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FINANCE AND BUSINESS



Gibraltar Day  
Tenth Anniversary

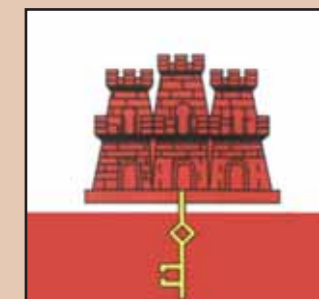
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## EDITORIAL COMMENT

### Low tax 'heaven' is the key

**T**hat's it then; the stage is set. From now on there is going to be an annual or bi-annual conference for all in Gibraltar's Finance Centre, judging by reactions to "The future - 2015" event in October.

So many good ideas came out of the first event, which combined the seven professional bodies in the Finance Centre Council and Kerry Blight, its new chairman, that there is a determination to make it a regular fixture.

With plain talking from the speakers - including the Financial Services Commission warning of higher charges and still greater oversight, countered by sector demands to ensure first that the FSC house was in order - no-one was left in any doubt that such an open forum was long overdue.

A packed conference left many with standing room only and other leading lights in the business community absent. Being the first such event, there were clearly lessons to be learnt.

The sheer volume of 'fresh' information imparted between the professionals made obvious the potential for using the event as a showcase platform for interested parties beyond Gibraltar.

Underlying these points were the comments of several in the finance centre on the contribution from deputy chief minister, Joe Holliday; they described his words as 'encouraging and informative' even though, in effect, he largely replayed significant facts and figures supporting the progress of Gibraltar, that have been in the public domain for months!

Speakers repeatedly referred to the forthcoming corporation tax rate reduction - a low 10 per cent from 2011, down from 22 per cent now - as the key factor in driving significant further growth of Gibraltar within the EU.

That and the switch in Gibraltar's general perception - from being regarded as 'tax haven hell' to become 'low tax heaven' - which will certainly follow from adoption of the raft of saviour OECD-inspired Tax Information Exchange Agreements!

More the pity then that the Chief Minister, who doubles also as Financial Secretary, was kept away this time by other international commitments.

An invaluable future conference addition ought to be Peter Caruana's personal insight and aspirations for the future, much as he did at the Finance Centre lunch on Gibraltar Day in London a week after this year's local conference.

The Finance Centre Council may be a useful sounding board and advisory forum for the government on fiscal and other developments.

But delivering the message to a wider local forum will help reinforce the new-found feeling of strong interdependence amongst the varying professional members in looking forward to 2015.



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# TIEAs 'very little to do with crisis'

Gibraltar fully expects to have signed at least 18 Tax Information Exchange Agreements (TIEAs) shortly – significantly above the number required by the 'OECD to be regarded as a territory "fully committed to international standards of information exchange" and substantially implemented.

Although "well on target" to meet OECD criteria, "we have not rushed for numbers as some other countries have done", Chief Minister Peter Caruana emphasised to a packed Finance Centre lunch at Drapers Hall in the

City of London as part of Gibraltar Day celebrations.

At that time (when *Gibraltar International* went to press), he confirmed that ten TIEAs had been enacted including with Australia, New Zealand, Ireland, Germany, Denmark, Austria, France, Portugal, the US and the UK.

Several others are intialled waiting completion.

Gibraltar is expected to move to the 'white' list of territories that have adopted standards of transparency and exchange of information when the OECD reviews progress on 20 November.

In addition, as part of the Trilateral Forum of Dialogue, Spain, Gibraltar and the UK, are negotiating a TIEA and on double taxation "preferably by the end of this year", according to a Ministerial joint communiqué.

The objective is "to combat money laundering, terrorist financing and fiscal or financial fraud." As soon as that TIEA is signed, Gibraltar will - under Spanish law - be removed automatically from its list of 'tax havens'.

But as Caruana pointed out, when the OECD came to its second stage review, "We

will be very well placed, because we have gone straight to the relevant G20 jurisdictions" – US, France, Germany and the UK.

The OECD says it will look at the appropriateness of agreements, how quickly they come into force and whether they are being effectively implemented?

However, Caruana was scathing on "the new criteria, invented at the G20 requiring an arbitrary number of TIEAs ...we must beware pretexts being relied on to achieve things that have very little to do with the global

## Ten down and still growing

The tenth anniversary of Gibraltar Day (October) celebrations in London this year saw a series of record achievements that went to reinforce the fact that the occasion had become "the most important annual showcase event" for the territory.

Around 1,000 people attended an evening Guildhall reception and 270 people were at the Finance Centre lunch briefing with Gibraltar's Chief Minister, Peter Caruana. Both occasions were filled to capacity and had "sizeable waiting lists" for invitations.

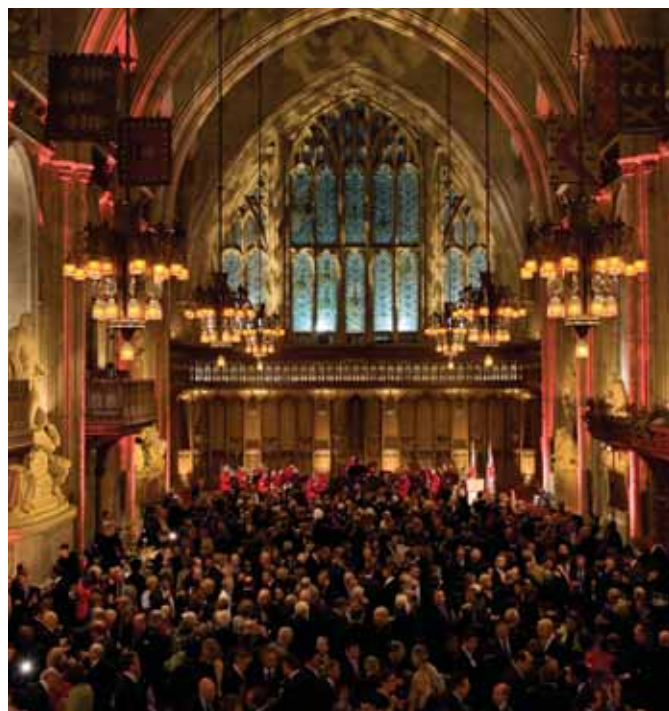
"The day has achieved what we first set out to do in promoting the sophistication of Gibraltar Inc", explains Albert Poggio, director of Gibraltar's London Office, by attracting not only senior government, military and busi-

ness professionals, but also a cross-section of Gibraltarians living in the UK.

The problem now is "that we are growing each year and new venues probably will be needed in future", says Poggio, who co-ordinates and implements the day-long celebration.

According to Finance Centre director, Jimmy Tipping, the 270 places available at the Drapers Hall lunch was "heavily oversubscribed", despite having increased capacity by 50 on last year. "When we began this aspect of Gibraltar Day eight years ago we hosted 120 people", he notes.

Designed to allow Gibraltar businesses to nurture UK business prospects, as well as allow UK sister business offices to appreciate better what The Rock has to



offer, the event's underlying purpose is to cement relationships with the City of London.

The Sunset ceremony featured 90 musicians in four military bands, including the Royal Gibraltar Regiment.



financial crisis".

Recognising that greater tax transparency is important, he asked: "What is it about the absence of TIEAs in the last 15 years that has contributed to the collapse of large banks in America and the need for banks in Europe to be rescued and propped up by their governments?"

He felt "it an example of the aftermath of the [world economic] crisis being used to advance long-standing and extraneous agendas."

The world had changed

and "in the aftermath, politicians are going into hyper reform mode". It was right, in order to avoid a repetition, consideration be given to how regulation and banking should be done better.

But Caruana said: "It is vital we do not allow the reforms that inevitably will follow to undermine the sovereignty of countries to set their own tax systems and levels."

Gibraltar was phasing out zero rate tax and implementing a single 10 per cent

Corporation tax level from 2011. Regulatory sovereignty of countries should not be undermined more than strictly necessary, by "others on more distant shores who for decades had agendas to halt the advancement and predominance of the City of London and other British and non-British financial services centres".

There was "a great risk that politicians across Europe, particularly those facing elections soon, will succumb to the temptation to respond to

an ill-informed, populace agenda and ...do incalculable - and certainly uncalculated - damage to the long term economic interests of our countries and financial services centres", Caruana said.

In a summer report Angel Gurría, OECD Secretary-General, asserted: "For decades it has been possible for taxpayers to hide income and assets from the taxman by abusing bank secrecy and other impediments to information exchange. This will no longer be possible."

Caruana however, told his London audience: "Frankly, if there were more powerful voices available to the smaller international finance centres to counteract, or at least to contribute, to G20 deliberations, some of these things would be much more constructive."

Nevertheless, Gibraltar would be "adopting whatever consensus emerges in regulation and tax transparency" to remain in the mainstream of international consensus in order to continue to prosper and to attract large international service providers.

## Innovative 'made-in-Gibraltar' tax solutions needed

Gibraltar in 2015 will be a much enlarged financial centre, substantially driven by the advantages of having the promised low 10 per cent corporate tax from 2011 – and, if businesses produce as expected, sufficient extra revenue, it will ensure lower personal taxes as well.

That was the overriding message coming from the seven key industry associations that make up the present £170m Gibraltar finance centre, at the first joint conference to share information

on future challenges and opportunities.

But the on-going implementation of Tax Information Exchange Agreements (TIEAs) by OECD countries, "inevitably will lead to intensified global tax competition", as one speaker put it, with people looking in the future for "safe havens rather than tax havens".

Companies and individuals increasingly will be "looking to book assets in a number of jurisdictions – multi-shoring – and, given the com-

plexity, looking for investment solutions supported by sophisticated tax advice", suggested Carlos Martins, head of Credit Suisse (Gibraltar) institutional desk. Several speakers confirmed that meant accountants, lawyers and bankers working together closely to produce innovative, 'made-in-Gibraltar' tax solutions.

Albert De Las Heras, deputy manager for Jyske Bank's local private banking operation, pointed out that "only tax-compliant struc-

tures will be the norm", and more High Net Worth Individuals (Category 2 status) and also international companies will choose The Rock for their base.

Gibraltar had 330 people with HNW status, James Tipping, Director of the Finance Centre, reported, compared with around 200 a decade ago, when there were minimal residency requirements compared to now, and yet "in the last nine months we have seen for the first time the inclusion of Ultra-HNW individuals and this will create a momentum."

He considered it would

*Continued P8*

## New sea link as air terminal takes shape

Gibraltar's new £55m air terminal is taking shape, with work on the 20,000-sq m two-storey building scheduled to be completed in the first quarter of 2011.

"I believe this move is a positive development, especially for the business community", Joe Holliday, Minister for Transport, told the *Gibraltar 2015* Finance Council conference in October, where for the first time he revealed artists' impressions of the building exterior.

From early December, The Rock is also set to have a new sea link with Algeciras for the first time in 40 years when Transcoma, a Spanish transport and shipping group, introduces its catamaran service across the Bay of Gibraltar.

Punta Europa II, a 22m long vessel currently having an all-weather roof fitted to

the top deck in Barcelona, is expected to make four scheduled half hour trips each day (except Sunday), plus potentially tourist trips in between taking advantage of a glass viewing panel in the bottom.



There is talk too of joint ticketing with Andalus airline, which operates from Gibraltar, although now on a temporary reduced service; the airline has halved its Madrid service to one a day each morning and evening and ended its short-lived Barcelona route (at least until next summer).

Even with small, 50-seat

aircraft, bookings for the Madrid route have been insufficient to maintain a greater service, but MH Bland has taken control of Andalus sales locally and with the Gibraltar Government began a joint route marketing campaign in

mid-October with a high profile visit by Spanish tourism journalists.

And Transcoma may also bring Ceuta in North Africa into the Madrid link further boosting the Gibraltar service appeal.

The new air terminal will have capacity of up to 1m passengers per year - a six-fold increase - and be owned

and controlled by the Gibraltar Government.

No detail on the terminal internal layout has been released, but it will be "an iconic" building containing retail outlets and bank facilities.

A dual carriageway road will run beneath the terminal and underneath the runway to replace the cross-runway road, because of disruption to traffic crossing the border between Spain and Gibraltar by the present 34 flight rotations.

Despite difficult commercial circumstances for the airline industry worldwide, the number of Gibraltar air arrivals last year grew 2.2 per cent to reach 183,663 passengers, and 2009 is expected to be another record. Gibraltar now has flights to Gatwick, Heathrow, Luton and Manchester, as well as to Madrid.

### Innovative tax solutions from P7

take another year for Gibraltar's transition from tax haven to international financial centre to be widely recognised as a reality, with the benefits of sound regulation, tax transparency, low tax rates and stability of government.

This would attract more companies looking to relocate to a jurisdiction with a sound reputation within the European Community, Tipping said, whilst reinforcing government policy of "quality, not quantity to bring about cautious, sustainable growth."

As Joe Holliday, Gibraltar's deputy chief minister, pointed out: "Small international finance centres like Gibraltar are a vital part of the machinery that con-

tributes towards the prosperity and smooth running of the global economy.

"Innovation, speed and flexibility are facets that allow a small jurisdiction like Gibraltar to compete and distinguish itself against a backdrop of large and wealthier states which are inherently slower and more complex to do business in", he added.

Gibraltar's economy had been "summarised as one that is running on all cylinders", Holliday noted and added: "It is well set to move into a new era of social and economic prosperity".

As a business location, Holliday said Gibraltar had "a first rate professional infrastructure that is fully compliant with European standards of regulation".

The impact of regulation

on business development, given increasing demands - largely as a result of EU directives and initiatives - was a recurring theme, but Penny Hudson, chairman of the Gibraltar Insurance Association, pointed out: "Gibraltar prides itself on a regulatory body that is accessible and pro-active; this needs nurturing and protecting, especially, the larger we get as a centre.

And she flagged up: "We are presently working with the Financial Services Commission on Solvency II [an EU Directive to ensure financial soundness of insurance companies], and we need to find a measured understanding, with sensible, equal and fair timeframes and resource requirements on both sides".

Hudson said the GIA wish list for 2015 included, more entrepreneurs and corporates, more innovation, and she added pointedly, "regulators who understand and create openings for new business, with equally appropriately trained staff behind them and active oversight."

Attended by over 250 people from the sector, plus government representatives, the day-long meeting produced other common themes, including the need for finance centre sectors - accountancy, banking, insurance, funds & investment, legal, trust & company - to maintain high operating standards to meet increasing (largely European) legislation and localised training.

See also Regulation pages 12 & 20

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# More in-depth cross-border economic study planned

A wide-ranging economic study of the Campo de Gibraltar area is being projected for next year as a means of producing reliable data to reinforce the message of business interdependence between Gibraltar and Spain with opportunities for both communities.

It would be a joint venture by the local Spanish private sector or academic institutions, and the Gibraltar Chamber of Commerce.

A £25,000 initial economic impact study just published by the Chamber suggests that Gibraltar was responsible for a net gain of some £420m – around 12 per cent of the Campo's gross domestic product in 2007.

The implication, given the relative stability of Gibraltar's economy, is that since the recession the contribution is even greater!

But figures designed to demonstrate the interdependence between Gibraltar and the neighbouring areas of La Linea, Algeciras and Sotogrande have been extrapolated on the Spanish side largely by allocating a proportion of the Andalucía Regional Input-Output model.

Attempts to also consider the effect on Campo property prices of demand from Gibraltar residents and Gibraltar workers living in Spain, which would not exist if there was not a thriving Gibraltar economy, were based on hypotheses.

## Lack of data

The Chamber suggests Gibraltar's effect on property added up to £5.4bn to Campo asset values.

But "the lack of data that are available without under-

taking a detailed survey" in part made difficult a more accurate assessment of the effect on the 86,000 households in the region, the Chamber noted.

There appears to be no Campo-specific statistics on its local economy, unlike in Gibraltar where for several years Professor John Fletcher of Bournemouth University – a specialist in economic impact models – has produced reports for the Government.

*" Gibraltar companies are the engine of economic growth and wealth creation for the entire region "*

Although political support is seen as necessary for such a broad-based fresh study, the Chamber feels it has to be independently driven, says Andrew Haynes, a lawyer who presented the Gibraltar-funded study on behalf of the Chamber.

"I have been promoting this idea for 15 years and it has not previously taken off, but I believe that if we now work together as businesses to produce a study from the Campo perspective, it will have greater credibility on both sides of the border and is more likely to happen", he told *Gibraltar International*.

Media coverage in Spain

had been "pretty straightforward reporting of the facts and figures from the study directly", Edward Macquisten, Chamber Chief Executive reported, and on some media sites "there were various reader comments, both for and against, but generally it was pretty positive".

Haynes reminded the launch press conference that the Gibraltar effect accounted for only 0.42 per cent of Andalucía's GDP in 2007, but with Gibraltar accounting for one-in-six Campo jobs at that time, there has been "a significant acceleration since in unemployment" so that The Rock accounts for possibly a quarter of local jobs.

Conversely, "Gibraltar's

prosperity since the frontier with Spain was opened [in 1985] has only gone in one direction; it has benefited substantially," he noted, adding: "Gibraltar companies are the engine of economic growth and wealth creation for the entire region."

The Chamber study had been prompted by Spain's former Director general of Foreign Affairs and chief negotiator in the Tripartite Forum (involving UK, Spain and Gibraltar), Snr Jose Maria Pons Irazabal, whose "perception about the workings of Gibraltar's economy, its key economic activities and in particular, Gibraltar's economic

influence on Campo de Gibraltar – the Spanish hinterland – was quite different from the reality".

The Spanish Minister's concern in particular was the Gibraltar Finance Centre. The expenditure of that sector within the Gibraltar economy in 2006/7 at £296m, represented more than 15 per cent of GDP, but it became over 17 per cent when Government and Ministry of Defence spending was excluded.

## 20 per cent of GDP

While financial services represented just 8.7 per cent of the near-19,000 total (full time equivalent) employees in Gibraltar, their contribution to GDP was the highest at £87,000 per person. Offshore finance centre activity has a direct and indirect effect on incomes that increases, when induced effects are taken into account, to become £142m – around 20 per cent of total Gibraltar GDP.

The Report says it "would not be unreasonable to assume" that financial services also accounts for a fifth, or £84m, of the Campo economy.

"This is considered to be a conservative estimate, because the finance sector employs higher income staff than the national average for Gibraltar and a number of them are likely to have second homes in Spain and more than proportionately make up the numbers of Gibraltarians who make excursions into the Campo de Gibraltar", the Report asserts.

Reinforcing that point, Prof Fletcher's report says Gibraltar finance centre activities are conducive to the

*Continued P12*



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# Bid for greater 'voice' in international regulation

Gibraltar - a financial services centre relatively unaffected by the current world economic crisis - is bidding to make sure it has a role in shaping future international regulation.

Current UK efforts to resolve issues by focusing on bankers' bonuses are wrong, doomed to failure and "lack imagination", believes Marcus Killick, Gibraltar's Financial Services Commission's Chief Executive Officer.

"Incentive induced short term-ism clearly had a role to play in the crisis, but this focus is not the solution. There were bigger issues at play in the causes of the crisis than bonuses", he told October meetings of bankers, insurance and funds industry leaders in Zurich and Geneva.

Either jurisdictions will not apply it in a uniform way or star performers will simply move to non banking institutions - perhaps even part owned by banks - so reducing the pool of talent available in the banks themselves, he maintained at the meetings organised by Gibraltar Finance Centre on Funds and Wealth Management.

Killick emphasised that as a Regulator with a valid input, Gibraltar needed to play a role in the shaping of the future international regulatory environment; "We must engage and participate with our fellow regulators", ensuring "our voice is heard in the international regulatory community".

## FSA must understand

The new European Systemic Risk Board, due to go live next year and which will impact on the way Gibraltar and other EU regulators operate, "will only have one Competent Authority per Member State on it", Killick pointed out.

And he maintained: "This means we must ensure the UK FSA understands any issues we have, and that it represents them. The FSA will be doing that for the Competent Authorities that exist in the UK, but who will not have direct participation.

"They should also do it for us", he emphasised.

Killick pushed home his point by saying in respect of the new European Supervisory Authorities - where Gibraltar's exclusion was less clear cut - "we will, if Government so wishes, push for participation or, at least, observer status".

Given that the proposals appear to expect Gibraltar to contribute to those Authorities' budgets, "then we should get no less", he maintained.

But more positively, Gibraltar's Regulator also had just been asked to join the European Global Financial Platform, set up to bring together high level EU officials and finance sector representatives to exchange views on EU issues of concern or relevance.

This included areas of banking, securities, insurance and accounting, he said.

see also 'New EU rules give an edge', page 20

## Francis Cantos

Francis Cantos, Gibraltar Government Media Director, died suddenly aged 57 when taking a short holiday in Sotogrande this summer. He was for 13 years the eyes and ears of Chief Minister Peter Caruana, who described him as "a consummate media professional and a personal friend."

Having previously served for 12 years as editor of the *Gibraltar Chronicle*, Francis was well known and respected across the political and social spectrum

- within Gibraltar and in Spain and the UK - from where numerous tributes have been received. Ray Spencer, *Gibraltar International* Editor, says: "Francis was a real professional, and will be much missed. Although I knew him for only a comparatively short time, it was clear that he loved working in and for the media, combining his interest in politics.

"The government will find it hard to find such a capable and knowledgeable successor."

He is survived by his wife Pamela and two daughters.



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## Campo study from P10

Campo's economic development, "because they add to the quality and range of activities available in the region and have a reputation for strong regulation".

Financial services brought additional rather than competition for existing services in the Campo, which largely is around banking.

The Report should help stimulate positive debate and help to break down traditional

misgivings and barriers that have affected cross-border relations in the past, Chamber director and head of RBS International and NatWest in Gibraltar, Marvin Cartwright said.

In late 2007, there were 2,748 Spanish workers crossing the frontier into Gibraltar and they earned almost £43m in that year, most being spent in Andalucia. At the same time there were 2,689 other nationalities living in Spain and

working on The Rock with pay of £57.39m.

Gibraltarians living in Spain but working in Gibraltar and others living on The Rock and crossing the border contribute nearly £30m to the Campo economy, the report suggests. Those Gibraltarians with second homes in Spain added a further £33.5m to the local economy.

The total assessment excludes some 1.5m tonnes of petroleum products imported

into Gibraltar from the Campo for bunkering during 2007, but if it was included it would add £300m to the impact of Gibraltar on the region!

The Report concludes: "Both economies and societies would be the poorer without the other, but together the strengths of both economies have ensured that the entire Campo region [including Gibraltar] has developed to a greater extent than would otherwise have been possible."

# Equities are the place to be – recession is over!

Despite uncertainty over how long the 'bullish' stocks and shares market will continue to rise, strategist *Henk Potts*, Equity Strategist at Barclays Wealth, told Gibraltar clients and financial advisors that "equities are where you need your investments to be now".

**H**e emphasised in a strongly upbeat presentation early in October: "Our expectation is that world recession is at an end; we have got through the worst and growth will return to the major economies in this third quarter."

In the latest investment seminars, Potts was adamant that "there are tangible signs of the speed and strength of world economic recovery."

However, asked if a downward 'blip' was likely in the trend for equities, Potts conceded: "In the short term there will be some element of consolidation coming through – rather than a blip, we prefer to call it a pre-decline rally."

"We would not be surprised if we saw a 5-10 per cent period of consolidation, but given the other factors we don't believe it is likely to be for long and we have a positive three month view. This quarter's results will be the biggest determinate."

"There is an increase in optimism and decrease in pessimism". Potts points to the "explosive rally in financial markets over the past five months – the strongest rally seen in seven decades."

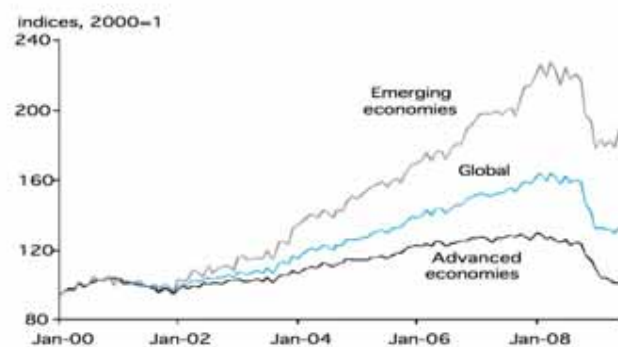
There are a number of reasons to be optimistic; historically low interest rates, unprecedented levels of fiscal stimulus, a recovery in confidence with house stabilisation of the financial sector on a global basis.

"The UK is a great example of housing stability returning, admittedly from a very low base. The latest surveys show a small rise in house price levels over the last year - they are only down 13

per cent from their peak and have risen 10 per cent since February. In the US, peak-to-trough house prices fell a frightening 45 per cent, but some of the latest surveys are more positive."

Potts says "we are certainly moving into world economic recovery phase" and points to experience in the second quarter of this year when "the majority of major companies were achieving or

The emerging economies benefit most from the revival in world trade



exceeding analysts' expectations". Although revenues were sometimes disappointing, "companies are leaner and meaner having adapted to the lower demand environment by cutting costs, and that should be good news in terms of Corporate profitability", he forecast.

Nevertheless, earnings this year overall are likely to fall about 10 per cent – still better than analysts were expecting at the start of this year. In the US, corporate earnings are down only 5.5 per cent, "but analysts are pencilling in a big rebound in 2010 – possibly by up to 25 per cent".

He emphasised: "It is still necessary to be careful about buying into this equity rally; in a very short time, we have

moved from the bottom to the top of the trading range, but we see the Bull run continuing with brokers becoming more optimistic."

"Earnings upgrades have gone from 10 per cent in January to around 60 per cent now for corporate stocks", and he believes it will lead to further gains into 2010, but at a slower pace. "It's a better result than you would have imagined, given that we have gone through the most potentially damaging economic crisis since World War 2," he pointed out.

Barclays Wealth tended to look at markets on an international basis and there is a changing global dynamic taking place. "Most people point to China – a major focus for us – and advise investors to gain exposure to that part of the world. China's economic growth expectation for 2009 is just over 8 per cent; in 2010, growth will be up 10 per cent. China is anticipated to become the world's second largest economy over the next two years", he said.

Unlike in May, Potts now believes in switching to investment in small capitalised companies – those with a market value of between US\$250m to US\$1bn, particularly in the US. A small companies' index there expects a 150 per cent earnings growth in 2010 and 50 per cent more a year later, compared with the S&P Index of the biggest US companies, where a 20-25 per cent rise in earnings performance is predicted.

"We still advise portfolios to contain stock on the cyclical side of the economy – industrials, technology and, more selective, the mining sector. We are cautious on consumer staples and utilities – these are highly valued already, and are ideal for cautionary investment times. "In terms of asset class, equities are where you need to be now", he maintained.

*see also "low inflation brings Bonds opportunity", page 29*



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# Gibraltar lawyers prosecuting expansion

Gibraltarians can trace their law firms back to 1892 – some 300 years less than in England – but as *Ray Spencer* finds, the professionals who account for around 12% of GDP are expecting to expand their businesses on the back of the jurisdiction's growing appeal.

**G**ibraltar's barristers and solicitors are taking the opportunity to ramp up the skills and professional training locally to take full advantage of the big influx of corporate and financial business expected as a result of the introduction in 2011 of a new low tax regime.

The close interaction between lawyers, accountants, company administrators, local regulators and the Finance Centre has been a key factor in the success of Gibraltar's economy in recent years.

In the last decade, the number of lawyers in Gibraltar practices has more than doubled to reach some 200. The 30 firms have an estimated collective turnover of around £95m, including several offshoot and associated enterprises in the territory and abroad.

With only 30,000 inhabitants in Gibraltar – people know each other well and, as throughout Gibraltar history, politics, family ties and the people you know, can make the legal and business process smoother and quicker than in many other locations.

However, in gearing up for the expanding world, significant differences have emerged in the approach to law and to the development of law.

Undoubtedly, the largest firm by far is Hassans. It has 70 qualified lawyers (24 as partners) and a staff total of 245 – more than twice as many as the second largest firm.

But as James Levy, senior partner, recalls: "In 1976 when I joined Sir Joshua Hassan [then Gibraltar's chief minister], we

were probably the smallest law practice in Gibraltar, residing in quaint Victorian premises."

Four years later, when Hassans took on a third person, Tony Provasoli – now a financial services expert – the practice supplied him with a collapsible playing card table as work station in the reception area.

David Dumas, chief litigation partner and Chairman of the Bar Council, was number 44 on the Bar list when he joined as 1 of 5 lawyers at Hassans in 1981.

"It was then said, there were too many lawyers in the jurisdiction. But the frontier opened a year or so later, and life – and business – took off", Dumas reflects.

Levy, described as "a huge dynamo of work and commitment" is credited by many of his

peers with "being significantly responsible for the growth of the economy, particularly the finance sector".

Yet all of the major firms claim to have been involved in preparing aspects of new finance centre legislation, to have strong litigation teams, give tax advice, and to be involved in company, trusts and funds formation.

Within ten years of Levy's arrival and subsequent commercial drive, Hassans had overtaken the Triay firm as largest in Gibraltar.

"Other firms have taken a strong commercial approach", notes Melo Triay, managing partner with the traditional, family-

run firm Triay & Triay. The 104-years old firm started by the late Arthur C Carrara QC and subsequently taken over by Melo's grandfather, P S C Triay QC, promotes itself on "integrity – professional ethics are the firm's bedrock."

"I consider that we are lawyers first and foremost, giving clients the best possible objective advice; the business side comes second", Triay reflects.

"This traditional approach could have impacted financially but the client comes first", he asserts.

"James Levy took the legal profession by storm, and changed Hassans from a sleepy practice into a commercial business", recalls Peter Isola, senior partner of the third largest firm

and great, great nephew of the firm's founder Horace Parodi in 1892.

Levy seems proud to admit commercialisation of Gibraltar law. "I looked at what successful UK firms were doing and moulded mine on it; specifically, the way we charge, time management and looking beyond our boundaries for work.

## Commercial pressures

"People expect to be charged and pay, as they do everywhere else in the world, but we are middle of the road when it comes to cost here in Gibraltar."

Indeed, he maintains the cost of Gibraltar lawyers generally is 30-40 per cent below that charged in the UK, because overhead costs on The Rock are cheaper.

Nevertheless, 50-years old Peter Isola says: "When I began in practice in 1982 the total of our overheads was £29,000; now

with 120 staff and 20 lawyers, they run into hundreds of thousands of pounds.

"Today we have commercial pressures and I am no longer able to spend time in Court", he observes, adding: "The profession is a lot more competitive and complex and clients are more demanding, especially on the commercial side, wanting advice by return.

"It is not possible to serve commercial clients properly and have a litigation practice, in one generation there has been a huge change."

Pay can be significantly below the UK. A trainee solicitor locally would be on about £17,000, but in England it is at least £30,000 and when qualified after two years the solicitor would earn some £60,000, probably double that of Gibraltar.

## Favourite arrest port

Yet there is no shortage of youngsters wanting to enter the profession, and the number grows annually. This year, the Government has provided 150 scholarships to study law in the UK, where just about all Gibraltar's lawyers have trained.

Although based substantially on English law, adopted wholesale in 1962, Gibraltar's law has been substantially altered, and in one major area – property –



James Levy, senior partner, Hassans: "generally Gibraltar lawyers cost 30-40% less than UK"

it differs significantly, making it difficult for 'outsiders' to quickly practice.

Melo Triay's firm remains one of the strongest in Gibraltar's banking scene, as well as general financial industry, private client business and property/conveyancing.

Strongly involved in litigation work generally, Triay claims still to be the largest firm in Admiralty cases with a 70-plus per cent share of work. Instructions come direct, or from UK shipping law firms and advisors to banks, although Triay also has for more than five years been "chasing assets in Gibraltar for the US Securities & Exchange Commission".

Triay's largest Admiralty case involved arresting a fleet of seven Renaissance cruise liners –each worth £200m – in 2001 in the aftermath of America's 9/11 attack that

prompted a dramatic fall in US passenger numbers resulting in default on mortgages," explained Melo Triay.

Gibraltar's English-based Admiralty laws, coupled with its strategic position in the Mediterranean, makes it a favourite arrest port, with a speedy and efficient system and relatively low Court and other costs.

However, lawyers see the biggest opportunity is in the continuing growth of Gibraltar's finance centre, virtually unaffected by the worldwide economic recession.

## Offshoots established

Triay's wealth management off-shoot, was established in 1974, under the trading name of T&T Management Services, to combine the skills of asset managers, independent financial advisors, lawyers and accountants. Totus (who replaced T&T Management Services) provides a wide variety of services and was formed to provide trust and company services to Triay & Triay private clients, but widened its activity to include IFA work through an association from 2005 with UK-licensed 20Twenty.

Totus has offices in the UK and now Spain and claims to be the largest trust

*Continued page 19*

# Widening the legal spread

No English law firms have Gibraltar offices, unlike in many other UK territories, but Triay Stagneto Neish, a 13 lawyer practice, took over the local business of international firm Denton Wilde Sapte in early 2006.

However, Gibraltar law firms have opened offices abroad.

Indeed, 26 year old Marrache & Co, which employs around 100 people and has 54 lawyers, now positions itself as the only truly 'international' firm having also opened offices in Lisbon (2004), Luxembourg and Prague (2005), as well as being the first Gibraltar firm to open in London 14 years ago.

Among Marrache's most prominent work in recent times has been advising shareholder in the £28m sale of West Cornwall Pasty Company shares, and advising on establishment of a \$1.5bn Experienced Investor Fund in Gibraltar.

Spanish operations, initially largely fuelled by the residential property market, have been launched by Isolas, Triay and Triay, Marrache & Co, and Hassans.

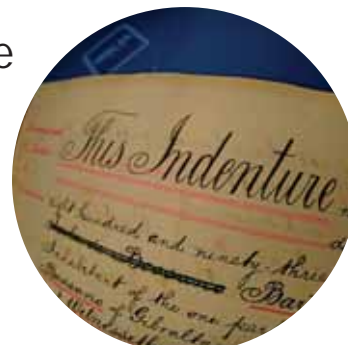
Cruz & Co, a law practice formed in 1996 by Nick Cruz after six years with Isolas, joined up with Spanish firm Balms Abogados, to form Balms & Cruz Morocco in January 2007.

And Marrache in recent years has been

variously reported as planning offices also in New York and Hong Kong, although no progress has been made on these.

New offices are not the only way to pick up international work. A year ago, 43 years old Rafael Benzaquen set up as sole practitioner heavily utilising internet technology to build a client base requiring, amongst other things, advice on EU law.

Building on his seven years experience as head of the Government's legislation unit, Benzaquen plans to expand early next year, and he specialises in putting together private equity investment funds in support of Mediterranean projects in luxury markets.



Peter Isola, senior partner, Isolas, whose 1892 document is pictured above



'Melo' Triay, managing partner, Triay & Triay: "we are lawyers first and foremost"

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Take A Closer Look

Lawyers prosecuting expansion from page 17



Three of the seven Renaissance passenger cruise liners lay berthed and arrested on Gibraltar Port's detached mole in 2001

company linked to a law firm, bringing total Triay staffing to over 100 people.

This followed formation by the Isola brothers, Peter, Lawrence and Albert in 1989 of the Fiduciary Group, with offices in London and Zurich, to provide corporate and trust services worldwide.

"There has been a shift from being off-shore and a tax haven to an EU financial centre – an essential step in that direction being with Gibraltar benefiting from the growth in insurance, funds and investment services and able to market their services throughout the EU", Isola believes.

Today insurance, investment services, funds and e-gaming (where Peter Isola was one of the pioneers) are still big growth areas, he notes, making for a more diverse Gibraltar economy, although Isola's Private Client business also continues to grow and remains a significant part of Gibraltar's business.

"But there will be a certain amount of pain, especially for companies that only provide corporate services, such as company formations, and do not have a number of strings to their bow", he maintains.

"They need to move to added-value services on the corporate and trust side: broader offerings or merge with others", is his analysis.

### Opportunities open up

Triay sees "a huge window of opportunity" opening up in just over a year's time from the introduction of the 10 per cent corporation tax.

Hassans' Levy, also enthused by the forthcoming tax change, points out that "unlike Jersey, Gibraltar has an island-type economy and approach to attract

business, but - having the isthmus to link The Rock with mainland Spain - without any physical limitation.

"Gibraltar has to change to deal with the changing off-shore world and companies seeking to relocate are looking to move to jurisdictions that are more sophisticated in the way they work. Gibraltar is moving that way."

In the meantime, Hassans was described this year by Legal 500 as being Gibraltar's "most highly reputed law firm" and Levy rated "Star Performer" by Chambers and Legal 500 for a third successive year. He nevertheless, still gives up to 25 per cent of his time to pro bono work locally.

Hassans has been undertaking Parliamentary drafting work for South Africa, Kenya, Maldives and Malta, as well as Gibraltar, and Levy senses there is "more large-scale off-shore work around where we can compete, particularly with Jersey and Guernsey".

In September Levy and a team of three colleagues, shuttled between London and Gibraltar to complete a US\$350m takeover of a UK public company in mining, giving strength to the claim that local lawyers are frequently regarded as effective as their English counterparts and able to attract international business.

And Hassans has just been retained by a large telecommunications company wanting to become established in Spain, because the law firm could "provide a bridge between Anglo Saxon and Spanish cultures."

Levy notes: "On a number of occasions we have appeared in Court in Gibraltar for one party with English lawyers on the other side. These lawyers have come back to us a few

months later to ask us to represent their clients.

"Gibraltar's reputation is definitely spreading."

Litigation still is big business in Gibraltar.

"People are more aware of their rights, warranty work and commercial litigation all are being resolved in local courts, as with companies based here and involved in disputes between their people and a commercial operation both located elsewhere", says Dumas.

Part of the reason he feels is that local courts have a shorter waiting time and are less expensive than in the UK and can cut out one level of the profession, because of the fused barrister / lawyer system.

However, having more lawyers still means spreading the available work more thinly.

According to Dumas: "We have reached saturation at the practicing Bar."

One possible solution is for more lawyers to go into commerce – becoming in-house lawyers. "Clients can feel it beneficial to have people on hand who have legal training and who are able to give initial advice; lawyers too like to deal with their own kind", Dumas suggests.

Superintendent Jay Gomez of the Royal Gibraltar Police is one example. This summer he became the first serving police officer to be Called to the Bar of England & Wales and provides the force with its own in-house barrister.

### Gibraltar's Law

- a Separate and distinct jurisdiction with own legislation
- only Common Law jurisdiction in continental Europe (courts, statutes and principles of equity based on English law), where there is a duty of confidentiality
- most professionals trained in UK
- some 200 lawyers - one of Europe's highest number of lawyers per capita
- fused legal profession - barristers and solicitors enjoy same rights and privileges on court appearances and direct contact with clients
- independent & growing judiciary
- Law firms generate circa £95m pa

# Opportunities arising from new EU rules give 'an edge'

New financial products and services are constantly being devised and delivered to consumers, often at breathtaking speed. Some, such as credit derivatives have proved to be toxic, but *Marcus Killick*, chief executive of Gibraltar's Financial Services Commission, argues this does not mean innovation should be shunned.



finance sector. Given the nature and number of banks, and our risk based regulatory approach, we do not have sleepless nights as supervisors.

Most of our banks have their head offices and therefore, lead regulators, in other jurisdictions. This has some weaknesses, as has been seen in the recent crisis with regulators being less than "joined up" with each other.

However, the introduction of EU wide colleges of supervisors to monitor the largest banks will improve matters and the FSC will play its part in those colleges where appropriate.

## Insurance growing

The insurance sector - a blend of self managed firms and those managed in whole or in part by insurance managers - continues to grow with significant elements passporting into the UK and elsewhere.

Gibraltar has about 8 per cent of the UK car insurance market and our life business is showing particular growth.

As with the banks, the Government has made it clear that we do not want brass plates and that mind and management must be in the jurisdiction. Outsourcing, of course is permitted, but not so that there is a lack of a real presence in Gibraltar.

The issue of the EU is equally vital for insurance. We are commencing the immense task of getting ready for implementation of Solvency II: the legislative, regulatory and supervisory requirements for this are enormous; greater than the Capital Requirements Directive, greater than MiFID.

As supervisors, if we get it late or wrong, we threaten the viability of much of the industry and we are working with, and supporting, the Gibraltar Insurance Association on this.

Our investment services sector is still vibrant. The Gibraltar Investor

Government to develop new financial products, for example our Experienced Investor Funds (EIF) and Protected Cell Companies (PCCs).

We have a very specific, Statutory role to reduce systemic risk and protect the reputation of Gibraltar. But rather than act as a brake on growth, our objectives require us to be a partner in it, complementing government and industry in developing the finance sector.

The FSC covers the full gamut of financial and quasi financial areas, from banking to insurance, funds to company management and, most recently, oversight of auditors through Gibraltar's transposition of the Statutory Audit Directive.

This latest addition presents us with significant challenges.

## No sleepless nights over banks

Our banking sector continues to thrive - dominated by UK and Swiss institutions - providing a range of services to the local and international community. The sector is small by many standards, with assets totalling about £11.5bn and; lending is stable at £3.1bn.

Backed by the recently increased deposit guarantee scheme, banks provide solid bedrock to other parts of the

It has been said that six out of today's most "in demand" jobs did not exist ten years ago and that in the 21st century we will have to train our children to do jobs that do not yet exist, using technology that has not yet been invented.

What is true of education is equally true in the finance sector.

The truth is that it was not innovation that let us down - it was the failure of senior management within financial institutions and their regulators to understand it and the risks it brought.

The benefits were easy to see - vastly improved short term profitability - but the medium and long term impacts were ignored by most.

This is where we, as regulators, must address the issue, because if our approach was simply to stifle development, then we will let down the market and its consumers. If financial innovation had been disallowed in the past, we would still be in a barter economy or trading using coloured beads!

Part of the Financial Services Commission (FSC) mission is to "enhance Gibraltar as a quality financial centre".

This is not a passive statement it is an active obligation. And that inevitably involves working with industry and

non-EU environment.

Rather we have the benefit of the reverse. The Directive, in whatever final form it takes, will present Gibraltar's fund industry with possibly unparalleled opportunities. Inevitably, the Directive will throw some kind of cordon around the EU.

Funds outside the Union will find it more difficult - if not impossible - to effectively sell within it. The competitive advantage of Gibraltar for those wishing to market alternative investment funds in the EU will be palpable.

For example, at the very least, the non EU fund manager will have to show its home jurisdiction has equivalent regulatory protection. What will be the exact test; who will judge? How could jurisdictions such as Cayman, with their previously highly successful bulk model, achieve this?

Given the global market of Cayman and BVI funds, would they want to seek equivalence and add cost burdens to those funds, which are marketed in jurisdictions that do not require equivalence?

Will they create two tiers of funds, EU marketed and non EU marketed? Do they have the regulatory resources to demonstrate equivalence even if they wanted to?

Whilst the focus of the draft Directive is on the manager and not the fund itself, my view is that a number of existing alternative investment funds seeking to sell in Europe will move into the EU - just as some of those managers currently operating out of London, but aimed at the Far East or the Americas, may move away.

For those coming in and those setting up, Gibraltar will provide one of the few natural platforms. Of course we will have to be ready, again demonstrating the importance of innovation.

## Supporting new laws

Within the FSC, we will have to stand prepared to implement the regulations and legislation that will be needed to facilitate all of this. Our supervision will have to be visible, efficient and stand up to outside scrutiny.

Indeed, our ability to demonstrate the quality of our supervisory approach will never be greater. We will have to show we have the resources, the capability and the will to meet the international

standards expected of us.

Our track record may be excellent, but the eyes are still upon us.

Just as the OECD has created its tax white, grey and black lists, so the Financial Stability Board (FSB) will develop one for jurisdictions that are uncooperative in prudential supervision.

Using as its basis the IMF assessments of individual jurisdictions, together with whatever other methodology they choose, the FSB will first categorise, then encourage, then criticise and finally ask for proactive countermeasures to be taken against the unwilling.

From this we have nothing to fear, being members of two of the international standard setters, IOSCO and the IAIS, and connected to Basel on the banking side and the FATF move against money laundering, via our membership of the Offshore Group of Banking Supervisors.

We also play a significant role in the Offshore Group of Insurance Supervisors and in 2007 the IMF reported that "Gibraltar has a well regulated finance centre". We were more compliant with international standards than the majority of centres, both large and small reviewed since!

## No complacency

Yet despite this track record we cannot be complacent. Like other regulators, we have sought to learn from global supervisory errors of recent years and we must ensure that the legislation under which we operate is fit for purpose. We are statutorily required to advise government where we find it wanting.

Some changes as a result of the crisis will be forced on us by international standards or the EU; some, such as increased solvency requirements, are much needed and overdue.

Gibraltar has demonstrated its powers of innovation and will continue to do so. It has demonstrated the partnership of Government, industry and regulator, each complimentary of the others, each respecting the others' roles.

It is a challenging, but exciting, future.

*Based on a speech at the Gibraltar Finance Centre's October seminar in Geneva.*

*see also FSC bids for recognition, page 12*

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## Shorter list to fill the gap

The promise that “our job applicant ‘short list’ provided to employers will be shorter than those provided by our competitors” may sound an odd way to promote the launch of the latest recruitment agency in Gibraltar, but managing director Angelique Pearson thinks it makes sense.

The Select Recruitment Gibraltar (SRG) agency based at Waterport, specialises in service for the Finance Centre, building on Pearson's UK-wide experience where she set up, and for eight years ran, the Select Group (now SF Group)

financial recruitment consultancy.

A change of lifestyle and her husband's semi-retirement caused her to settle in Marbella, but she soon got back to work, initially for another Gibraltar agency. “Quickly disillusioned”, she determined to launch a business with her proven professional formula of ensuring there are clear job profiles, short list applicant references are taken up in advance, and interviews with candidates to ensure “a good fit”.

“It sounds basic, but it's essential to do these things to provide a good service

both to client companies and the job seekers – no-one wants to waste time unnecessarily with interviews that are not well-suited to their needs”, Pearson says.

Along with Senior Consultant Thomas Pearson (no relation), who has in-depth project IT background, she sees strong demand developing from Gibraltar's e-gaming companies and already counts one as a key client, along with a large firm of lawyers.

“From our soundings around the Rock, there are several more large companies moving here at the end of this year; it's a good time to launch our consultancy”, Pearson declares.

## Moving times made easy

Having moved home 15 times in his 20-year international marketing and general management career, Simon Robertson reckons to know a thing or two about the problems and distractions of relocation.

His Russian-born wife and business partner, Marina, similarly had to cope for 15 years with uprooting at short notice on peacekeeping missions around the

world with the United Nations.

So they quickly spotted the absence of relocation specialists in Gibraltar and the Costa del Sol (where they had settled) and saw the opportunity to draw on their personal experiences to benefit local employers and staff being recruited from outside of the region.

“It's a big step for some moving to

this part of the world, where legal and social requirements are quite different and, potentially distracting”, explains Simon. Companies, which are charged a fee by Del Sol Packaged (DSP), “get as a result, fresh staff that are free to concentrate on the job from day one without relocation distractions”, says Simon, who also speaks Arabic, whilst Marina adds other languages, including Spanish, Portuguese and Italian.

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# Euro Court rulings not enough for online gaming firms

Gibraltar's sizeable on-line gaming community is taking strong interest in the two latest cases of alleged illegal protectionism in Europe, following unexpected support by the European Court of Justice (ECJ) for Portugal's monopoly over gambling within its territory.

In a preliminary judgement, the Court in September found that "the Portuguese legislation constitutes a restriction on the freedom to provide services", but maintained "that restrictions on the freedom to provide services may be justified by overriding reasons relating to the public interest".

That meant bwin, which employs over 200 people in Gibraltar, could not promote its services in Portugal under a 4-year sponsorship deal with the national professional football league (LPFP)

because all gaming activity is controlled by Santa Casa da Misericórdia de Lisboa, a 500-years old charity.

Now Holland's attempt to restrict e-gaming operators from operating in competition with its national operators is being challenged at the ECJ by two gaming companies, Gibraltar-licensed Ladbrokes and the UK's Betfair and a decision is expected in November.

"The Dutch situation allows active marketing of gaming products by the State monopoly and any restriction on internet gambling seems to be designed

to protect the profits of local companies and, as has been found in cases involving other European countries, that conflicts with European law outlawing protectionism", explained Gibraltar's head of gambling regulation, Phill Brear.

"A State monopoly can only be justified if it is found to be acting in the public interest", he told *Gibraltar International*.

Declaring that "it's time for legislators to act" bwin's joint chief executive Manfred Bodner said in a statement: "A legal vacuum has emerged in the European gaming sector, because of the rapid pace of technological progress.

"Among other things, this is borne out by over a dozen preliminary ruling proceedings still pending before the ECJ as well as numerous infringement proceedings against EU Member States which the European Commission has so far put on hold."

## Regulation's contribution to success earns award

The Gambling Division of the Gibraltar Regulatory Authority (GRA) has been awarded the prestigious 'Regulator of the Year' award by the management of the World Online Gambling Law Report (WOGLR) magazine at its annual conference in the UK.

WOGLR is a UK based legal and political commentary magazine with an editorial panel of lawyers reaching from Australia to Canada and the rest of the world.

"The responsibilities of regulators are rarely recognised, yet Gibraltar hosts some of the largest and most dynamic on-line operators in the world, and their regulator is clearly making a significant contribution to their



continued success and the success of the jurisdiction", said managing editor, Lindsey Greig.

Paul Canessa, Chief Executive of the GRA said: "We have a small team in the Gambling Division and I know they

work incredibly hard keeping pace with proposals and developments in the industry, as well as ensuring consumer interests across the world are properly recognised and protected. We are fortunate to be in a position where we have top class operators and a regulator to match."

Phill Brear, the GRA's head of gambling regulation received the award and later added: "What we have in Gibraltar is unique in the world in terms of its quality and transparency, and we aim to keep it that way by working with Government and the industry to keep our high standards."

His team monitors the operations and arrangements of the gambling industry in Gibraltar, including online operators, the casino, betting shops and gaming machines, to ensure they comply with relevant laws and regulations.

Bodner continued: "Online gaming has become a market reality. There is urgent need to develop a legal framework in tune with the times to warrant the interest of consumers, the state and operators." Court rulings would not be able to fill in for regulation in the medium and long term.

Gibraltar has long been a fully regulated jurisdiction for gambling and has been developing Codes of Practice in support of legislation. The Generic Code was approved earlier this year and the GRA is now consulting on an Anti Money Laundering Code for approval next year.

The Generic Code includes the introduction of cyclical Regulatory Returns, the formalisation of site and premises visits, and – critically – the bespoke examination of local arrangements.

bwin's other joint chief executive, Norbert Teufelberger, insisted: "Only a regulated online gaming market with a diversified and attractive line-up of games will provide adequate security against the risks of a black market,

which not only opens up the floodgates to crime, but also passes up on consumer protection."

In the meantime, Victor Chandler, which moved its gaming business from the UK to Gibraltar a decade ago, has become the first British bookmaker to obtain an online gambling licence in Madrid a market said to be worth some £250 million pa. and hopes to gain a similar licence in South Africa next year.

Party Gaming, another Gibraltar firm, bought London-based Cashcade for an initial £72m to increase its global share of the US\$ 1.5bn online bingo market. It will pay the bingo and casino operator, known for its Foxy Bingo website, up to £24m more depending on profit performance.

Expectations for continued e-gaming growth remain high: 888 Holdings another local operator, sees a 20 per cent rise in online gambling next year as consumer confidence returns, according to Chief Executive Officer Gigi Levy

In common with other gaming firms in Gibraltar, an element of growth will come from running operations for other

businesses, which is unlikely to lead to any significant rise in local sector employment, which currently is estimated to stand at around 2,000 people.

Ladbrokes was one of the first to gain a Gibraltar gaming license, which it has maintained throughout, enabling it to threaten the UK government with a move of more of its on-line betting operations to The Rock by the end of this year unless betting taxes are reduced.

Betting tax rates in Gibraltar are a low 1 per cent of turnover compared with 15 per cent in the UK based on betting profits. Gaming is taxed in Gibraltar on a similar 'profit' basis as 1 per cent of gross gaming yield, both local taxes being capped at £425,000.

However, Gibraltar will introduce a 10 per cent Corporation Tax for all companies from January 2011 and it is unclear at present how the tax on gaming companies then will be handled. The government is expected to publish its proposals for implementation of the flat rate tax for debate in Parliament early next year.



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## PEOPLE AND PLACES

### TV man arrives

Responsible for internal and external communications for Jyske Bank group since 2004, including the launch of a state of the art TV station with daily broadcasts in English and Danish, 41 years old **Lars Aarup Jensen**, has been appointed managing director of Jyske Bank (Gibraltar).

Having started in the branch of the bank's Head office in Silkeborg, Denmark, he worked in Corporate Banking for a decade and had key account responsibility for some of the biggest corporations in Scandinavia before taking up management of a combined IT and communications operation developing the Group's websites and intranet.

Jensen holds a diploma in Business Administration and Accounting from the Aarhus School of Business in Denmark and is married with three young children.

At the same time, **Nicholas Wright**, has become manager of business development at Jyske Bank having worked for the Bank since 1990 and until recently served as an officer in the Royal Gibraltar Regiment's territorial element.

### Exceptional services

The Medallion of Honour has been bestowed on four Gibraltarians - **Jose Netto**, **Adolfo Canepa**, **Joesepp Gaggero** and **Maurice Xiberras** - for the "exceptional" service and contribution they had each made to the interests of Gibraltar.

Gaggero's was singled out for services to aviation, shipping, business and commerce. He headed the Bland Group for 60 years and

through GB Airways [now sold to easyjet] he made a major contribution to aviation, the global travel industry and Gibraltar tourism in particular.

His Bland Group was described as "instrumental in Gibraltar surviving the Spanish economic blockade", by providing sea and air services to Morocco to relieve siege conditions, carrying Moroccan workers to Gibraltar and

supplying fresh fruit and vegetables.

At the same time, he built a partnership with British Airways, maintaining the link with the UK throughout those difficult times for Gibraltar.

Canepa and Xiberras were both recognised for public service and services to politics, the former having at one time been Chief Minister and Leader of the Opposition, and the latter also an Opposition Leader strongly promoting Integration with Spain.

### Leaving money laundering behind

**Mark Jason Bridge** has been appointed General Manager of Europa Trust, succeeding **Jessica Mila Schutzman**, who after four years returned for personal reasons to her native United States.

Offering on-shore and off-shore company services worldwide, Europa promoted 34 years old Bridge from being Legal Advisor & Money Laundering Reporting Officer.

In South Africa he was a private practice attorney, before re-qualifying in 2004 as a solicitor in the UK, where he worked for the Official Receiver, the litigation teams of two London boroughs and for more than three years, the Financial Services Compensation Scheme.



Lars Aarup Jensen

### Stepping up

**Peter Isola**, senior partner for the past two years of Gibraltar's oldest law firm Isolass & Isolass, has been elected chairman of the Society of Trust & Estate Practitioners (STEP).

Recognised as an expert in financial services, corporate and trust law, Isola is also Gibraltar's contributor to Tottel Publishing's *Planning and Administration of Offshore and Onshore Trusts* and its *International Succession Laws*.

He is a past President of Gibraltar Chamber of Commerce.

### Experienced landing

**Rocio Fernandez** has become the British Airways airport manager for Gibraltar after a year in a similar position with BA in Alicante, where she developed collaborative and professional relationships with key agencies and service providers.

Her appointment comes as BA moved its Gibraltar route from London Gatwick to Heathrow and she will be looking to build on the experience gained at Alicante and a number of other airports.

### Working for pensions

**David Erhardt**, Pensions Director of STM Fidecs Life, Health & Pensions, has been elected chairman of the new Association of Pension Fund Administrators (APFA) in Gibraltar that provides a forum to promote best practice amongst local firms involved in pension scheme administration and operation.

Hassans, Capurro Insurance, London and

Colonial, ECS and Castle Trust & Management Services are founder members of the Association.

Erhardt said the firms are keen to maintain the reputation of Gibraltar as one of the leading financial centres, which has seen "a rapid increase in the demand for pension schemes and related services".

He added: "We are keen to ensure that we fully comply with all necessary standards and regulations, both locally and internationally. We need to self-regulate where necessary and liaise with Government bodies both inside and outside Gibraltar in a seamless way."



Rocio Fernandez

### Blight follows Gomez

**Kerry Blight**, former managing director of Royal Bank of Scotland International in Gibraltar, has been elected Chairman of the Finance Centre Council, the representative body that advises government on the sector's progress and needs.

He took over from **Emilio Gomez**, who held the position since February 2005 and served as sector representative from the Council's inception 13 years ago. "I felt that the time had come to let someone else get involved on a full time basis", said Gomez, who has been central to liaison with Government, on key taxation issues.

However, as representative of an insurance company on the Gibraltar Insurance Association and a

member in his own right of the Gibraltar Society of Chartered Accountants, Gomez will continue to be involved in financial services matters.

Blight has worked in Gibraltar for 18 years and has served on the Council as a Gibraltar Bankers' Association representative. In his new role, he plans to help ensure that developments in the local finance industry benefit not just international customers, but also the local corporate and retail markets.



Kerry Blight

contribute enormously to maintaining Gibraltar as a harmonious, diverse and tolerant society", she added at the third ceremony of its type held on The Rock.

### Excellent result

Two students have each been awarded £1,000 from the Partners of

PricewaterhouseCoopers Gibraltar ("PwC") under its four years old Student Scholarship scheme designed to encourage and reward academic excellence.

**Rebecca Gray** and **Christopher Torrilla** have both just started at Imperial College, London reading biology and medicine respectively and will also receive a similar sum for each of the next two academic years. Both students had gained four A level grades at 'A' Level.

PwC Senior Partner, **Colin Vaughan** said that with over 100 Partners and staff in Gibraltar, the firm is a significant employer of graduates and annually recruits graduates on training contracts.

The firm also held its third and most successful annual "PwC Experience" day seminar on how all staff could contribute to achieving competitive distinctiveness, using "10 small things" in everyday behaviour to improve client perceptions.

Having previously focussed on business development and interaction with PwC's international network, "this year we've concentrated on our people in Gibraltar, asking them to think about their roles in the practice, how challenging they found their work and what it meant to work for PwC", explained partner, **Chris Pitaluga**.

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## Low inflation brings opportunity in corporate bonds

Recent economic indicators confirmed stabilization of the global economy, but the big question according to Ib Fredslund Madsen, chief economist at Danish Jyske Bank, is what follows when the stock replenishment and stimulus effects fade out?

**T**he prospects of growth in financial markets for the short term are mainly driven by the dynamics of stock replenishment and the big monetary and fiscal stimuli.

However, there still is a big risk that demand is unable to then act as a growth engine.

The big uncertainty over what the future will bring in itself is enough for us to maintain a defensive portfolio. Seeing no reason to fear inflation at present in view of the deflationary forces which continue to persist, we still prefer bonds to equities on the strength of a risk/return consideration.

Yet we can take advantage of the normalisation process in the credit markets to raise the allocation of high-yield bonds to neutral, and lower the allocation of developed-market bonds – in favour mainly of corporate bonds.

The economic indicators point to positive growth in Q3; the US will probably follow Germany, France and others and leave recession behind.

Global business confidence paints almost the same picture after a plunge in the wake of Lehman's failure, recent months have seen solid increases.

Financial markets seem to anticipate an early return to growth, and risky assets have continued to perform well. However, bond yields have not risen, despite fair price rises of equities.

### Stabilised faster

The economy has stabilised much faster than expected, but it matters not whether the recession has technically ended or not; more on whether we are in for an early return to potential growth.

So far, the stabilisation of growth has been driven mainly by two factors: monetary and fiscal-policy easing, which

for the short term helps to support demand (the scrap bonus offered to US car owners being the most obvious example) and the notorious effect of companies stepping up production for the short term to replenish stocks.

For this to lead to a lasting upturn, it is necessary that demand also shows signs of lasting improvement, and concerns over that remain. Encouraging signs on the production side, have not been matched on the demand side in the Western world.

In the US, we can expect to see continuing negative growth in household debt in view of rising unemployment, the falling rate of wage increases, and a heavy fall in asset values.

The supply and demand for loans are falling, since banks continue to tighten their lending conditions and overall consumer spending is expected to remain weak for a long time yet.

All things considered, the upturn should be regarded as somewhat lukewarm – and a return to recession cannot be ruled out!

A defensive portfolio allocation might best be retained.

### No early inflation

While indicating that strong weight should be given to interest-bearing instruments in a portfolio, it might mean the opposite, if there is a fear of inflation.

Yet deflationary, rather than inflationary, forces dominate. There are simply such big idle resources in the economy that we cannot imagine inflation to be a problem in the foreseeable future, expansionary monetary policy notwithstanding.

There is a close historical correlation between capacity utilisation and changes in inflation 18 months later, and this points to lower inflation for a

good part of 2010.

The labour market confirms the picture – wage increases have slowed to a halt in most places, and given mounting unemployment, this development is unlikely to change soon.

All things considered, there is no reason to fear inflation for the next 1-2 years, and a better risk/return ratio for bonds than for equities can be expected.

Yet we switched out of developed-market bonds into high-yield Bonds immediately after Lehman's collapse in the autumn of 2008. We saw near-collapse in the market for corporate bonds, and this illiquidity prompted us to adopt a very cautious approach to high-yield bonds.

Since then, the market has been improving, and systemic risks have been thrust into the background.

### Move to normalisation

This provides an opportunity to take the next step towards normalisation of our portfolio, by raising the proportion of high-yield bonds to neutral and reducing developed-market bonds, preferring corporate bonds to emerging-market bonds among high-yield assets, despite their impressive performance.

Corporate bonds are an asset class offering fair risk-adjusted returns both at the end of a recession and the beginning of an upturn.

Equities and emerging-market bonds, for instance, depend more on the economy confirming that the upturn is getting a firm hold. This asset class still holds value, although the credit spreads have already narrowed considerably.

Increasing the proportion of corporate bonds in a portfolio adds value strategically in the long run – and given continued uncertainty on economic development, this may also be seen as a protective hedge against the possibility of economic growth actually materialising faster than expected.

*Based on a recent Jyske Bank presentation to business professionals in Gibraltar on "the big picture". see also "Equities Place to be" page 14*

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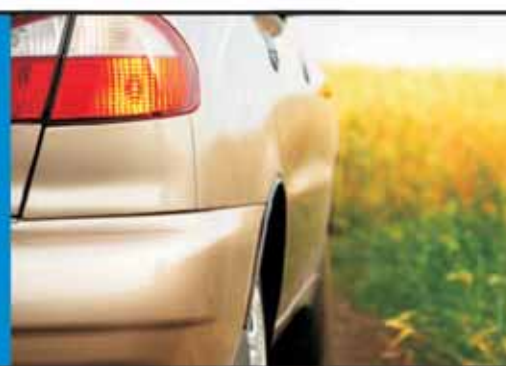
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LAST WORD

## Getting it half right

Tony Tanner has been thinking that he might like to take semi-retirement, but what does he imagine semi-retirement will be?

There are a lot of questions I keep asking myself and need to sort out first. I know the dictionary explanation of semi is half but which half? In my life to date I recall two semis: 1) being a semi-professional musician and 2) the first house I bought was semi-detached.

So why was I only a semi-professional musician and not a full professional? Was it because I was not good enough to be a full time professional (maybe) or was it because I liked my music, but wanted to develop in business as well. Probably the latter but you can never be sure.

Business has also been good to me so it did not matter which I chose, but if I get semi-retirement wrong that will probably be for the rest of my life!

I purchased a semi-detached house, because I could not afford the other half and I was delighted to have a semi, because that was more than the terraced house I had lived in as a child. So in that case, semi was the full circle.

Other everyday semis include semi-skimmed milk - but the half that has been taken away is the rich part. I certainly do not want the rich part, or to be more precise, the semi rich part, to be taken away when I retire.

Semi-final - almost made it to the

end but not quite! When I retire I want to feel I made it to the final, that I won and therefore there is no further to go. Semi can also be a prefix for almost. I do not want to be an almost man, I want to be the full product.

Colleagues who have retired tell me they are so busy they do not know how they ever had time to work. They tell me they are doing all the jobs around the house that their wife has been demanding for years - and they are playing golf five days a week.

*retirement time should  
be spent keeping the  
brain working and the  
body will follow*

My problem is I do not like doing jobs around the house and would rather work to earn the money to pay other people to do them. If I was semi-retired would the half that was retired be expected to do these jobs?

That is not what I have in mind. I like my golf, but I will never be a Tiger Woods. Also would I want to play with the same people five days a week - that

sounds a bit like going to work.

Maybe the solution can be found by dividing in two the things I do at work - the things I like doing and the things I do not. I know this is selfish but at my age maybe that is allowed.

So if I was lucky enough to semi-retire and on the work front had only to do the things I enjoy, I still have to decide what to do with the retired half. The danger is if I don't have a plan I'll slip into doing the jobs-around-the-house syndrome.

Agatha Christie's Hercule Poirot frequently refers to 'using the little grey cells'. I believe that retirement time should be spent keeping the brain working and if you do that the body will follow.

I like writing so maybe I should start that book which is said to be inside all of us - you may not think that is such a good idea after reading this. Or maybe I could launch a web-site called "face-back". Retirement would be a great time to meet up with all those friends I have lost touch with over the years.

My older sister has just got her degree from the Open University, having married young, she now has the time to fill in the gaps she felt existed in her life. I do not want to do a degree, but retirement as a time in life to fill in the gaps makes a lot of sense.

I've been fortunate enough in business to have gone half (or should I say semi) way round the world. Yes, there are places I would like to visit and certainly will include them on the itinerary.

However the most important thing is for my tomb stone not to read: "Here lies a semi man". I need the years left to complete the circle!



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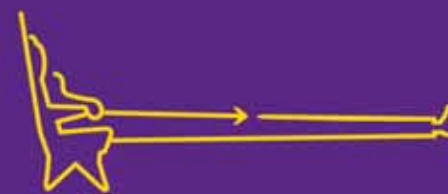
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