Nov/Dec/Jan 2013/14

GIBRALTAR INTERNATIONAL

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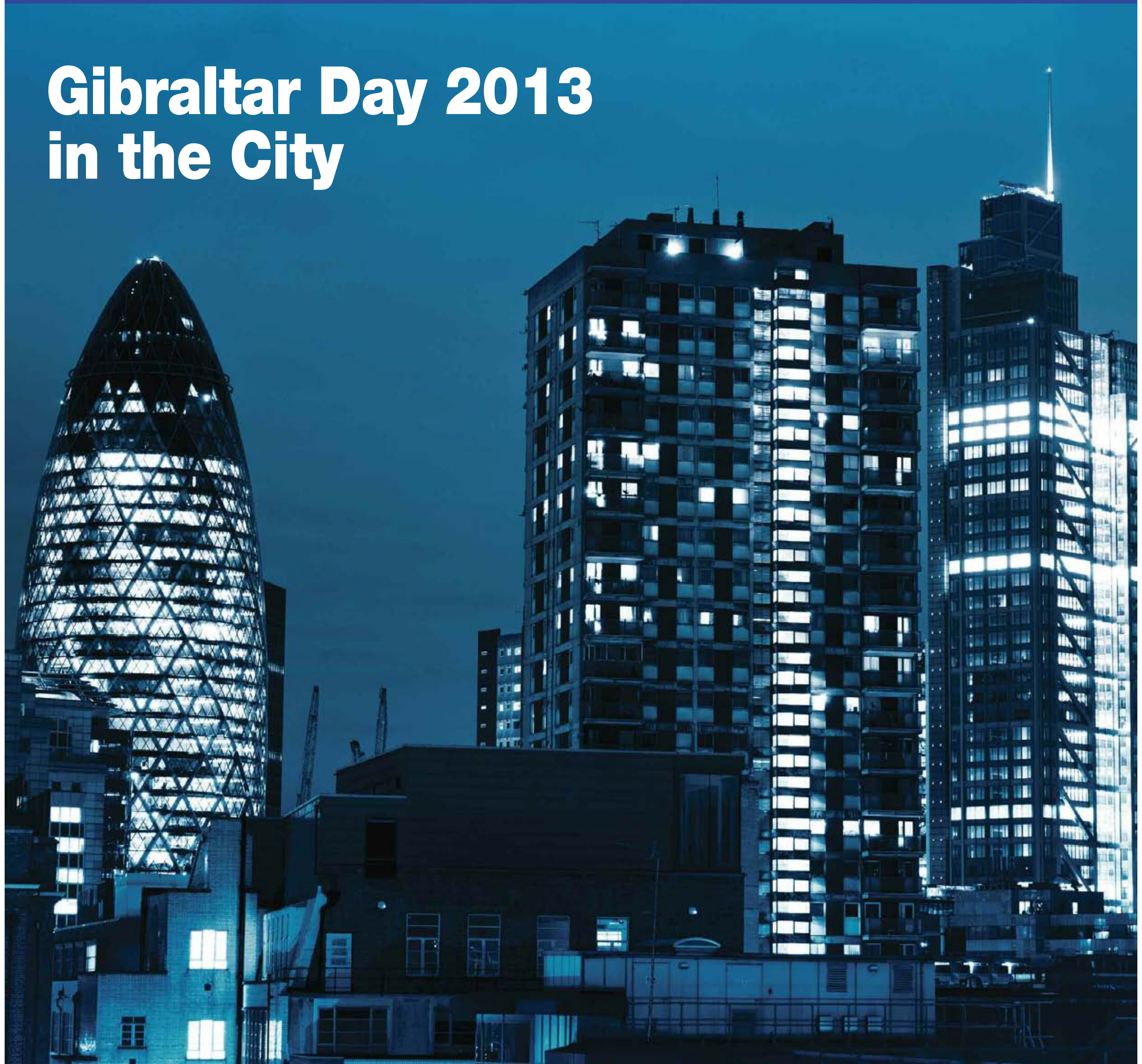
Gibraltar Day 2013 in the City



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Editorial Comment

Looking afresh

Welcome to the new look Gibraltar International magazine, now beginning its sixteenth year and still bringing you all the latest news and in-depth business reports from the finance and business world of Gibraltar.

The surprise news is of the scheduled loss by October next year of the Barclays retail banking operation after 125 years. At present Barclays and NatWest together, account for some 80% of Gibraltar's retail banking, Barclays being the larger. Jyske Banks local CEO, Christian Bjørløw estimates it will take the equivalent of 36 man-days to open new accounts for all 17,000 Barclays customers, even if – and this is almost impossible – existing banks could handle the load.

The 'risk balance' – where one financial institution has too great a stake in any one sector, or project – is another factor that may mitigate against acceptance by any particular bank of some personal and business accounts.

Gibraltar's banks are still heavily engaged in cash handling, fuelled in large part by tourism. Old-fashioned, manual cheque handling represents a significant bank administration cost and customers may well face higher account charges, particularly as banks no longer earn money from overnight deposits from account credit balances. Cash is virtually non-existent in countries like Denmark.

Gibraltar's government perhaps needs to issue fewer cheques by promoting e-payments of aspects such as rents and pensions. Indeed there could be an opportunity for one of the present e-banking concerns in Gibraltar to emerge as a partial replacement for Barclays branch operations. Aiding that process, Gibtelecom claims it will shortly provide the highest internet speeds in Europe, available to almost everyone in Gibraltar by 2014, which will make it far easier for online banking.

Apart from the potential emergence of e-banking, within the next six months or so, Gibraltar could well benefit from welcoming a community bank, where local interests are recognised and nurtured. The examples of Sweden's Handelsbanken and of the Maltese Banif Bank – the latter combining local investor's money with a Portugese financial services parent company - may offer one way forward.

At this point in time, it's difficult to see how the State-owned Gibraltar Savings Bank could be ramped up in such a way as to take on current accounts and loans, although that is a long-stated aim. As a retail bank it would need to first restructure its operation beyond deposit-taking – by March total deposits are expected to more than double to £688m - gain a banking licence to demonstrate adequate financial systems and processes, and be regulated by the Financial Services Commission (FSC).

Government ministers said in January that the GSB would operate current accounts and provide loans for individuals and small businesses by summer, but this has not yet happened. Now there is an urgent need for action to resolve the situation.

The good news is that NatWest – celebrating this Autumn 25 years on The Rock – has committed to stay in Gibraltar.

Ray Spencer

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Economic success, not just low tax, proving attractive to newcomers

Gibraltar is clearly one of the most exciting prospects for European business today, providing the building blocks quality businesses are looking for when considering a new location to partner in.

Echoing past appeals by this and previous governments for City of London business support, Fabian Picardo, Gibraltar's Chief Minister told guests at the 14th annual Gibraltar Day in October at the Guildhall: "Gibraltar has the human capital, the bandwidth, the infrastructure and - despite our size - the space for your business."

He pointed out: "Gibraltar is ranked in the top 20 in global terms of GDP [Gross Domestic Product] growth and is this year placed in the top four ranking of GDP per capita, up from 9th!"

His Minister for Financial Services since June, Albert Isloa, told some 350 people at the sector lunch in The Old Library, that he had found "London and Switzerland are the key target markets that we need to work to develop".

Previously, government officials had seen the Swiss and UK markets as staples, but particular emphasis was to be given to the BRICS – Brazil, Russia, India, China and South Africa – which subsequently have generally seen a slowing down in their economies.

Scope to build

Isola pointed to the recent growth in QROPS – Qualifying Recognised Overseas Pensions –there are 23 schemes and some 200 members now – since adoption of new tax laws to control their use, and interest has been shown from schemes with 600 members to transfer to the jurisdiction.

He saw "scope to build in private finance, with foundation trusts and from possible changes to Gibraltar residency terms" and having 200 funds, the prospects of growth through application of the EU AFIMD rules, "looks even better".

The Chief Minister pointed to the consensus amongst government, the industry and regulatory bodies as to "the direction, shape and form Gibraltar's financial services sector is currently embarked on and should be taking in the future" that could be "summed up neatly by reference to our culture of compliance".

He noted: "We are striving always for quality, both in respect of the services that we provide and the operators that are licenced in the jurisdiction."

In defining what made Gibraltar attractive to companies, Picardo also noted: "Of course, taxation is important and is part of the package, but of itself it is not a single factor above all else."

Essentials for growth

There were other important considerations that interested quality businesses "before low levels of taxation", including "the rule of law and political stability - essentials for our continued growth".

Gibraltar had complied with its obligations to transpose all EU directives and other rules into Gibraltar law ahead of schedule. "We are a self-governing parliamentary democracy within the European Union with all the responsibilities and obligations that entails, but also the rights and benefits that this brings."

At the evening reception attended by almost 1,000 people, including ten diplomatic officials – ambassadors and High Commissioners – and Members of Parliament from the UK and Gibraltar, Picardo declared: "Gibraltar is no longer a sleepy backwater.

"Fiscally Gibraltar is entirely economically self-sufficient and has this year enjoyed GDP growth of almost 8% and a record surplus, gross and net debt have been reduced, as well as a four fold increase in available cash reserves", he said.

Picardo signed Gibraltar's 27th Tax Information Exchange Agreement (TIEA) with Guernsey whilst in London and he reported, it has implemented the EU directive on administrative cooperation on tax matters with all 28 member states.

Tax compliant

Business people, supporters and friends of Gibraltar heard him also say: "Our model of taxation has now been cleared by the EU Code Group as not containing harmful measures.

"Last week, the EU Commission found our tax act complied with State Aid principles in all areas except in one minor area relating to taxation of royalties".

But conscious of how that situation may be interpreted, Picardo earlier had insisted: "The fact that the EC is conducting an enquiry in to one sliver of our Tax Act means that everything else we have done is fully compliant – and we expect to resolve this latest issue shortly.

The economic success was not just from the finance sector. A 5-star hotel – the Sunborn Yacht Hotel, originally expected to open in Autumn – will open early in the New Year, and the iconic 4-star Rock Hotel will begin a £3.5m six month, refurbishment programme in November.

There had been record breaking numbers of tourists visiting per annum - some 12m and Gibraltar continued to be one of the largest ship bunkering ports in the Mediterranean, and in the world (in terms of bunkers delivered), as well as the world's foremost centre for the delivery of e-gaming services. He described the jurisdiction as being "a European success story in a bleaker background of austerity still dominating much of the rest of southern Europe".

New gaming economic report may deflect UK legal challenge

Online gaming businesses in Gibraltar, faced with having to seek new operating licences in the UK and a possible 15% point-of-consumption tax, are hoping a fresh independent economic survey will convince UK Treasury officials of the "significant" destructive effect the planned legislation will have on the jurisdiction.

Talks taking place in London aim to circumvent the need for the territory's operators to seek a Judicial Review as soon as the 2nd Reading of the Gambling (Licencing and Advertising) Bill occurs as a means of halting in its tracks a measure that could have repercussions throughout Europe.

Industry leaders believe that without legal intervention the Bill could become law by the end of this year once the Parliamentary process is complete, including the Committee stages. The same approach could then be adopted by, or used to reinforce protectionist measures already adopted by, other EU countries.

"We have a very narrow window of opportunity in which to respond", a sector representative told *Gibraltar International* at the inaugural remote gaming breakfast meeting, as part of Gibraltar Day celebrations in London.

No government involvement

But Chief Minister, Fabian Picardo, made clear that the Gibraltar government, whilst critical of the UK's proposed measures, would not be part of any legal action, preferring instead to see a solution agreeable to both jurisdictions.

"The Gibraltar government will not, in any way, be involved with legal action against the UK, but I am aware the legal solution in the industry is a possibility", he said.

What Gibraltar proposes on licencing "helps protect against gambling addiction, under age gambling and also alerts people whenever match fixing is suspected".

Picardo added: "We hope the UK will work with us to see that Gibraltar regulation is such a good thing and to allow those [regulatory compliant] jurisdictions to continue", he said.

Nevertheless, he declared: "We know the UK is not worried about the regulation and standards applied in Gibraltar [for e-gaming], but the discussions we are having with the Treasury may lead us to challenge what they are doing, to ensure a situation where they work with Gibraltar and not against Gibraltar.

Square the circle

"It is very important – we may be able to achieve something that will square the circle on licencing of gaming", he told an audience of executives from gaming, finance, audit, legal and telecommunications, as well as UK and Gibraltar Members of Parliament and civil servants.

Last year, an impact study by Professor John Fletcher, who has been responsible for several Gibraltar government economic reports, suggested a "realistic scenario" would see relocation of some of the territory's 20 remote gaming operators, with the loss of approximately 1,300 jobs and, critically, £20m of Government revenue.

But the negativity of the final Report prompted the government to shelve it this spring, amidst calls for a different report to be produced by someone considered 'independent' of Gibraltar, but acceptable to both the UK and Gibraltar.

As Picardo told attendees at all three October Gibraltar Day events: "In online gaming, Gibraltar leads the world in regulation and the United Kingdom is an important part of our market. Your professionals dominate our industry".

Stringent standards

With 20 e-gaming companies and around 10, mainly US and UK games software suppliers, located and licenced in Gibraltar, the sector accounts for around 27% of Gross Domestic Product (GDP) and is "subject to the very highest and most stringent standards of regulation in the world".

However, it is feared that some Gibraltar-based businesses will return to the UK where much of their business is presently located to save money, but in a situation that will see them far less able to protect consumers.

Gibraltar's e-gaming operators account for 60 per cent of online betting in the UK, where more than 3,000 gaming enterprises have been recognised as 'White Listed' operations, because of their countrys' robust regulation.

As Phil Brear, Gibraltar's gambling commissioner, explained recently, the outcome of the Bill will be 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".

Pointedly, he added: "The 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."

Raising tax

In a message to politicians at all three 2012 UK party conferences, the Gibraltar Betting and Gaming Association (GBAGA), said: "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."

That second Bill – yet to be brought

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Re-domiciling a Cayman Islands fund to Gibraltar

Fund managers with funds domiciled outside the European Union (EU) are increasingly considering the relocation of their funds to a European jurisdiction. Richard Bowry, **Senior Associate at Hassans reports**

Gibraltar, within the EU, is one of four EU jurisdictions that fund managers are actively considering as a fund location. Gibraltar is particularly attractive because of its internationally focused funds regime, clear and concise legislative framework and competitive taxation system.

There is also a wealth of international companies in Gibraltar including banks, fund administrators, accountants and lawyers which service the funds industry. Other factors making Gibraltar attractive include economic stability, a professional workforce trained to English standards, an English common law based legal system, no work permit restrictions for Europeans and limited currency risk (Gibraltar is not in the Eurozone).

AIFMD and the Drift On-Shore

Much of the pressure to relocate on-shore results from the Alternative Investment Fund Managers Directive (AIFMD). AIFMD is now in force, and has dramatically changed the global hedge fund industry. AIFMD allows a fund manager based in any part of the EU (such as Gibraltar) to passport its EU funds to any other EU member state by means of a simple filing process.

Although a piece of EU legislation, non EU managers and funds wishing to access the EU market are affected by AIFMD, as they are treated differently thereunder than EU managers and funds. Accordingly the effects of AIFMD are felt well beyond Europe itself.

Change From A Cayman Islands Fund to an EIF

The most common category of Cayman Islands mutual fund is the section 4(3) “Registered Fund”. A Registered Fund is convertible into a Gibraltar fund that is largely equivalent by way of a re-domiciliation process. Gibraltar has a category of fund known as an “Experienced Investor Fund” (EIF) being a fund available to experienced investors, which includes those who invest at least €100,000, or at least €50,000 if the investor has been professionally advised.

An EIF is similar in many respects to a Cayman Islands Registered Fund. It has no investment or borrowing restrictions, can be self-managed, is quick to establish, has no limitation as to the number of investors and is tax efficient, and can be listed on news reporting agencies, such as Bloomberg, and on international stock exchanges.

Crucially, however, the EIF also has the advantages of EU membership and accordingly may enjoy the benefits of EU-wide marketing as well as benefits deriving from other EU legislation such as the EU Parent-Subsidiary Directive (which dis-applies usual withholding taxes payable on dividends declared by EU companies if they are paid to parent entities in the EU, such as a Gibraltar fund).

Protected Cell Companies

Many Cayman Islands funds are established as “segregated portfolio companies”. Gibraltar has an almost identical form of company known as a “protected cell company”. Like a segregated portfolio company, a protected cell company is able to establish separate cells which enjoy statutory protection from the other cells and the core of the company itself. Accordingly there is no difficulty in re-domiciling a Cayman Islands SPC into a Gibraltar PCC, and cells of such SPC into cells of a PCC.

The Redomiciliation Process

A re-domiciliation process has two essential elements, namely the exit process out of the current jurisdiction and the entry process into the new jurisdiction. The exit process is simpler than the entry process, as the legal provisions on exit are mainly concerned with protecting investor interests and these can readily be satisfied by a shareholder resolution approving the exit.

The entry process is generally more complicated, as fund related issues are involved, in particular the authorisation of the company as a fund in the new jurisdiction. There are few complications, however, when moving to Gibraltar as Experienced Investor Funds can be established on a pre-registration basis so long as the acting Gibraltar law firm issues a legal opinion to the Gibraltar regulator confirming full compliance with relevant laws. Pre-approval of the Gibraltar regulator is an alternative option.

From the Gibraltar side, a filing is initially made with the Gibraltar Registrar to obtain consent to establish a domicile in Gibraltar, accompanied by (i) a certified copy of the resolution of the company regarding its re-domiciliation together with statutory details and a copy of the amended constitutional documents it intends to adopt; (ii) a certificate of good standing; (iii) evidence to show no insolvency proceedings; (iv) evidence the relevant regulatory authority in the exiting jurisdiction has consented to the re-domiciliation; (v) a prescribed fee, and (vi) a certified copy of the shareholder consent to the re-domiciliation.

On being satisfied with the documents, the Gibraltar Registrar will certify that the company has established its domicile in Gibraltar and it will publish a notice in the Gibraltar Gazette. The directors of the company must finalise the process by completing another filing which confirms the company has ceased to be a company domiciled in the jurisdiction from which it was transferred.

Once re-domiciliation has been completed by the Registrar and the certificate of re-domiciliation received, the company can rely on the pre-registration launch mechanism applicable to EIFs and immediately commence business as an EIF so long as relevant filings are made with the Gibraltar regulator Financial Services Commission (FSC) within ten business days. The filing with the FSC involves sending the certificate of incorporation, offer documents of the company, a notification form signed by the new fund’s administrator, a legal opinion by a Gibraltar lawyer, a FSC checklist and a registration fee.

Hassans has a dedicated funds department responsible for the establishment of funds in Gibraltar. Hassans has fund lawyers who are admitted in Bermuda, the British Virgin Islands and the Cayman Islands, as well as Gibraltar, and accordingly has the expertise at hand to advise on all aspects of the re-domiciliation process from those jurisdictions.

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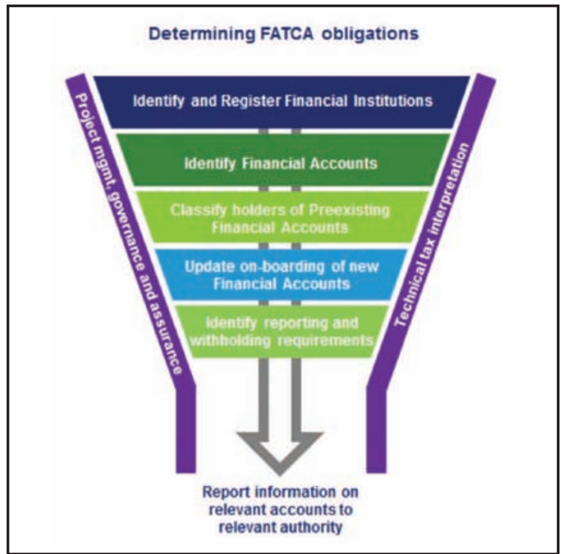
FATCA, "Son of FATCA" and the Implications for Gibraltar

By Louise Gonçalves & Eran Shay, Deloitte Limited

What is US FATCA?

The term FATCA has been circulating around for a while now, however, not everyone is aware of what this means other than perhaps what the acronym stands for. It all started in March 2010 when the United States created new withholding and reporting rules under the Foreign Account Tax Compliance Act (FATCA). The driver for this significant change was the number of high profile failures to prevent tax evasion by US persons through existing US information reporting systems. These measures have been implemented to address the US IRS's concern of US persons escaping their US tax obligations via the use of non-US structures and products.



Under FATCA, foreign financial Institutions (FFIs) and other financial intermediaries such as funds, trusts, custodians and wealth managers, will be required to comply with a number of obligations, including reporting on accounts held by specified US persons. To encourage compliance FATCA introduced a 30% withholding tax on US source payments to non-compliant institutions (although this has now been superseded through Inter-Governmental Agreements (IGAs). It should be noted however that this not only affects FFIs and financial intermediaries with US clients but also those with non-US clients as other third party FFIs may require that these institutions be participating in FATCA in order to transact with them. A monthly list of all registered FFIs will be made publically available from June 2014.

The key issues for businesses affected by this are primarily interpreting the FATCA legislation and what this means to their own internal compliance procedures as well as the interaction with their own customers. Operational processes and internal controls will need to be reviewed and adjusted to factor in the additional requirements introduced by FATCA both from an initial implementation perspective as well as a continuing perspective.

The main elements of FATCA commence from 1 July 2014 and there are a number of steps that FFIs need to take before this date to ensure compliance. The FATCA compliance journey for most firms is illustrated by the diagram:

A number of governments, including the UK, have signed IGAs with the US with the intention of facilitating compliance. The UK has signed a Model 1 IGA with the US which means that compliance with FATCA will take place under UK domestic legislation instead of under US regulations. The IGA enables entities within said jurisdiction to comply with the FATCA requirements without contravening local legislation. By complying with these rules, the entity would not be subject to the 30% withholding tax for non-compliance. There are still a number of significant steps that an entity needs to complete in order to achieve compliance and, due to the specific local legislation, the FATCA obligations for some FFIs may differ depending on the location. This variation may make compliance more complex for multinational organisations where they operate under several different agreements.

UK FATCA or the "Son of FATCA"

FATCA has proved to be a watershed moment for international information exchange policy. As noted, a number of jurisdictions have entered agreements with the US and some of these have announced their intention to develop their own 'FATCA-like agreements'. In June 2013 UK HMRC released a draft model agreement which is intended to facilitate information exchange with the Crown Dependencies and British Overseas Territories. This agreement, sometimes referred to as "Son of FATCA", seeks to gather information on UK persons investing in and/or through those jurisdictions. The wording of the draft agreement is very similar to that of the US FATCA IGA and is intended to be implemented on a similar timescale. Nevertheless, the key differences between US and UK FATCA are as follows:

- UK FATCA is not global like US FATCA and so potentially may face greater international issues;
- Difference in taxation of the UK i.e. by residence v citizenship in the US also potentially problematic;
- There is no withholding tax under UK FATCA;
- It offers an alternative reporting regime for UK non-domiciles.

How is Gibraltar affected?

With regard to the US FATCA, it is anticipated that the UK Crown Dependencies and Overseas Territories, including Gibraltar, will enter into IGAs with the US. Gibraltar based FFIs should already start to familiarise themselves with FATCA requirements if they have not done so already, register themselves on the US "FATCA Registration Portal", and begin looking through their client accounts and portfolios to identify US client accounts as well as consider their internal controls and compliance procedures going forward

As for UK FATCA, the Gibraltar Government will be signing an IGA with the UK in order to implement UK FATCA locally, this is expected imminently. As part of the UK FATCA package, it is expected that territories will be allowed to participate in a disclosure facility available to UK resident clients of structures run by financial intermediaries in these territories.

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Thoughts from an Estate Agent... oh dear, I hear you say.

By Louis C. Montegriffo, Managing Director, BMI Group

The recent shenanigans at the Gibraltar/Spanish border over the past few months can only be described as Ground Hog day…..here's a headline from the Chronicle back in April 1993 "Britain Rejects Bay 'Dispute' Claims" – there's no doubt that one might easily find an entire store room of similar headline pieces over the past few decades, even centuries for that matter.

It seems though (and one will I'm sure be forgiven for applying this perception to the recent antics) that a modern democratic country considered the 4th largest economy in Europe is intent in playing its part in becoming the laughing stock of Europe, by blatantly ignoring the wishes of 30,000 people in expressing their right to determine their future.

Clearly aggressively pursuing this, is far more important than addressing a struggling economy, with an average unemployment rate of 30% and let's not forget the matter of corruption scandals.

You might wonder why on earth I am referring to the above as opposed to discussing Property. Well, like it or not Gibraltar's recent fame in the headlines across Europe is hardly something one would aspire to, although some say that any publicity is good publicity.

> If our past is anything to go by, it will undoubtedly suggest that we come out of these episodes far better than we went in

It's unfortunate that more often than not the international media will invariably get it wrong on so many levels and in doing so will not present the realities of Gibraltar. Even more unfortunate is the media campaign clearly driven by Madrid in which Gibraltar has been accused of pretty much everything under the sun in order to discredit our reputation and in an attempt to stall the very real gains that we have made in the past decade.

So, has all of this affected us? Well, from a real estate perspective the short answer is no, in fact some may argue that it has only encouraged people to stay firmly placed on the rock. As a Gibraltarian, I have seen these situations played out on many occasions and therefore although hugely irritated by the impact of these tensions, I take the view that it's just another tantrum from our neighbour which will simmer down.

But what of the many who aren't versed in this political play? Well, my advice is Don't Panic! You may prefer not to take advice from the estate agent on this one, after all, we do have that awful reputation of talking pretty much anything up...;) however, I would ask that you consider one thing; History! If our past is anything to go by, it will undoubtedly suggest that we come out of these episodes far better than we went in. You don't need to go far back to revisit the failed joint sovereignty proposals in 2000 and the subsequent negotiation of the 2006 constitution which re-affirmed and advanced our position as a nation. Whereas I am not about to enter into a history lesson, my short message to those unaware or unsure of what we have witnessed over the past few months, is that you are in a safe, well regulated, vibrant and ambitious jurisdiction, with a strong economy; it will be all of these things that will continue to see us through the difficult times and lead us into continued success.

The Market

The year so far has exceeded my expectations and I am delighted to confirm that all bar one of the properties at Gibraltar's High Value residential development, Buena Vista Park Villas, have been sold. On a personal note, I am particularly pleased with the fact that BMI was involved in over 60% of agent sales. From our perspective this gives us a great deal of confidence in the growth of the High Value Market, and an element of satisfaction we played significant role in this sector.

Clearly the market is strong across the board and there are various factors supporting this; we believe that the obvious indicator is demand outstripping supply. Importantly though, it would also be fair to include the fact that the economy, as indicated by the Chief Minister in this year's budget, is strong with growth in GDP of 7.8%, GDP per capita of £41,138 placing us in 4th position globally and a net debt of approx. 24% of GDP.

HNWIs

All of the above measures up to a robust and confident economy adding a great deal of weight to what we consider underpins the main reason to our recent success' in the market; that being Gibraltar and the product.

Some may argue that it's the influx of ex-pat Spanish residents returning to Gibraltar, or a local market able to move up the ladder given improved earnings and existing equity, or the increase in HNWIs leaving their high taxed homeland and taking up residency on the Rock – the fact is that it's all of the above combined that delivers the answer on why the past few months have pushed up the property market to the levels that we are experiencing.

There's no doubt that so far it's a pretty picture and given figures which we are collating for 2013, one can safely say that the trend continues upwards.

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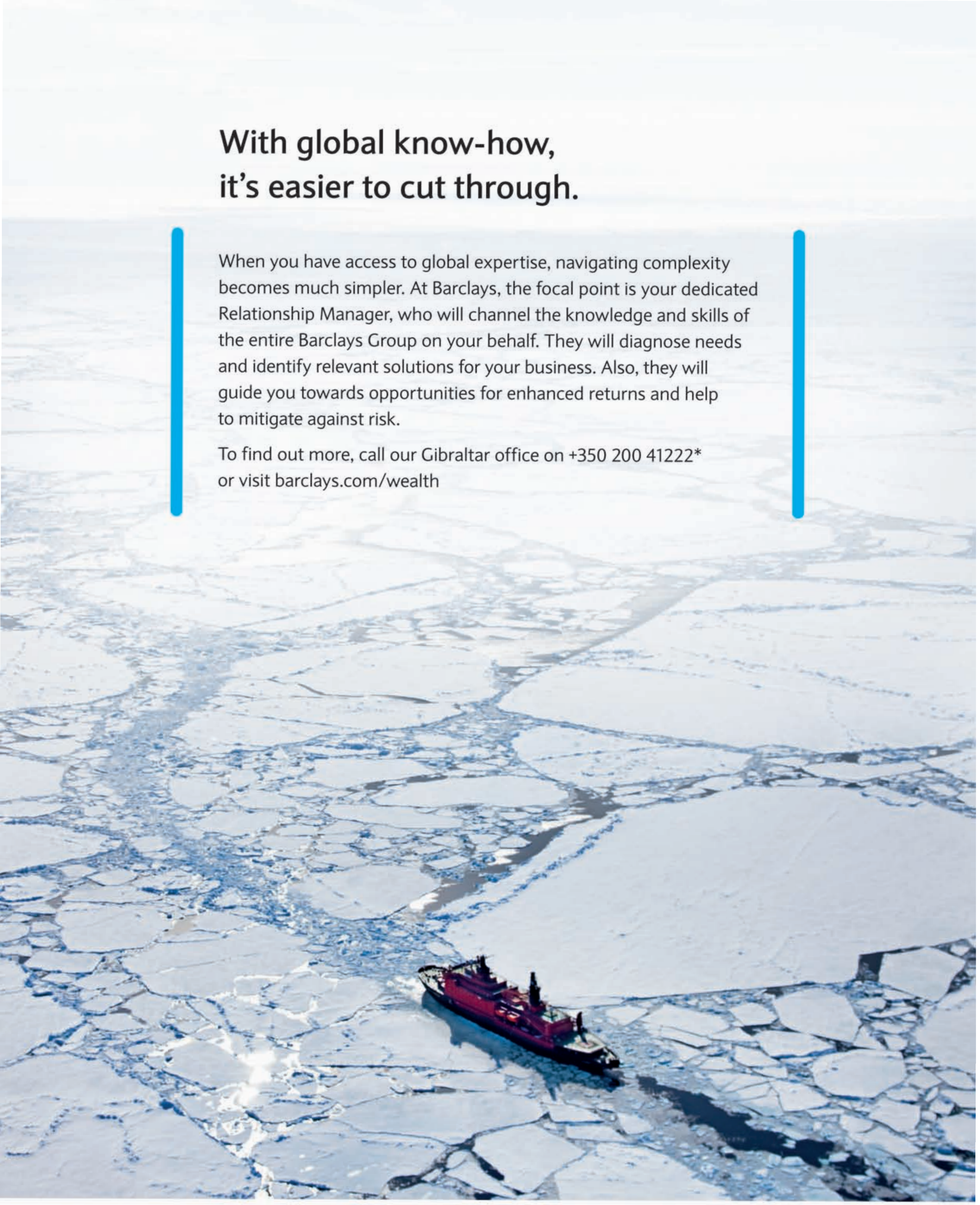

Expansion by banks may preface arrival of new regional bank

Investment in Gibraltar of approaching £1m is being made by Danish-owned Jyske Bank to increase substantially its retail and corporate account capacity locally by late-2014, and Royal Bank of Scotland International (RBSI) is gearing up to add to NatWest corporate and real estate business in the jurisdiction.

In tandem, the government is working urgently to entice an established regional bank to the territory that will combine competition with Gibraltar-centric interest, possibly as a joint venture either with local investors and/or with the State.

The banks' moves coincide with – but, crucially, were preceded by - the Barclays Wealth October decision to close in a year its Gibraltar branch– shedding almost 17,000 accounts and 94 jobs – to concentrate on the needs locally of some 70 corporate clients and around 150 high net worth individuals (HNWIs) and very high net worth individuals (VHNWIs).

Disappointment at Barclays ending 125 years' retail branch on The Rock is tempered by the decision to retain and expand the wealth business as one of only 70 markets from 2016 out of the 200 where it now operates.

Malta's Banif Bank, owned by Banif Financial Group, one of Portugal's largest, provides Gibraltar with a possible model – in six years, with the help of prominent local investors, Banif has opened nine retail branches and developed corporate and business banking.

Christian Bjørløw, Jyske's local CEO, told *Gibraltar International*: "It would be almost mission impossible for existing local banks to absorb all of the Barclays business." Nearly two years ago, Jyske began planning expansion and work to refurbish the premises started in August. The private bank acquired the 1855-founded Galliano Bank in 1987. "Retail banking is very good in Gibraltar", accounting for 40% of business, Bjørløw said. Jyske's 90 staff service more than 6,000 branch and on-line accounts, (charging £100 a year plus cheque fees), personal loans and mortgages, as well as private investment services.

NatWest, celebrated in October, 25 years on The Rock, emphasised it remained "fully committed" to full-service local operation, which was profitable. Building Society Norwich and Peterborough also has current accounts, but the Leeds and the Newcastle societies concentrate on savings.

The role of State-owned Gibraltar Savings Bank is also being reviewed; the government said in January it would take on current accounts and loans from summer!

The jurisdiction has 14 licenced banks, three with retail banking, three building societies and the remainder offering investment services.

Big Data – Taking a Quantum Leap

Christine Schmid, Credit Suisse Global Research Team, Zurich reports

Big Data provides a way for companies to get to know their customers on a scale and speed that is vastly larger and faster than could have ever been conceived in the past – and which can detect previously invisible connections between diverse aspects of people's commercial, medical and social lives.

A smarter world

Retailers like Amazon and Tesco are using Big Data to cross-sell products, to market through new channels such as social media, and to predict demand patterns. It shows how banks are improving data surveillance and compliance, as well as implementing community-based credit risk tracking through online companies like Lenddo.

Naturally, Big Data comes with constraints. There are legitimate concerns about data privacy and the ownership and use of personal data collected online. There is a very real need for specialized talent – so-called "data scientists." As these concerns are addressed, Credit Suisse believes Big Data, on the cusp of massive growth, may lead to a much smarter world.

Banking on information

The amount and variety of Big Data is expanding exponentially, and while already used in some aspects of banking, this is just the tip of the iceberg. We believe banks now need to invest in sophisticated Big Data analytic technology to capture trends, react to events as they happen, predict needs and reduce risks if they want to offer competitive financial services in the future.

According to the McKinsey Global Institute's study on Big Data, financial services in the business world have the most digital data stored per firm on average. For example, in 2012, credit card providers Visa and Mastercard processed 118.9 billion transactions. Globally, 25 billion futures and options contracts were traded. Banks around the world hold records of billions of client transactions and contracts relating to mortgage and consumer loans. This already staggering volume of information is further inflated by a daily flood of social media inputs – blogs, Tweets, e-mails – adding additional value and untapped potential. Financial companies have a major stake in using this information to better advantage through Big Data approaches.

Capturing value from Big Data

Banks were among the first to introduce computers and data processing on a large scale in the 1970s, but have lost ground in recent years. As banks focus on regaining earning power and complying with regulatory requirements, IT investment has suffered. While Big Data analytic technology is already used in some aspects of banking to establish certain customer trends, the abundance of client data is often static, segregated and processed only periodically, batch by batch – yielding backward-looking and not real-time information.

Big Data focuses on analyzing unstructured data (i.e. free-form data, such as in documents and e-mails) – in real time, depending on the application – to gain insight into markets, trends and customer behaviour that were not possible before. To capture value from Big Data, banks are moving from simply gathering data to effectively managing and analyzing it. While research suggests that this transition will not be easy, the strategic insight and comparative advantages to be gained from these new approaches could transform the industry.

Gaining a competitive edge

Big Data could help banks to more effectively manage internal processes. The systematic surveillance of transactional data, combined with algorithms that detect suspicious patterns in payments, cash withdrawals or security trading, could complement banks' compliance processes and eventually prevent money laundering and other illicit actions. Today, banks have some backward-looking mechanisms in place, but no real-time insight.

Using Big Data, banks could thus react faster and limit impacts on earnings. Similarly, real-time analysis of internal communications such as e-mails, telephone calls and instant messaging could help prevent fraudulent behaviour and, in essence, reduce litigation risks and costs. Banks are not taking advantage of this today. However, Big Data is more than just a means of enhancing compliance and internal controls. Social credit ratings and customized offerings are two examples of Big Data technology that could sharpen a bank's competitiveness.

A social credit rating

More importantly, Big Data can change the way banks serve their clients. In particular, Big Data offers new tools and techniques for credit risk managers. Basically, the idea is that lenders enhance their credit rating processes with social and behavioural data sourced from social media. Together with standard financial data, this Big Data would provide a more complete picture of the prospective borrower and allow the bank to more accurately judge his or her risk profile.

In the absence of reliable financial information, the credit rating could even be based purely on a social credit rating. Lenddo, a first mover in this field, is currently developing such a system.

The company creates algorithms that accurately judge a potential borrower's creditworthiness by examining his or her social media activity and recommendations from family and friends. Their community based business model is growing exponentially in emerging markets.

Big Data analytics promise to provide greater insight – not only during the lending decision itself, but also over the lifespan of a loan. Once credit has been granted, further algorithms allow for more accurate portfolio risk tracking, either at the individual level or for a loan portfolio as a whole. Already today, an astute combination of in-house data often adds value to risk profiling, e.g. by looking at credit risks in connection with balance overdrafts, payment behaviour and credit card data. Big Data could enhance this process by providing early warning signals of potential threats to a portfolio.

What about Data Protection?

The potential benefits of Big Data are of course counterbalanced by concerns regarding data protection, from the perspective of both privacy and security. This is especially true for banks, which normally face a more restrictive data protection regime than other industries. Nevertheless, since financial services almost always involve intermediation of some kind, Big Data should result in new business models. If Big Data does emerge as a source of information available to almost anyone, financial services might move from banks to more peer-to-peer based business models.

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Continued from page 8

before Parliament - may enable the UK Treasury to gain £200-400m taxes, but the Gibraltar Betting & Gaming Association (GBGA) insists "it stands to lose far greater amounts in corporation tax and employment tax".

Picardo emphasized that since the arrival of the first gaming operator (Victor Chandler) in the mid-1990's, governments of left and right had supported the sector, which had prospered – "on-line gaming is bi-partisan".

He declared: "We are the silicon valley of online gaming development. That has led the remote gaming industry born in the mid nineties to become a global giant."

The challenge now is EU markets traditionally had been open for cross-border business, but some countries were thinking of changing their approach to prevent outside gaming operations.

The UK needs to "achieve high standards of regulation as we have done in e-gaming", but he feared that "what is proposed is likely to push operators to less well-regulated jurisdictions".

Ray Spencer

e-gaming benefits UK towns and cities

Remote gambling in Gibraltar and the UK has been a huge success story for business, governments and consumers. That was the message new minister for gaming, Albert Isola, emphasized to guests at the City breakfast held exclusively for the gaming community.

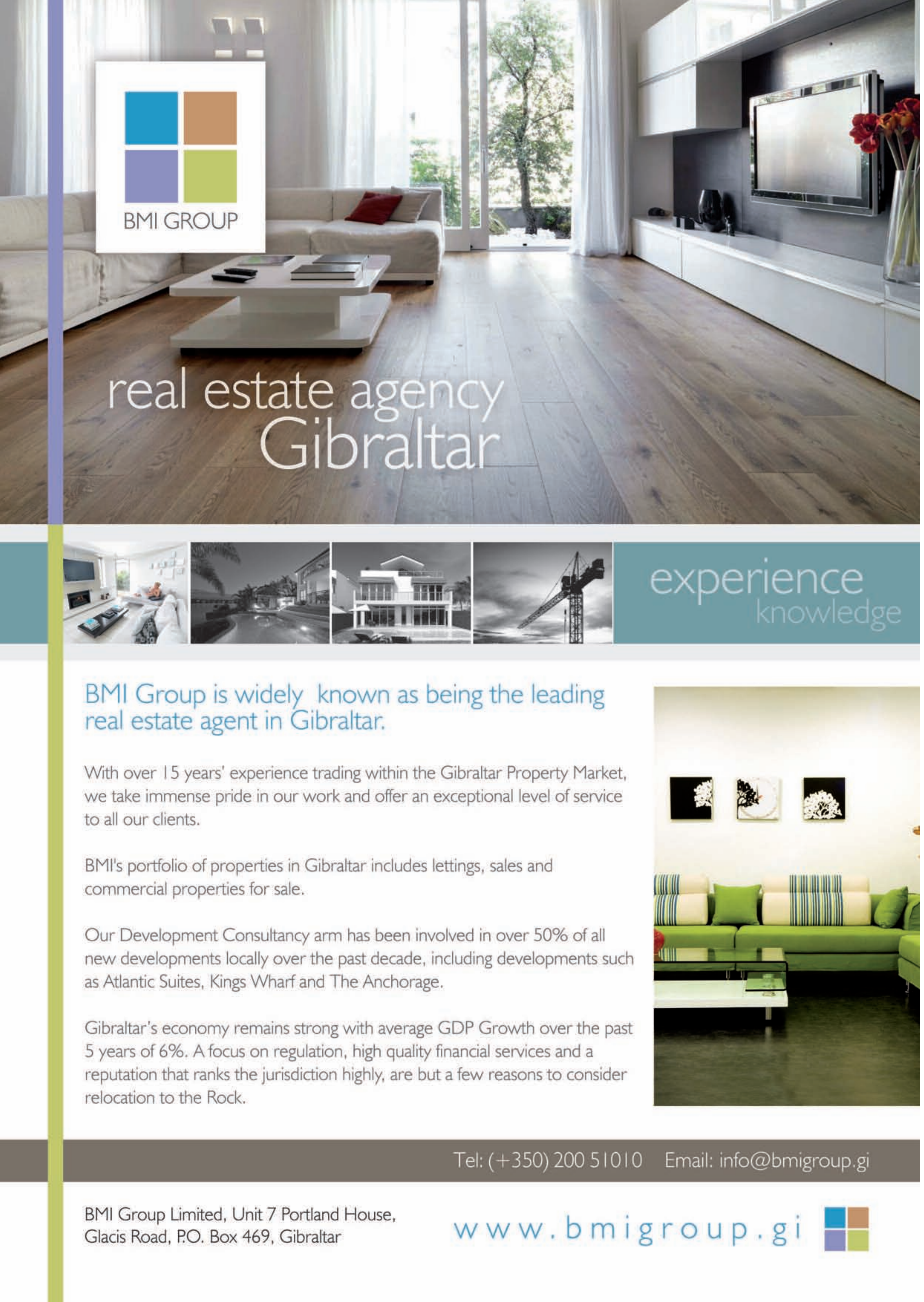
"The industry has created many jobs and benefits in Gibraltar, but it also has an economic benefit, which ripples not just into the adjacent Spanish hinterland, it generates hundreds of millions of pounds worth of advertising through the UK, in IT investment and services," he said.

Isola also noted: "Most crucially, it contributes millions of pounds to both the profits and investments of a long trail of UK plc and privately-owned companies located in 20 towns and cities around the UK, who employ many thousands of people."

Some 2,500 jobs in Gibraltar are dependent on remote gaming and there is a tranche of other companies wanting to be licenced in the jurisdiction.

But as he pointed out: "No-one has ever been able to get a licence in Gibraltar unless their reputation is worth as much to them as ours is to us". As a result, almost every household name gaming company had applied for a Gibraltar licence.

And whilst reflecting that, "2014 offers us a challenge", he added: "My message is that remote gambling in Gibraltar and the UK has been a huge success story for business, governments and consumers."



'Big hitters' expected to produce impressive results

The first three external fund administration firms have been approved by the Financial Services Commission (FSC) to operate in Gibraltar, including two "big hitters" that are expected to encourage managers of large, international funds to the jurisdiction.

A change in the law early last year allowed administrators of Experienced Investor Funds (EIFs) not based on The Rock – and importantly, the businesses that handle large funds - to benefit from the territory's fiscal and regulatory advantages.

Continuing to insist that all Gibraltar EIFs be not only registered with the FSC but also handled by one of nine local firms, was not appealing to fund managers used to appointing the largest fund administrators.

The first large 'outsiders' to take advantage of the change are Credit Suisse Fund Services (Luxembourg) through local agent, the law firm Hassans, and Société Générale Securities Services, SGSS (Ireland), operating through its own local agent, SG Hambros Bank (Gibraltar).

"Both are 'big hitters', each individually handling well over £2bn funds assets, whereas by comparison Gibraltar EIF funds under administration averages just over £2bn in total," explained Joanne Beiso, the FSC Head of Funds.

Also with a southern Irish base, Swiss Financial Services (Ireland) is a third, smaller external operator – and part of an international independent group - that FSC has listed to administer Gibraltar-based funds through law firm, Isolas as local agent.

There are "a few other [external] applications" being processed, she revealed. Although "the funds industry locally is growing very well, because of global circumstances it has been slower than might have been hoped," Beiso declared.

In October, James Lasry, the Gibraltar Funds and Investment Association (GFIA) chairman, led a sector team at a City of London funds seminar attended by 120 people; Gibraltar Finance Centre department presented and exhibited at the key Invest '13 funds event in Geneva a month earlier.

More than half of Gibraltar's 95 EIFs are in stocks and shares and financial instruments; the balance are concerned with private equity investments with specific strategies which appeal to individuals. The FSC funds team of five will shortly be expanded to reflect a growing level of work.

The increasing scope of definition of what constitutes a fund under the EU-wide Alternative Investment Fund Managers Directive (AIFMD) is expected to at least double the number of funds registered by the FSC. "Fund promoters like our AIFMD compliant structures; we are moreflexible and significantly faster than our competitors", Lasry notes.

Gibraltar's more than 100 private funds - collective investment schemes that are not listed on a stock exchange and are not authorised to have more than 50 investors – are for the first time required to register and provide information to the FSC by 22 July 2014.

Growing e-commerce as 'centre of excellence'

Gibraltar is becoming an e-commerce centre of excellence, Ray Spencer finds, building on already strong e-gaming and growing electronic payments sectors and the specialist talent they have attracted

But competition is strong both from other jurisdictions with similar aims – Jersey is considered a prime example – and from some forms of e-commerce that are already taking business from Gibraltar's Main Street retailers who now demand "a level playing field".

Awareness key: Peter Howitt

Peter Howitt, a lawyer who heads an embryonic e-commerce association, combining gaming, cloud service providers, mobile 'phone applicators and developers of games for mobiles and tablets, says the key is "creating awareness of what is on offer".

However, the impact of e-commerce on the local economy can also be negative.

Former Chamber of Commerce president, Nicholas Russo revealed recently that £1m worth of internet shopping and consumer spending outside Gibraltar "has an impact of some £600,000 to Government revenues, when all direct and indirect effects are taken into account". Christian Hernandez, the current Chamber President, told *Gibraltar International* that local presentations to members of the public and traders had confirmed the growing impact of internet sales on Main Street shops, much as in the UK.

On-line retail threat

Although recognising "e-commerce is here to stay", he says that residents on the internet "are importing items without paying import duty, which puts Main Street retailers at a disadvantage".

On-line trading was not an attractive proposition for Gibraltar businesses either, "because it means importing goods to the VAT-free territory and then exporting them again, plus there is no space for large storage facilities and high [local] postage costs".

To combat "unfair competition" and to level the playing field, the Chamber seeks retail rates reductions – they are linked to rents and often rise with upward-only rental reviews – and action against EU traders crossing the border and wholesaling goods from the back of vans.

"We are encouraging people to come to Gibraltar and use their skills, but these people are not registered here or established traders in Gibraltar", said Hernandez.

The government is committed to making Gibraltar an international e-business Centre, stating: "The information, communication and technological revolution have created new economies for many countries and have thus had a profound impact on commerce, education, entertainment, banking, leisure, travel and legislation."

The government has been "developing strategies to create an ideal, dynamic setting for businesses to trade electronically", but at the time of going to Press, no detail could be provided.

US briefing

However, there's progress towards integrated e-government where information about all government services and facilities is available and, where appropriate, executable on-line (see Perfect Payment story, page 23).

Gibraltar's role as a global e-business centre and EU gateway for international trade, financial services and communications and e-gaming was highlighted in October by Chief Minister Fabian Picardo when briefing the US Council for Foreign Relations in Washington.

Howitt says: "Gibraltar can quite easily better position itself as an attractive e-commerce/technology hub where businesses can establish a head office or holding company - or even an intellectual property (IP) special purpose vehicle - and have access to a very experienced pool of employees and advisors who understand cross-border e-business and for over 15 years have been advising clients (particularly in e-gaming).

"The ability to correlate Gibraltar's e-commerce expertise and its growing attractiveness for funding (including collective investment schemes) means that e-commerce investors and businesses should consider Gibraltar as their hub headquarters for European business."

The advent of cloud computing means that not all technical facilities need be locally based; companies can also have marketing or technology subsidiaries in other jurisdictions.

Seeing opportunities

Gibraltar's concentration of leading e-gaming companies has encouraged associated operations to set up; "they all face similar accommodation, connectivity and, often, funding issues, but they see the opportunities. The advantage of Gibraltar is not just attractive tax rates," he asserts.

ODOBO was established and licenced in Gibraltar two years ago as a marketplace for innovative game developers, where - much as with Google or Apple - games are uploaded and shared on the internet in exchange for royalties; it now employs 70 people.

Howitt points out: "Gibraltar is encouraging innovation by helping businesses get off the ground with well-connected offices and funding benefits. However, these initiatives are better led by the private sector, which can move more quickly in partnership with the government.

"Obviously, we need a supportive government that can engage with these people and that is prepared, say, to tweak laws in relation to regulation, or tax systems to get optimal benefits, that encourages them." VAT needs to be looked at, as does the flow of revenues in relation to IP when operating in multiple countries.

Jersey and Guernsey (both outside of the EU) have spent effort and money to create what they call an e-commerce hub, but without a great result so far.

Much like Gibraltar did with its successful transformation into international finance centre within the EU, from being regarded as a tax haven, Howitt believes: "It is important that any favourable tax and legal framework for e-commerce is perceived to be acceptable by other EU Member States, because the people in e-commerce are almost certainly going to be operating across borders."

Howitt helped form an e-money association 18 months ago, which has five-members. The government recognises it, organisations and businesses alike need to rethink and adapt their practices to cope with an environment "that is being shaped by advances in technology".

Perfect payments

Reading cards: Alex Capurro

Alex Capurro, a 34 year old Gibraltar software entrepreneur, has been worrying the issue of "the perfect payment plan" – how to combine top security, cost reduction and flexibility simply to help both suppliers receiving internet payments and individuals control their financial and personal lives.

In the process his 10-strong team of Spanish, English and Australian cutting-edge software developers, experienced business analysts and project managers, based at Watergardens, have since 2010 been generating ideas to broaden the scope and use of high availability, high capacity software systems for online e-commerce.

Such is the development pace and scope of application of work at Capurro's 21Fifty consultancy – the name derived from the year in which the popular film at the time, Avatar, was set – that he was invited to speak at the Google-sponsored Vegas 20/20 Money conference in October.

"My goal is to eliminate money by bringing the virtual world into the real world," he told *Gibraltar International*. His 15 years experience in software providing payments protection was prefaced by three years working in the UK film industry "including creating images for the newer Star Wars film using artificial intelligence robots", he said.

In 2003 he returned to Gibraltar and later joined pioneer e-gaming company Victor Chandler, to co-found Myriad Payments (now known as Intelligent Payments). As technical director, he developed intelligent payment security with an integrated system that from a single platform offered many crosschecking and accessed identity verification solutions for internet gaming to prevent fraud or misuse of credit cards.

New apps coming

Seeking a broader challenge, 21Fifty was formed initially with work from other payment companies, including a three-year contract with one of the world's largest, the UK's PayPoint.

Drawing on his personal experience, having worked for merchants, been a merchant and also working on the payments side, Capurro is developing a range of new e-commerce software applications, but with one caveat: "Everything I launch I want to

Continued page 24

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be available first in Gibraltar, so when we reach out to the world we can put this jurisdiction on the map."

He is developing an on-line system that over the next 2-4 years will integrate all of Gibraltar government services involving money – including rates, tax, licences, social security, and rent. In a separate contract his software will maximise energy efficiency at the main St Bernard's Hospital by publicly monitoring and controlling the performance of equipment - from solar panels to lighting – on a giant screen, before extending the idea to a planned new Sports Stadium.

Launched in summer, PayFrex, is a 'payments gateway' capable of accessing over 300 owner-customisable rules per second to find the least expensive transaction route in real-time by comparing the availability and price of satisfying the cash requirement from different banks in European and other countries.

Fraud prevention

21Fifty's multi-source payment service can access information from more than 150 payment providers (like PayPal) and over 30 credit and debit card processing banks.

Capurro is gaining particular interest from internet gaming companies for PayFrex fraud prevention tools that provide alerts and high security ("so it cannot be hacked") whilst being PCI (Payments Card Industry) compliant.

Capurro also has two other prototype systems. One helps retailers – and in particular, small outlets that otherwise could not afford traditional credit card reader services from banks - to verify and process payments with a simple plug-in device for all mobile phone makes, via the head 'phone jack. The Universal Mobile Phone Credit Card Reader (as it's presently known) "not only processes cards, but also a whole range of other payment solutions - such as Paypal, Skrill, Ukash – and allows customers to buy almost anything and be operated on the move, if necessary", he explained.

Rather than banks charging typically 5% of transaction values for their card readers plus a rental, Capurro promised: "We will provide a card reader and software for free and set a very much lower transaction charge, because we simply are a gateway to the payment systems of payment providers.

"I believe in supplying everything as cost-effectively as possible and to making it as useful as possible," he declared.

Barclays, coffee shops and mobile phone companies offer near field communication (NFC) facilities so customers can pay by using a smart 'phone app, but these contactless retail payment services are limited to low value transactions and still requires retailers to rent a card 'reader'.

Connecting bracelet

His latest 'invention' is GLOCON, a light-weight, waterproof and programmable personal 'bracelet' (similar to the Nike 'fuel' band) that links to personal smartphones and emits light, vibration and sound, and incorporates Bluetooth and NFC technology.

That too can connect to anything and the credit available can be topped up in shops using multiple payment providers.

To fund further development, Capurro is featuring GLOCON on Kickstarter, the world-beating UK and US crowdfunding operation that helps entrpreneurs source quick and easy investment from individuals.

Competition bringing prices down and new telecom services

Greater service, internet capacity and speed, price competition and added-value services, all are in sight as Gibraltar's two main telecommunications providers invest to expand their operations in what is set to become a head-to-head battle for business at home and overseas, reports Ray Spencer

There were 13,191 internet accounts / subscribers in Gibraltar at end-March.

Privately-owned Sapphire Networks, the sector minnow, is rolling out its fibre network so that "by the end of next year we may be closer to competing on a level playing field with Gibtelecom", the part State-owned company that dominates the territory's telecommunications.

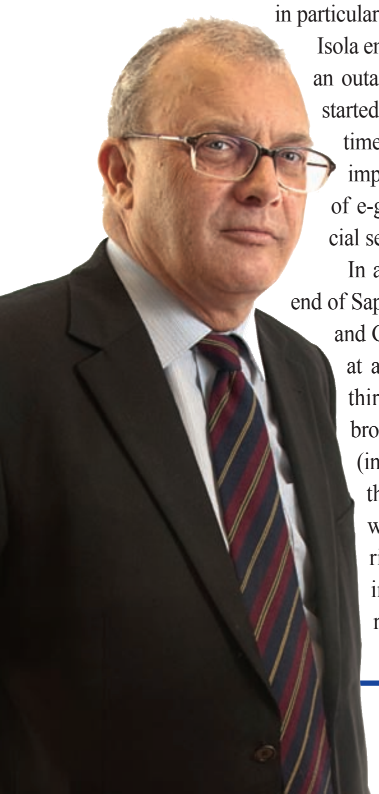
Lawrence Isola, Sapphire's chairman, says he works "with just about all of the gaming companies, some doubling-up with Gibtelecom to ensure - in their minds - continuity of service". That, he argues, is no longer necessary.

Tim Bristow, Gibtelecom chief executive, agrees, but counters: "Some of our larger customers are certainly taking capacity from them [Sapphire] as well as us – which is good for the jurisdiction being able to offer a competitive service – but I don't actually think it is necessary, because we have enough diversity".

No outage since '07

In a clear bid to get gaming sector customers in particular to commit only to Sapphire, Isola emphasised: "We have not had an outage of our network since we started in March 2007 – no down-time at all - which is vitally important for our specialist area of e-gaming and including financial services companies."

In addition, equipment at either end of Sapphire's network – in Madrid and Gibraltar – is being upgraded at a cost of around £1m and a third network provider for broadband is about to be added, (in addition to contracts with the Telefonica and ONO), with two additional fibre ringed networks that will increase significantly the resilience as well as capacity by the end of this year.



Head-to-head: Lawrence Isola (right) and Tim Bristow (below)

A 4% share in the $700+m Europe India Gateway (EIG) submarine cable for Gibtelecom to provide high bandwidth and diversity, gives the telco even greater resilience and potential for greater profit. (See 'Undersea investment', page 28)

Gibtelecom's soon to be published annual report is expected to reveal turnover growth slowing last year – around 6% up in 2012 to reach £38.7m, compared to a 10% rise a year earlier. Pre-tax profits are thought to have dropped slightly to £9m after reacting to criticism from gaming, e-commerce and financial services clients in particular, by cutting bandwidth prices 14% on average.

"Since our early days the price has fallen, in some cases by 50%", Isola told *Gibraltar International*. Until recently, Sapphire says its service costs were around 25% below the competition, but since Gibtelecom's cut of 4% - 25% for large and bandwidth-hungry clients, both entities agree prices now are much closer.

Price competition is not the only factor affecting Gibtelecom distributable profits; a 7th voluntary separation programme - affecting 8% of staff - designed to "refresh" the workforce with younger people offering a different skill set, a larger pension provision to cover inherited deficits, and making good an internal £600,000 financial fraud that had stretched over several years, also took their toll.

Next generation

By not retaining earnings to fund investment, Gibtelecom raised dividends - shared equally by the government and Telekom Slovenije, the other 50% holder since 2007 – by 5% to reach £6.7m.

Capital investment remains at circa £4m a year "to continue with the beginnings of a next generation network that ultimately will bring together the different technologies - internet, fixed and mobile – as well as more immediately, taking the fibre network closer to people's premises to reduce the length of traditional copper wire that always is there", Bristow revealed.

The Gibraltar Regulatory Authority 2012-13 annual report notes that Sapphire's metro Ethernet services for clients within reach of its own physical network [now expanding] are "capable of reaching higher and more reliable speeds".

But Gibtelecom is destined to take the lead.

"As a result [of investment], we are putting Gibraltar on the map for having the fastest speeds in Europe: we will be able to offer internet speeds of up to 100mb for households - the EU target is 30% by 2020 per capita, but we think by the end of this year, we should have 95% of homes capable of receiving these speeds." That's faster than existing home computers!

Only large business computers run at Gibtelecom's present 20mb top speed, "but in the fullness of time we can ramp up these speeds, and also offer some media services, such as a TV over the internet via telephone lines, video or music on demand", Bristow declared.

The government wants free public WiFi access to Gibraltar public websites for all tourist areas and served by Gibtelecom's VDSL (very high bit-rate digital subscriber) network, but with the wifi having relatively small capacity. Five locations will be added to the 18 now operating by the year-end.

CTS mobile 'phone operations closed at the start of this year. By summer Eazi Telecom's "Shine" pre-pay mobile network had launched initially for local calls but by end-2013 it is expected to offer a full "roaming" service.

VOIP (Voice over Internet Protocol) calls accounted for nearly a quarter of all telephone use in Gibraltar and the only provider at present is Gibtelecom and it along with Sapphire provided 13,191 internet service accounts last year.

Gibtelecom plans to "extend our WiFi networks and plan enhancing our mobile offering, from 3G to 4G – a government announcement is awaited – and our whole interoperability is on the agenda for the next couple of years."

Hoping to keep competitors at bay, Bristow is "looking at the whole interoperability between WiFi and mobile as part of the long term evolution of the wireless network that will help us to expand". In the long run, his customers will have connectivity "and it won't matter whether it's from WiFi or a mobile signal, as the service switches between the two wherever people move in Gibraltar".

Data centres are another highly competitive area. Sapphire operates a data centre with around 80 racks at its Europort headquarters and intends adding more there and at a projected new Gibraltar site.

Sapphire's investment in this area is dwarfed by Gibtelecom's data centre at Mount Pleasant, where around 60% more capacity was added in the last year – some 300 rack spaces – and 80% of the total taken. Still more racks there and at a new site are planned.

> "95% will have fastest internet speed in Europe by 2014"

"We have always focused on people who require data centre space locally, but we are now altering our focus slightly to [attract] overseas businesses that might want to have a data centre based here", Bristow disclosed.

Apart from Gibtelecom's operational standards, outside businesses will be attracted by Gibraltar's competitive tax regime and overall fiscal package, as well as knowing there is [an alternative carrier in] Sapphire here, he believes.

"We may also creep into value added services, such as cloud services – we have our own, but may also start to do that for others with our kit", Bristow added.

Maintaining revenue stream is paramount for Sapphire as a relatively small player; the solution it sees is in gaining greater economies of scale that would allow it to give further significant price reductions.

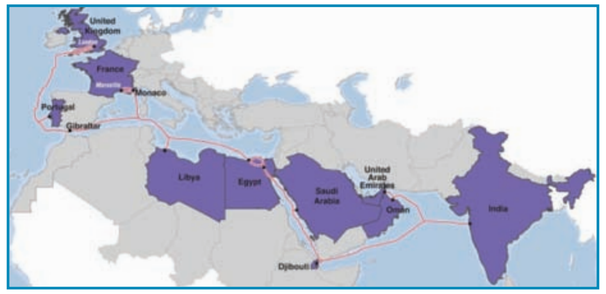
"Our aim is to get still more of our customers' e-business - more of their capacity requirements for bandwidth brought to Gibraltar", Isola stated. That would help bring prices down further.

Large internet gaming companies have data operations on servers outside of Gibraltar in places like Austria, for example, with Gibraltar handling only the 'active' end of their gaming companies' customers.

If Sapphire attracted more of that business, the demand for more capacity of bandwidth would grow and this in turn would help to bring prices down further.

Undersea investment starting to pay off

Gibtelecom expects by 2016 to have sold all of its spare capacity on the 15,000km-long, high bandwidth, state-of-the-art fibre optic submarine communications cable that cost $700m and links three continents.



Cable links Gibraltar with London and Mumbai

As one of 16 telcos owning the line, Gibtelecom has a right to use over 4% of the capacity, but "if Gibraltar was to become even more successful than it is today, it would still require us to dispose of the excess capacity to make the best [financial] return", Tim Bristow, chief executive, told *Gibraltar International*.

The Europe India Gateway (EIG) cable connects Gibraltar with 12 other landing points between London and Mumbai and has meant Gibtelecom investing more than £20m as a means of boosting profitability in "a local market that is constrained for an encumbent telco even with growth in the economy". Without the cable, Gibtelecom's business "would have started to stagnate".

Gibraltar's requirement for cable traffic is estimated at under 20%, but with other contracts Gibtelecom has in just two years sold, or is in the process of selling, almost half of its entitlement.

Bristow said: "If we wish to grow our business and expand, we have to look beyond our shores to increase profitability." Contracts for cable use over periods of 12 months to its whole 15-year minimum projected 'life' have been concluded with companies in Australia, Seychelles, Singapore, South Africa, the US and Monaco. Asian contracts are likely too.

"Our objective is to sell anything that Gibraltar wouldn't need for itself as soon as possible. I'd be pretty pleased if we can do that in the next 2-3 years", Bristow revealed.

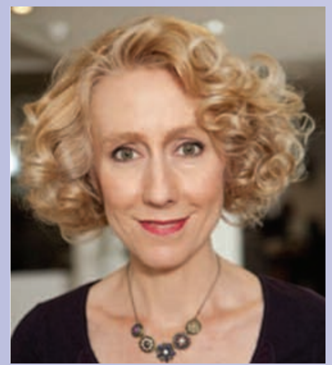
It's also likely that further capital will be required. "With multiplexing and electronics upgrading [to boost speed and carry more] in the course of time, we will double or triple the capacity we own on the route," Bristow predicted. He explained: "We have to look beyond our shores to increase profitability. Gibraltar needs a strong, advancing telecoms company - like Gibtelecom, investing substantial amounts of money - and if it gets that through the cable, because it lands here… it's good for us, the customer and Gibraltar plc".

Many competitors have submarine departments bigger than Gibtelecom. "We are not a huge player; sometimes being small is an advantage, because we are able to provide a level of support and customer care that can get lost in larger organisations, he reported.

The company's consortium colleagues are also its competitors on the cable, which provides bandwidth, flexibility and an alternative to land routes, and it "easily could actually last 25 years". Bristow noted: "The really exciting thing is in having a sea cable landing in Gibraltar that goes west to London (where many cables land) and east to Monaco and up to Marseilles (being the ultimate destination because it is the main route for north-south cables landing)."

New CEO for the FSC

With 18 years experience of regulatory experience, Samantha Barrass is moving in February from executive director of the Solicitors Regulatory Authority (SRA) in England & Wales to replace Marcus Killick as chief executive officer of Gibraltar's Financial Services Commission (FSC).



Mrs Barrass, a New Zealander, previously worked at the FSA in a variety of regulatory roles spanning the delivery of new regulatory approaches and policy at both a domestic and international level, the supervision of markets and exchanges, and was one of the first economists employed by the FSA to develop cost-benefit and other evidential techniques for new regulation.

Barclays scale back global operations

After 125 years in Gibraltar, Barclays Bank plc has decided after a review process, to close its local banking services from October 2014, as part of a global review that will see the bank cut more than half of its operations across the world by 2016. The bank will retain a presence in Gibraltar focussed on larger corporate and intermediary relationships. The decision has been met by surprise, considering that Gibraltar's economy has posted consistent growth in GDP during the worst global economic crisis since the 1930's and is recognised as one of the most prosperous nations worldwide. Barclays have set up a dedicated telephone line to respond to questions from customers: 00350 200 67519

Three suprisingly becomes four at the FSD

Gibraltar Financial Services Department (FSD) has gained the third of its promised trio of executives to promote key sectors, plus a surprise appointment of a London representative.

Victor Galliano, based at Gibraltar House in the Strand, has 25 years experience in financial services having worked in London for NatWest, Barings, BBVA/LatInvest and most recently HSBC in New York where he actively marketed his research to hedge funds and other asset managers.

Philip Canessa, with 30 years' experience in financial services in Gibraltar, London and the Channel Islands working in banks, specialist investment firms, and hedge funds, joins Michael Ashton (insurance) and Paul Astengo (private client business) under FSD director, James Tipping.

New Governor for Gibraltar

Just before the year-end, Lieutenant-General Sir James Benjamin Dutton KCB CBE takes up his appointment as Governor of Gibraltar, succeeding Vice-Admiral Sir Adrian Johns KCB CBE after a four-year term.

Sir James' three years at Bechtel Corporation, latterly as Director-General of an infrastructure development agency in Gabon, West Africa, was preceded by 37 years as a Royal Marine and a decade serving in Iraq and Afghanistan and dealing with policy and operational issues for those countries from London and Washington.

Married to Elizabeth, Sir James has a son and daughter.

Robus sponsors the charity Lara's Foundation

The Robus Group are delighted to announce that it has chosen Lara's Foundation as their adopted charity.

Lara's Foundation was set up in April 2012, a month after the untimely death of Lara Jones at the age of 26.

Lara was a dedicated and inspirational TESOL teacher, teaching English to non-native speakers of all backgrounds from around the world.

The Robus Group's CEO, Chris Le Conte, said that the goals Lara's Foundation were working towards were invaluable and the importance of the charity should not be overlooked.

The goal of Lara's Foundation is to assist in increasing English Language capacity in low-income communities around the world, where such knowledge is essential to access higher education, enhance employment opportunities, and thus improve quality of life.

info@larasfoundation.co.uk
www.larasfoundation.co.uk

Triay & Triay Annual Corporate Golf Day

Triay & Triay, one of Gibraltar's leading law firms hosted their annual corporate Golf Day in September, at the San Roque Golf Club in Sotogrande.

Over 100 local private and corporate clients, as well as intermediaries were invited as a thank you for their valued custom.

17 teams of four played a Texas Scramble tournament in the morning, with additional guests joining for the lunch and prize giving in the afternoon.

The winners of the 2013 tournament were Alejandro Ponce, Joaquin Crespo, Charles Gubbins and Bruno Leileur.

Melo Triay commented: " Some great golf was played here today, which has helped strengthen the business ties between the players in each team, to our mutual benefit, and provided the ideal opportunity to thank our valued clients for their continued support and business".

Alejandro Ponce, Joaquin Crespo, Charles Gubbins, Bruno Leilieur

Ernst & Young returns to Gibraltar

Accountant Ernst & Young – now rebranded as EY – has returned to Gibraltar after an absence of 14 years, because it needs to “meet the needs of its global clients and develop a presence in the growing local financial services market”.

The new business was formed after several directors and staff amicably left local accountancy firm, Baker Tilly Gibraltar (BTG), which since 1999 had supported EY international clients in gaming and insurance.

Managing partner Ian Collinson continues to lead the BTG accountancy firm – founded in the 1920’s and now the oldest firm of Chartered Accountants in the jurisdiction - with 20 staff dealing principally with accountancy, company management and payroll services.

EY under Jose Julio Pisharello, ex-BTG chairman and now EY’s managing partner, has 40 staff for audit and tax work with four directors, Angelique Linares, Johann Olivera, Neil Rumford and Dale Cruz.

EY & BTG operate from separate floors at Regal House.

Gold a no-go – for now

“Gold looks overpriced” at present, but could form part of a balanced portfolio, the head of Societe Generale Private Banking (SGPB) investment strategy team reported in October as part of a macro-economic mid-year review on “Uncovering pockets of opportunity”, organised by Emma Perez, chief executive of SG Hambros, Gibraltar.

Mourtaza Asad-Syed, an economist who has worked in London, New York and Geneva, told some 40 local businesses at Gibraltar International Airport’s Wessex Lounge that gold should be regarded as a currency – not a commodity – and it’s price influenced by interest rates that are unlikely to rise much in the next three years or so.

With a bias towards equities, the US in particular, and the UK were best for tactical asset allocation, Asad-Syed suggested, whilst he regarded European equities as neutral, and Japan looked “a cheap option”.

Trio of graduates join KPMG Gibraltar team

KPMG Gibraltar has welcomed three new employees, to join it’s 20-strong local team, as part of the audit, tax and advisory firm’s highly competitive graduate intake programme.

Mark Tate, Kaleem Khan and Robert Goode have relocated to The Rock to embark upon a career with KPMG Gibraltar, through The Times newspaper’s 4th best Graduate Employer in the world.

KPMG Gibraltar’s managing director, Micky Swindale, commented: “Through our graduate intake programme we aim to provide an open, friendly environment that offers long-term growth, consistent challenge and generous reward. Our graduates and students are our future leaders and have demonstrated tenacity and proactivity in their careers, as well as academic flare”.

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: communications@gaco.gi

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

Gibraltar Betting & Gaming Association (GBGA)
Peter Howitt, Chairman, Tel: + (350) 200 61061
Email: info@gbga.gi

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

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

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

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

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

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

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

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

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

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