Alternative Investment Fund Managers Directive (AIFMD) is part of the problem: "Only 15% of US hedge fund managers and a quarter of firms across Asia and rest of world are currently AIFMD compliant, he maintains. "The costs of compliance are higher than expected and 40% of firms with less than $100m Assets Under Management (AUM) have made the strategic decision to not market a fund within the EU at all.

"Managers prefer to avoid the extra compliance costs, the risks that occur due to regulatory uncertainty and lack of guidance surrounding the Directive." However, Cowen reports rising funds interest latterly this year.

He maintains: "The inertia that remains in place with the global service providers was always going to be a challenge to overcome as choosing a new jurisdiction over long-standing existing locations requires a degree of risk - the proof of concept - which must be outweighed by the benefits. We believe that we are seeing the start of the Gibraltar effect."

Joanne Beiso, head of conduct business supervision at the Financial Service Commission, notes: "EIF directors have to take seriously their corporate governance responsibilities. Some serious issues have been exposed; some quite basic failings around not conducting enquiries properly before taking on a fund."

Although a majority of EIF Directors were good, "we have too many – maybe 20 of 98 - who do not take their duties seriously.

Our focus now is on education, a series of seminars and workshops on our expectation of EIF Directors before the end of the year." There were some EIF Directors "letting the side down and the reputation of Gibraltar".

Beauty products to trees

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nearly a decade, Butcher describes himself as "a Gibraltar belonger", explaining: "I certainly become hugely offended when I read about Spain coming into Gibraltarian waters. I understand they are British waters, but Gibraltar is the one actually flying the flag and trying to defend them. When you come to Gibraltar, you either fall in love with the place or you leave."

He rarely does interviews, "so I can go out casually and nobody recognises me". This meeting took two years to arrange, partly because of his regular work travel, which now he shuns during school holidays. "For 21 weeks I lock myself down, so my children are with me; I'm switching some business meetings too, so for example, my Asian team have to travel here and we keep some apartments available for visitors."

Commitments not met

When travelling, he prefers easyJet or private jet to "spending more money and upgrading to BA business class, because I feel more relaxed – in my school years I was a dishwasher, a garden attendant and delivered newspapers, so I have a relaxed attitude. I don't feel a sense of entitlement."

At the WTC ground breaking ceremony last summer, Chief Minister Fabian Picardo, noted: "When I first met Greg Butcher some years ago, I knew I was in the presence of someone who would not let anything get in the way - and I mean that in the best possible sense of the word."

Butcher clashed with the government after development arrangements with the previous administration were changed, but he eventually agreed premium payments on specific projects to progress his plans.

Reflecting, he says: "We have delivered on every single thing that we said we would do [in the original OV project plan]; not everything that was committed to us has come to us. When you are going to invest, you say 'I will take this risk, but I do need these concessions' - and not all of that has happened."

So has the OV vision turned out as expected? "I think we are getting there. The recession globally slowed us down", Butcher observes. And is that the end for Gibraltar development? "We don't know. Well…, er… ask me over the next few years. We need to find more sites first. I find governments try to do the right thing, but obviously, there is also politics involved," he muses.

He's still keen on the 'jewel in the crown' - a Gardens of Gibraltar development on the old casino site that he owns next to the Rock Hotel, 400ft above sea level, to produce another 100 dwellings, each with their own garden and views to Africa. It's been delayed seven years because of water tanks there; some for the MoD are still in use. "We will get there, but it's not fast," Butcher admits

Asian-inspired greening: artists impression of Ocean Spa Plaza

New design website for Gibraltar International magazine

Gibraltar International Publications Limited is pleased to announce that our new design website has now gone live.

The fresh look, state of the art website contains many new features, including pages for articles and latest press releases that will further complement the Gibraltar International magazine.

The website pages have been designed to be extremely user friendly, so that visitors will be able to gain information on the particular business sector in Gibraltar that is of interest to them.

Visitors to the website will now be able to view the latest edition of the magazine online in a new hi tech, easier to use, better visibility flip book. The Archive Editions page has also been updated, so visitors will be able to view previous editions of the magazine in a better format.

www.gibraltarinternational.com

Gibraltar Finance hosts Gibraltar Day Finance Lunch in Geneva

The Financial Services Minister, the Hon Albert Isola, hosted a Gibraltar Day Financial Services Lunch in Geneva in late September, to continue the promotion of the finance sector to Swiss based firms. The event was strongly supported by local firms and the lunch was attended by some 155 professionals who are principally specialists in private client work, including private wealth management, as well as funds and asset management.

GIBRALTAR FINANCE
HM Government of Gibraltar

Minister Isola addressed the audience at the start of the event, to update them on Gibraltar's proposition within the European Union single market in financial services. He also stressed the huge commitment in terms of resource that the Government has dedicated to the sector over the last four years to ensure that Gibraltar is well placed to benefit from new business development; on the basis of quality, reputation and speed to market. Gibraltar Finance, together with members of the Gibraltar Funds and Investments Association (GFIA) also attended and exhibited at the Invest 15 Forum in Geneva, in early October on the benefits for Swiss firms to operate from Gibraltar.

Bloomberg interview - how Brexit could affect Gibraltar

The European single market and free movement were emphasised as the "essentials" for Gibraltar by Chief Minister Fabian Picardo during an interview with Bloomberg in October on the impact of a possible Brexit. He commented: "Access to the single market is a very important part of what it is Gibraltar needs in order to be able to continue to pay its own way in the world. The route to self determination , to being able to determine your own political future is down the road of self sufficiency and being able to pay for your outgoings yourself without having to rely on anybody else."

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