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**Exclusive Interview:
Chief Minister
Fabian Picardo**

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Editorial enquiries
editor@gibraltarinternational.com

Advertising enquiries
sales@gibraltarinternational.com

Design
bilgoker@gmail.com

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

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EDITORIAL COMMENT

Underlying growth may be slowing!

The underlying growth in Gibraltar's economy may not be as great as has been assumed. Latest figures show a sharp slowing down in the amount of new business local firms are generating and in net government spending.

Arguably the most important of all economic statistics, the Gross Domestic Product (GDP) figure attempts to capture the state of an economy in one number.

In recent years, we have become used to seeing Gibraltar's annual growth in GDP reported as being between 5 and 7 per cent. And the new Government's pre-election manifesto promised the jurisdiction will see GDP £500m higher at £1.65bn by 2015/16.

Although there are several ways to calculate this figure, Gibraltar uses two - the income and separate, expenditure methods - to arrive at a Nominal GDP result, which is the one most usually used by politicians locally.

But when the effect of inflation is stripped out of GDP results by using constant prices from a set point in time, a clearer picture of underlying economic growth emerges - what is known as Real GDP.

Taking 2005/6 as the base year and GDP then at £655.88m, the Real GDP figure of £903m to end March 2011 shows a growth of 37 per cent; that compares with the headline 60% Nominal rate of growth over the same period.

The Real GDP growth in the year 2010/11 on this basis was only 1.7 per cent, sharply down on the two previous years when it was 8.4 and 7.8 per cent respectively.

In the UK for example, most interest centres on changes to GDP in real terms - that is, after taking into account changes in prices (inflation) - to determine economic performance.

Chief Minister Fabian Picardo is relying primarily on the private sector to fuel expansion in the economy - particularly with government projects - from an expected 2011/12 Nominal GDP result of £1.1bn at an average year-on-year growth of more than 10.5 per cent for each of the next four years!

That will take some achieving, especially when Picardo believes Gibraltar's small economy, with no agricultural sector and only limited industry, has been underperforming in recent years.

Gibraltar is heavily dependent on imports, with more than four fifths coming from Spain and the UK, which largely accounts for local inflation. Almost half of non-fuel imports come from the Eurozone, which became more expensive in recent years as Sterling lost value against the Euro and meant increased costs and squeezed profit margins for Gibraltar companies.

Conversely, tourism - that accounts for a fifth of the economy - benefitted from the falling exchange rate by making Gibraltar more attractive for Euro-based shoppers.

This year's Budget in June will be especially important to give clear indications of how the government will achieve its tough expansion target in a relatively short timeframe of four years. A proposed Economic Advisory Council has yet to be formed, but the finance centre is making early progress with changes to Funds laws.

Ray Spencer



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Economy is “underperforming”, but 50% growth still in prospect

Faced with an unexpected £100m costs ‘black hole’, spending of significantly more than that to provide a secure power supply and needing a solution to the airport tunnel project that is likely to cost £88m to complete, Gibraltar’s new Chief Minister, Fabian Picardo, remains “very confident” that he still will grow the economy by 50% and halve public debt by 2016.

In 2009/10, Gross Domestic Product (GDP) was £998m. The Government forecasted it to be £1.05bn in 2010/11 and has based its growth plans on the assumption it will have risen to £1.1bn for 2011/12.

To achieve the government’s target of £1.65m for GDP in four year’s time, Gibraltar’s economy will need to expand by an average of more than 10.5% in each year. That 50 per cent anticipated growth compares with 31 per cent in the previous four years.

But looked at in terms of Real GDP, using constant 2005/06 prices, the growth rate

in 2010/11 slowed sharply to 1.7 per cent compared with around 8 per cent for the two previous years.

“I am convinced the Gibraltar economy has been underperforming in the past years”, he told *Ray Spencer* in an exclusive interview, adding that despite scepticism from Opposition supporters on his financial projections, “we have the confidence that we can achieve them”.

Last year, Picardo maintained that much of the expected high economic growth [that will be reported in June] was the result of “massive government spending”.

Unsustainable

He maintained: “Last year the [previous] government spent £220m of taxpayers’ money on capital projects. That is utterly unsustainable and irresponsible.”

If the new government spent similarly, “of course GDP growth would be back at 7-8 per cent”, he said, “but the key

to these issues is to ensure that GDP grows without the government being the main driver.” Working with investors in Gibraltar, GDP can increase “much more without the government investing its own

money in its own projects”.

In 2012/13, Picardo sees GDP growth being “very high indeed as the new government’s projects start to take off.”

Continued on page 8

Euro airline links in prospect

Gibraltar Airport may soon be connected to a central European hub that would make possible connections to other finance centres outside of the UK. In addition, talks are taking place with two other airlines, both believed to be outside of the UK.

Gibraltar International sources suggest that Amsterdam’s Schiphol airport is the strong European hub being considered, whilst airlines flying from Dublin and Scandinavia are also thought to be in the process of evaluating new links with the Rock.

Chief Minister Fabian Picardo, confirmed Government talks with three airlines, but declined to give details. He said: “I am not suggesting daily flights to Frankfurt or Zurich. I am suggesting, for example, flights less than daily to a central European hub from which you will be able to connect to other finance centres.”

He emphasised that no decision was imminent for fresh routes to Gibraltar, where the €80m+ new terminal is preparing to become fully operational at the end of May.

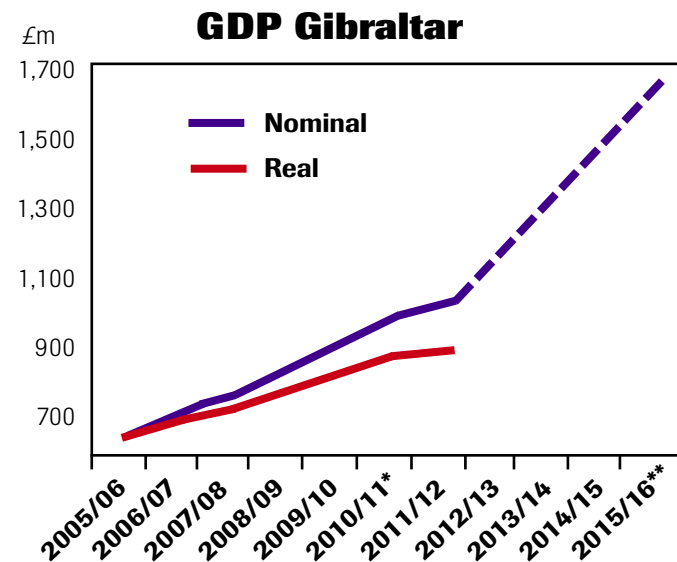
With the expected number of flight movements – inbound and departing - on a single day of the week this summer, totaling 14, Picardo is not keen to increase frequency beyond the 16 a day environmental limit set by the previous government, “in particular without a tunnel or other solution for traffic” – (at present the only road from Gibraltar to the Spanish border crosses the runway).

“Its not that I will stay with that [previous] policy, but I am very concerned about how many flights we have into Gibraltar Airport without disturbing the lives of people who live close to the airport”, he insisted.

Bmibaby began three-times weekly flights from East Midlands to Gibraltar at the end of March, but takeover of loss-making parent BMI by International Airlines Group (BA and Iberia) may put this service at risk.

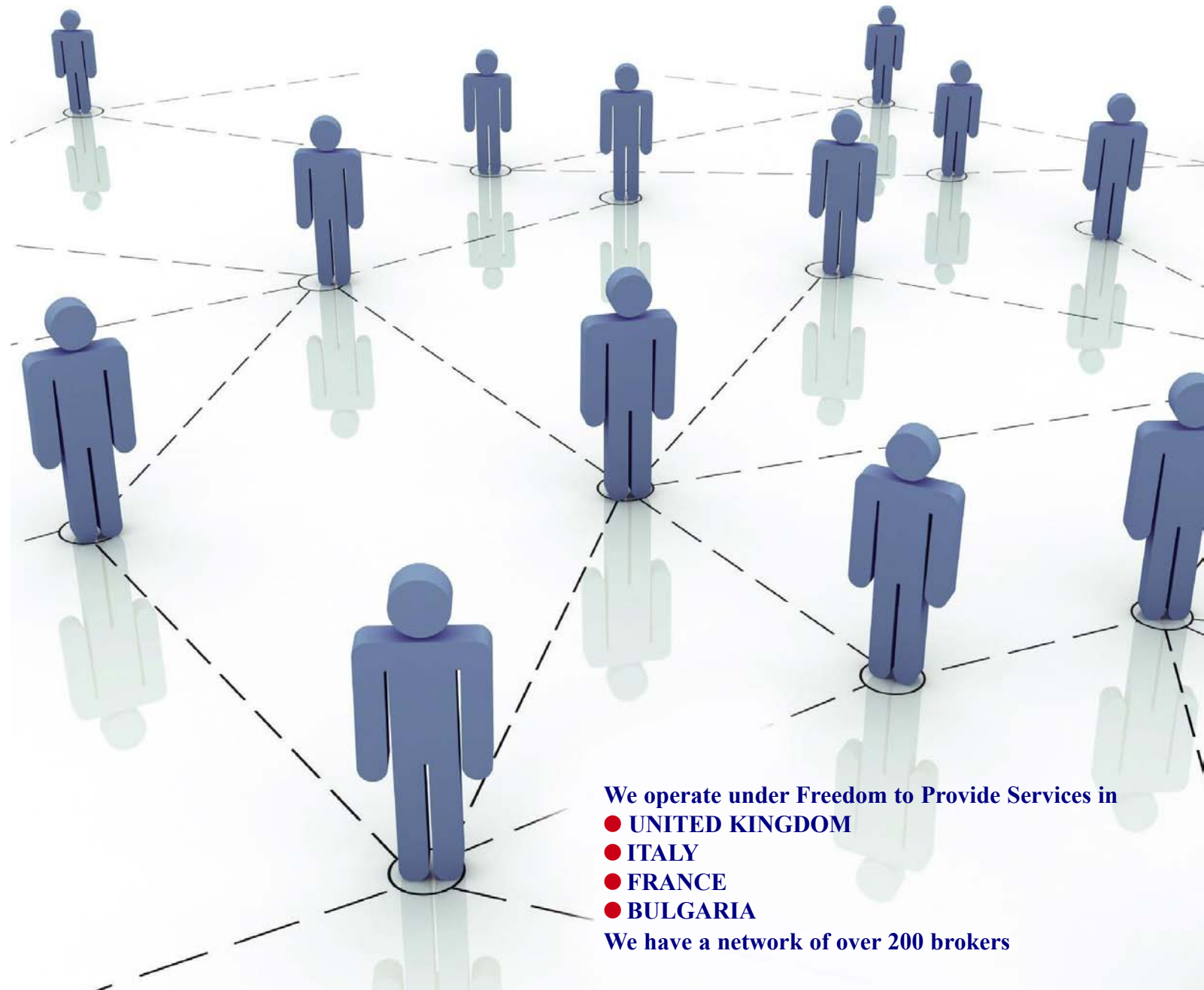
New flights into Gibraltar will most likely need to be on different days of the week to spread the load.

Even so, “it makes you think why we built a terminal for 1m passengers [a year]. Based on that sort of number of turnaround [in daily flights], you are not going to get anywhere near the maximum”, he declared.



Source: Gibraltar Government *forecast **projected

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Unless there is an important social purpose, new government spending will be “on projects designed to improve or generate income, not on projects which don’t generate income and produce costs”, he asserted.

He cited the new Gibraltar airport terminal – originally announced as costing around £24m – that was contracted to cost €50m in 2007 and had now spiraled to €80m with the final sum still rising.



Chief Minister, Fabian Picardo, sees the private sector funding government projects

“Those of us who are international travellers and have worked in the finance centre, of course believe that having a beautiful air terminal is an important thing. But was it the right terminal at that cost for Gibraltar - clearly it wasn’t”, he maintained.

With the finance centre, tourism and on-line gaming sectors each accounting for 20 per cent of GDP, all three are also under pressure to achieve more. The government is promoting BRIC – Brazil, Russia, India and China – countries as offering opportunities and with low 10 per cent Corporation Tax and reducing personal taxation, it hopes to attract head offices of international companies generally.

Although Gibraltar may be

in need of additional new office space as some suggest, “my government is not going to be involved itself in the development of offices in partnership with private sector players, either as shareholder or as financier ... that is not where we are at”, Picardo made clear.

The World Trade Centre at Ocean Village, described more than a year ago as the flagship development of Gibraltar, had not yet progressed, nor had the giant Mid Town office project on one of the most prime plots in Gibraltar.

Office demand?

Accepting that there is a ‘build offices to attract new businesses’ argument, he observed: “You need to ask yourself what is it that has happened in the private sector. If there is a need for office space, people will enter into agreements before lease. If there is no bank finance for projects of offices then that means there are no tenants to sign up for those offices.”

A modern finance centre also needed good infrastructure and could not afford power cuts, [as experienced during this interview], and continuity of electrical supply was urgently needed. But not at the €148m contract cost the previous government had been about to sign for a new power station that it had been told in a 1999 report would fail by 2010, he asserted.

Secure power

“We have to get the right solution and we have got to get it quick”, he emphasised, and if possible in less than the three years it would have taken for the power station to be built, “because you cannot operate a serious finance centre, you can’t operate the premier jurisdiction for online gaming in the world, and neglect the secure continuity of supply”.

After three months in

Widening funds appeal

Updated legislation that potentially could attract up to 30 large hedge funds to Gibraltar is being implemented this summer, which will bring the jurisdiction on equal footing with Malta.

By allowing fund administrators approved by the Minister of Finance on advice of the Financial Services Commission to be domiciled outside of Gibraltar, it removes an obstacle to attracting large, established funds and funds already domiciled in other jurisdictions.

Many Sovereign investors, Hedge Funds and Pension Funds need to see that a top-flight, globally connected administration firm is involved as a condition of investment and this is a level of business that Gibraltar administrator firms are unlikely to attract at present.

The move is timely; hedge fund managers are looking more towards EU-based domiciles as part of the Alternative Investment Funds Managers (AIFM) Directive that harmonises regulation and oversight of all the players involved.

It is expected that this might attract for example, a London-based hedge fund manager, with a European international fund administrator, and a Cayman Island domiciled fund that can be relocated to Gibraltar to meet new AIFM requirements.

At the same time, the Experienced Investor Funds entry level is being halved to attract people with at least €50,000 of disposable assets (other than their main residence), but only if they have received professional advice from a firm covered by the Markets in Financial Instruments Directive (MiFID).

In effect, these changes broaden the profile of Gibraltar investment, without diluting the standards and quality of regulation involved.

Minister with responsibility for Financial Services, Gilbert Licudi, said: “As part of the EU, Gibraltar provides access to a market of over 500m people and the Government anticipates an increase in the flow of business to Gibraltar in the area of funds and hedge funds as a result of this legislative improvement.”

office, Picardo notes that public finances are “not anywhere near as positive” as he was led to believe prior to his winning the election in December.

Government companies - “unable to secure the sales of assets, principally post-War housing” - had failed to pay back borrowings of £100m by the financial year-end, with the result that there was a lack of cash flow; at one stage, reserves were down to £9m, he revealed.

Nevertheless, a Manifesto commitment to halve the present £500m gross debt and

increase reserves by the next General Election will be kept, Picardo assured. A change in the way public finances are structured will help prevent recurrence of a similar public financing problem.

“Our task doesn’t depend on where Gibraltar was last year. Our task depends on our energy and our ability to deliver where Gibraltar needs to be this year and next year,” Picardo concluded.

See also Editorial Comment, page 4.

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Corporate Governance and whether the composition of the Board would have made a difference?

By Bethan Hampson-Jones, Policy & Research Manager, Financial Services Commission, Gibraltar.

It is only natural to ask whether the collapse of certain financial institutions, would have occurred if a woman was leading the Board?

Just as the UK calls for an increase in women on Boards, maybe there is some truth in this thought pattern. David Cameron recently expressed that businesses were “failing” the economy by not having enough females in senior positions. Indeed the UK is not alone in its quest to increase the presence of women in senior positions and on Boards.

Norway introduced a quota for women on boards a decade ago, and several EU countries have followed suit. France brought in legislation just over a year ago under which, listed and large unlisted companies must reserve at least 20% of board seats for members of each sex by 2014 and 40% by 2017. Italy and Belgium have mandated a minimum one-third representation. Spain and the Netherlands have introduced new laws and Germany, along with the UK, are debating quotas.

Female Directors

Research suggests that companies with a significant number of women in senior positions, such as on the Board, are more successful than those who have not. Research further indicates that the appointment of female directors can improve a company's performance and female directors enhance board independence. In addition, women tend to take their non executive director roles more seriously as demonstrated by preparing more conscientiously for meetings. Furthermore, women bring different perspectives and voices to the table, to the debate and to the decisions.

Yet the position is not clear cut. A recent study for the German central bank indicates that women at the top of the banking industry may spur their male colleagues to take bigger risks. This undermines the widely held view of the calming influence female staff have on testosterone driven company boards.

Does this particular research in fact highlight that actually an increased concentration of women could have made the outcome of this particular financial institution even worse?

In reality there is more to it than proving which gender is better than the other and more suited to leading and steering a financial institution. What really is pivotal behind a successful financial institution is its Board and their adherence to core principles.

Good Corporate Governance

Requirements for good corporate governance have significantly evolved over the last 25 years. Internationally, core principles are driven by the Organisation for Economic and Co-operation and Development (OECD). Their principles of corporate governance have gained worldwide recognition as an international benchmark for good corporate governance.

Within the finance Industry, the International Association of Insurance Supervisors “IAIS” and the Basel Committee on Banking Supervision “BCBS” have developed specific principles and guidance for the industry and the financial activity under consideration. So let me draw upon a few core generic governance principles that a successful financial institution should implement;

It is now a given that every firm should be headed by an effective Board which is responsible for governance. The Board of a firm is the single most important element for the provision of leadership and direction of a successful firm. As such, the FSC places great emphasis on the appointment of suitable and competent individuals to Boards. However, it is mindful that the composition of the Board has to suit the firms business and therefore recognises that these will vary in nature and size.

The Board should be of an appropriate size. Individuals appointed should have the right balance of skills, experience, independence of mind and knowledge to enable them to discharge their responsibilities effectively.

The Board should have a clear governance structure. A strong and effective Chairman is a key component to the proper function of the Board. Corporate governance principles dictate that the roles of the Chairman and the Chief Executive of the firm should not normally be exercised by the same individual.

Furthermore, the Board should be responsible for setting strategic direction, and overseeing, advising and challenging management responsibility for implementing this strategy. The Board should establish committees, to improve the effectiveness of the Board such as audit committees and performance & remuneration committees, also, the composition of other members of the Board should normally include independent non executive directors “NEDs”. The NEDs can constructively challenge and help to develop proposals on strategy as they are independent and not involved in the operation of the firm. The appointment of the NED is highly instrumental in ensuring the board operates effectively.

Risk Management

Risk oversight requires that the board establishes a comprehensive and well defined risk management framework that defines the firm's approach to risk. It should set out the methods to mitigate risk and clearly identify those responsible for implementation. A suitable oversight process and ongoing evaluation of this must be integrated in order to ensure the effectiveness of these processes and procedures.

Whilst there is some truth in increasing a woman's presence within a Board, ultimately what will steer a financial institution to brave another storm is ensuring that its approach and dedication to corporate governance develops. Standards need to be improved. Priority areas considered and developed. The Board must be committed to choosing the right Board members with the right skills. The board must have full understanding of risk management.

Ultimately these are the true imperatives. Diversity will facilitate this but will only be part of the wider change needed to ensure strong financial institutions.

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What are your Options worth?

By Eran Shay, Head of Financial Advisory Services, Deloitte Limited

Many companies currently face great difficulty in attracting and retaining staff. One effective way to deal with this issue, while keeping wage and salary costs down, is to use an Employee Share Option Plan (ESOP). In Gibraltar, online gaming companies and other technology-oriented companies have traditionally been using ESOP as part of the reward package for their employees for many years.

Under an ESOP, a company issues options to an employee (generally over un-issued ordinary shares). Through the careful design and implementation of an ESOP, companies can foster executive and employee loyalty and, at the same time, create a strong focus on the 'bottom line' at relatively little tax cost

mechanism to retain and reward top employees. However, while this arrangement would appear to be in the best interest of management and shareholders alike, there is the risk that in certain situations it may sometimes actually incentivise management of some companies to be focused on the short-term performance of the company's stock rather than the long term.

Valuing an Option

There are many ways to structure an ESOP and each requires consideration of various commercial, legal, accounting and tax issues. The tax consequences arising for the company and the employee will bear heavily on the success of any ESOP - thus upfront tax planning is important.

Reporting Standards (IFRS) to account for stock based compensation using "the fair value based method."

The fair value method records compensation for stock option transactions with employees at the fair value of the option instrument granted – the value that would generally be received when a similar option was issued in any other arm's length transaction, such as in an options market. Fair value is generally determined at the date the employer grants the option to the employee and the employee understands the terms of the grant.

How should fair value be computed? To start, if an observable market price exists for an option with the same or similar terms, companies should use that price. Unfortunately, these situations are rare. A typical market traded option has a much shorter term (usually not



advisory firms often look at other models such as the Lattice (Binomial) model.

Tax Considerations

Ordinarily in Gibraltar, the tax point for an employee will be the date when the option is granted. However, where certain conditions need to be satisfied in order to be able to exercise the option (e.g. continued employment of the person by the company, a certain vesting period, etc.) the tax point becomes the date on which the employee has satisfied the conditions and takes full ownership rights over the option.

The amount to include in assessable income would be the market value of the option at the tax point, which would be taxed at the employee's marginal rate of tax. In contrast to many other countries, there is no Capital Gains tax in Gibraltar and so an employee who holds a stock option can fully realise any appreciation in value of the stock upon exercise without being further taxed.

In summary

Implementing an ESOP does not need to be overly complicated or expensive. With the right tax advice and proper valuation, the design and implementation of an ESOP can be done so that neither the company nor the employee suffers any adverse tax consequences and that the benefits of an ESOP are fully realised.

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“The tax consequences arising for the company and the employee will bear heavily on the success of any ESOP - thus upfront tax planning is important”

to the company and the employee.

The primary objective of stock-based compensation arrangements is to achieve alignment between the goals of management and a company's stockholders. The intention is to encourage management to act in a manner that will increase the stock's market value. In addition, as stock options generally vest over a number of years, stock compensation also serves as a

Basically, the 'design' of an ESOP will depend on the objectives of the plan, the employees participating in it (e.g. directors/senior management only or all staff, etc.) and the circumstances of the company.

Usually, a company will issue an option under an ESOP at a 'discount' to the market value of the option. Indeed, public companies are required, in accordance with International Financial

greater than three years) versus an employee-share option (with terms that can extend to ten years or more).

In the absence of an observable market price, companies must use a valuation technique based on established principals of financial economic theory. In general, the most common share option valuation technique has been the Black-Scholes-Merton formula, although professional financial



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Doing business in Gibraltar - FAQs

by Patrick Pilcher, Senior Manager at PricewaterhouseCoopers (Gibraltar) Limited

Starting a new business venture in Gibraltar can be a minefield as there are many factors which need to be considered in order to ensure that all the formalities have been addressed and that you are operating in a fully compliant manner. It would be impossible to cover all of these in this article so I have concentrated on covering the more frequently asked questions.

What type of legal presence is required?

This will be one of the first choices that you will need to make when looking to start business in Gibraltar. There are a number of choices available for example you can operate as either a self employed person, a company or a partnership. Overseas companies wanting to set up in Gibraltar can also consider setting up a branch which would legally be a part of the company and would not have a separate legal existence in Gibraltar.

are taxed directly on the profits of the business.

When choosing the name for your company or business you need to be aware that certain words such as 'Gibraltar', 'British', 'International', 'Holdings' or 'Group' require approval from Companies House also other words such as 'Financial', 'Bank', 'Trust' or 'Insurance' require approval by the Financial Services Commission. You may not choose a name for your company that has already been registered at Companies House. If the name incorporates the registered trade mark of a third party you may be in danger of infringing that trade mark.

Are there any licensing & regulatory obligations?

Before starting operations, it is very important to consider whether the planned activity is subject to any licensing or other regulatory requirements.

Most wholesale or retail trading or



What are the accounting & audit requirements?

As a general rule, all trading businesses incorporated under the Companies Act are required to have their annual accounts audited by a Gibraltar registered auditor.

The Commissioner of Income Tax does not require companies that have less than £500,000 of income subject to taxation in Gibraltar to submit accounts that have been audited and will accept accounts accompanied by a Compilation Report signed by an accountant independent of the company.

The company will also need to comply with the requirement to file accounts at Companies House. A company which qualifies as "small" i.e it satisfies two of the following criteria; turnover less than £6.5 million, total assets less than £3.26 million and less than 50 employees for two consecutive years can choose to file only an abridged balance sheet rather than a full set of financial statements.

What are the employment considerations?

There are many considerations for prospective employers and from experience this is usually one of the most common pitfalls affecting new Gibraltar employers and non compliance can be costly.

To start with all prospective employers need to be registered with the Employment Service and the Income Tax Office.

Before taking on a prospective

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PROFILE

Bringing a military bearing to business expansion

Despite being one, of very few people who have been decorated for meritorious service by the rulers of three countries, it was not difficult for **John Perez** to swap his 25 year military career for one in business, as *Ray Spencer* discovers

The former Lieutenant Colonel and Commanding Officer of the Royal Gibraltar Regiment was in charge of around 400 troops until he joined Bland Group International (BGI) nearly two years ago as Chief Executive and assumed responsibility for one of Gibraltar's oldest businesses that today has a similar-sized civilian workforce.

BGI is the Bland Group's (BG) Western Mediterranean arm and consists of ten businesses operating primarily in Gibraltar, Spain and Morocco. With his Irish Town Head Office - the centre of all Blands activities over the last 50 years - Perez' brief is to intensify international activity by using Gibraltar's strategic geographical position and commercial potential to best effect.

"I think Gibraltar has immense potential in many sectors of business - in tourism, logistics and security, for example, we are already working to create good opportunity. Economically it is also important to exploit the fact that we bridge two continents and how to best capitalize on Regional gain.

"Gibraltar has immense potential and scope in some areas; I believe we can always do a lot better."

Improving security

The Gaggero family founded Blands over 200 years ago and over decades have developed Gibraltar's tourism potential. Today's BGI consists of Blands Travel, a destination company with its own fleet of busses, Gibair, Gibraltar's airport handling company, the 150 years old Rock Hotel, Colorworks, a multi-media company and BGI Consulting dealing with inward investment opportunities.

Last year, under Perez' direction, the Group acquired three security companies

to form Operations Security Group (OSG). "This is a very exciting venture. General security awareness and current capability here in Gibraltar and the Region can be improved; we could do a lot to make the Region a safer place in addition to providing logistics and equipment solutions to Morocco, Spain and Africa," Perez enthuses.

The Maghreb is a strong potential market, he believes. "Opportunities are now becoming available through Morocco's ability to promote incentives to encourage foreign investment", he notes.

BGI's links in Morocco include the Agence Med shipping company, working out of Tangier Port, and Travel Link, a specialist destination management company with offices in Marrakech, Fez and Tangier.

"People are key to everything you set out to achieve, it is critical that you exercise good leadership and respect to exploit the qualities of those you are responsible for. In business, just like the Army, structure and clear understanding of responsibilities and targets is a must in any sound organisation. I have always been very fortunate to be surrounded by very able and talented people throughout my career."

His credentials for spearheading BGI development have been complimented by his wide military experience in several of the world's most troubled hot spots, including Northern Ireland and Iraq.

Perez was also the architect for developing a high profile Anglo/Moroccan exercise called Jebel Sahara, which involved the Royal Gibraltar Regiment and the RAF working alongside Morocco's elite units in the High Atlas Mountains, for which he was awarded the MBE by Her Majesty the Queen in 2003.

Six years later he became the only foreigner to be decorated by King



Just like the Army, structure and clear understanding is a must, says BGI's John Perez

Mohammed VI with the High Order, Al Istihkak Khigh Wissam for his continued extensive work in developing training and military relations between Morocco and the UK.

But it was in 2006 that his leadership skills were tested to the full when as Director of Iraqi operations and training he set up and provided tactical instruction of the Iraqi Intervention Force to fight alongside a 300-strong team of US Marines, British, Australian and Jordanian Forces, within the Sunni Triangle around Baghdad. He was awarded a Bronze Star for meritorious service by order of President George W Bush and flown to Washington by the US Marine Corps to receive it.

Leadership & diplomacy

Bland Group Chairman James Gaggero recognised the combination of leadership and diplomacy shown by 45 years old Perez, who admits he was aided in his appointment interview by information gleaned from a 2010 *Gibraltar International* profile of Gaggero and BGH.

The core of BGI's investment remains in Gibraltar, including a £3m+ refurbishment of the iconic 4-star Rock Hotel which is expected to start imminently. With one firm tendering to reconfigure the 104

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PROFILE

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bedrooms at the rate of 30 a month, the year-long transformation into a “first class, corporate and leisure hotel” will be in stages, including upgraded common areas, restaurants, conference room and private dining facilities.

He recognises “it’s been too long since there was any serious investment” at the hotel, and we are now looking forward to enhancing the value also of this unique product. “Recent improvements to Gibraltar’s infrastructure such as the new International Airport terminal and widening of our tourism catchment areas through airline route development and promoting Gibraltar as a destination of first choice are key factors that will add to the success of the hotel and Gibraltar’s economy”, Perez enthuses.

Gibraltar has a unique product which can provide a world class experience. “It’s encouraging to see a greater focus by the government on tourism and I feel it is now critical that all the stakeholders work together across the whole spectrum of services to deliver a complete first class experience”, Perez maintains.

“At Blands Travel, we have recruited



Transformation imminent for iconic Rock Hotel

high quality people who from the outset of their education have expressed a desire and commitment to be involved in developing Gibraltar’s tourism. We are working closely with the Gibraltar Tourist Board and Ministry of Culture to develop new products and upgrade our services”.

Bland has been involved in the airline industry since 1931, with its Gibair company responsible for airport handling locally since 1947: last year’s successful tender extended this for seven more years.

Based on a series of Key Performance Indicators, Gibair’s work is both scored and regulated by the airlines and local authorities and “is a critical part of the success of Gibraltar’s International Airport”. Perez is adamant: “Our perform-

ance record for the past few months will be up there with the best.”

The A320 aircraft using Gibraltar have baggage holds that are separated by cargo containers, he explains, so the first luggage gets to the carousel within 7 minutes; then after a gap for cargo, the next bags arrive. “Sometimes, if there is a lot of cargo, it may interrupt the flow, but most bags are with passengers well within 25 minutes - our average is 19-20 minutes”, he maintains.

Steely determination

“In some larger airports, the walk from an aircraft to the carousel takes 25 minutes or more; in Gibraltar you can be in the terminal in less than 3 minutes.”

He hopes more airlines will soon choose to fly into Gibraltar, including some other European destinations.

His fast-talking, quiet, almost gentle, approach belies a steely determination to succeed. Taking on new challenges does not faze him – in fact, ‘challenges’ are very nearly all he speaks about.

Entering the security market is one of the first new developments since his

Continued on page 20

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PROFILE

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appointment. Having taken over Security Express, Watch-IT and Secur-IT last Summer, Perez created OSG, merging the businesses to become the largest operator locally in five areas – security, training, equipment and systems and logistics – and near doubling staff since to 130.

His challenge is to expand the market locally and internationally by “projecting OSG as a one-stop service of security capability across the globe - we are driving security in Morocco, and we are scoping interest from three or four other areas in the Maghreb and South America”.

Taking orders

With current constricted budgets, the armed and uniformed police forces are beginning to outsource some routine security functions to third parties mainly for cost reasons, he observes. “It’s a market where there has been less understanding of what a good private sector firm can bring to the table. It’s never been a practice that Gibraltar engaged in previously.”

Perez adds: “Critically, nobody looked at security as a one-stop service – prevention, data collection for evidence



A fleet of Blands buses work to expand tourism

gathering, using good surveillance methods and CCTV, and response, which is being able to do something about it.” Being in the private sector, he says OSG is better able to afford and deploy the latest technologies available in Industry.

His other big challenges are around people management, where his ‘military approach’ is being tested. With fresh ideas, some widened responsibilities and by shifting people out of comfort zones, Perez aims for the businesses to become more compliantly robust.

At BGI, he’s dealing with “people less versed in a structure of how to take orders and policy; there’s more of a participative angle on getting things done, although I must admit the Army is now very much run

at times like a business.”

Perez starts with a process of education and investment in training and communication. “It’s critical that people understand the code of conduct of the company and what’s expected of them, and with that relationship people will give you 100 per cent,” he says.

“We are working towards that result and people have adapted to change. Yes, it has been a slow process, but we have our plan and we will transform our organization.”

He’s enjoyed changing career. “After 25 years of military service, it becomes a way of life - you automatically are part of a club - which is completely different to business where things tend to move a bit slower and pressures are very different.

“The Army served me well for 80 per cent of the individual skills I require and I’ve just had to adapt a bit more to accommodate myself to the demands of the commercial sector. I’ve been handed responsibility and I have available the experience and advice of my Chairman, James Gaggero. I learn from other people and will adapt and try to improve myself every day,” Perez declares.

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employee, employers are obliged to file a notice of vacancy 14 days before the date of commencement of employment. On termination of employment the employer must within 7 days file a notice of the termination with the Employment Service. Failure to comply with the relevant registration and notification requirements can result in penalties for the business of up to £1,500.

Another consideration for employers is whether the prospective employee will require a work permit. Generally non EEA nationals will require a work permit in order to become employed in Gibraltar. Work permits are issued for a maximum period of a year but can be renewed. As part of the application for the Work Permit you will need to satisfy the Director of Employment that no suitable EU nationals have applied for the position.

Gibraltar law like most countries grants employees a range of protections that create obligations and potential risks for employers. These include a general duty to provide a safe place of work as well as minimum pay, holiday and equal rights.

As an employer you will be obliged to deduct employee taxes in the form of Pay As You Earn (PAYE) and social insurance, you are also liable for employers social insurance for each employee. Payment of PAYE and social insurance is due monthly and penalties apply for persistent late payers.

What are the tax obligations?

As soon as your business becomes liable to tax there is an obligation to register with the Income Tax Office.

Most companies will be subject to tax on their trading income at the rate of 10%. The exception is utilities and companies which abuse a dominant position which are taxed at a higher rate of 20%.

Partners and sole traders are required to make two payments on account on 31 December and 30 June in each year of assessment. Each payment should be equal to 50% of the tax liability for the previous tax year.

Companies are required to make payments on account of future liabilities on 28 February and 31 August in each

calendar year. Each payment should be equal to 50% of the tax based on the previous year's assessable income.

The balance of tax due being the actual liability less payments on account is due on the date of filing of the return which must be within 6 months of the financial year end for companies and by 30 November for individuals, sole traders and partnerships.

Does the business qualify for funding or grants or other incentives?

A major consideration for most start ups is raising of finance and particularly in these times of scarce credit it is fortunate that Gibraltar is classed as an Objective 2 region of the EU, which means that it is entitled to financial support from the European Regional Development Fund. Any legally registered company, business or sole trader operating in Gibraltar is eligible to apply, the areas of activity that are NOT eligible for EU funding include wholesaling, retailing, financial services and mobile investments.

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New Financial Services (Experienced Investor Funds) Regulations 2012

By Joey Garcia, Senior Associate at Isolas.

The Regulations took effect in Gibraltar on the 12th April, and represent a significant step forward for Gibraltar as a European Fund Domicile.

Primary changes Non-Gibraltar Based Fund Administrators

There are a number of significant changes in the Regulations, but the headline amendments start with the re-definition of an administrator to include administrators established in the European Economic Area, or in a jurisdiction with legislative and regulatory equivalence to Gibraltar, and which the Financial Services Commission (FSC) have approved with the consent of the Minister.

This, along with the principle of permitting the delegation of certain management and control functions to entities that are specifically authorized or entitled to provide such service in the state

or territory that the service is being provided from, follows an international trend that has seen success in other jurisdictions.

In Malta for example, functionalities of Professional Investor Funds do not necessarily need to be established in Malta. However, having provided services to Malta funds over a period of time has led to the establishment of those service providers in the Jurisdiction and has been a clear catalyst for growth.

All sections and representative bodies of the various associations in Gibraltar affected were fully consulted on the proposed amendments and the FSC have also been quick to clarify that the change permitting non-gibraltar administrators is not geared simply towards allowing funds to be administered externally. Rather, the change is aimed at allowing 'brand name' administrators to provide services to Gibraltar Experienced Investor Funds (EIF's). The idea is clear, Funds that may

otherwise not have considered Gibraltar as a fund domicile, on the basis that an ongoing relationship with their fund administrator would not be permitted, now have another option in terms of the ever more important decision of fund domicile. In this way, the jurisdiction is for the first time allowing itself to potentially plug into the vast client base of these Companies. The idea is to win business that would otherwise not have considered Gibraltar. The importance of this change cannot be underestimated and represents a natural and important progression.

Change to definition of 'Experienced Investor'

There have been a series of changes to the 'Experienced Investor' definition which now include a cross reference to the 'professional investor' definition from Markets in Financial Instruments Directive (MiFID), as well as a participant who invests a lower minimum of €50,000 but is also professionally advised in respect of his investment. An investor can also invest an aggregate of €100,000 across a series of

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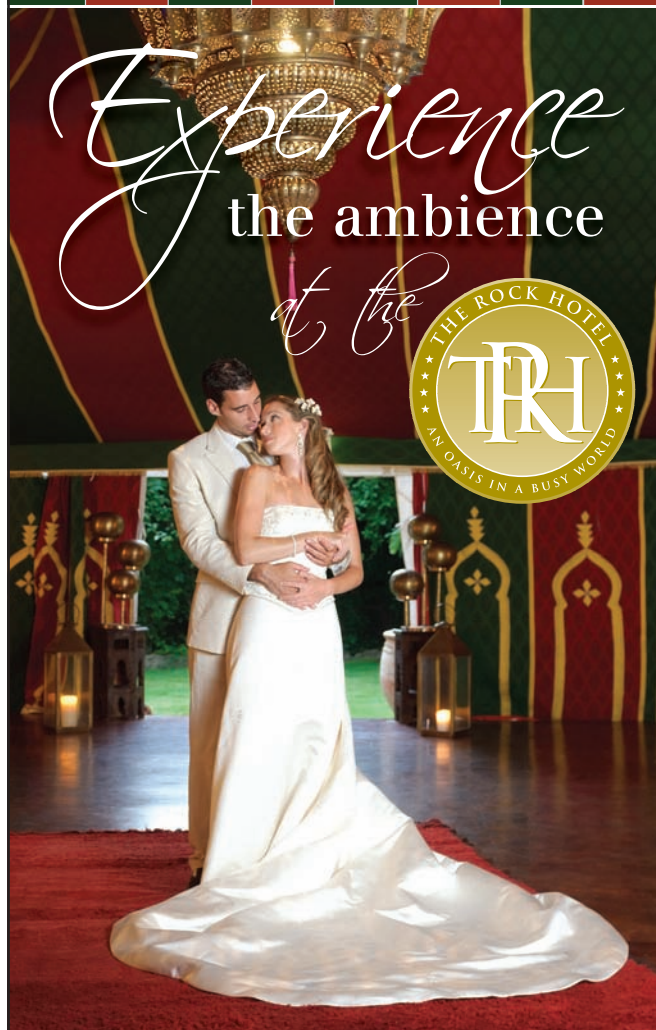


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BUSINESS

Gibraltar Savings Bank

The Government has purchased an iconic building on the corner of Main Street and Bomb House Lane, which will serve as the headquarters of the Gibraltar Savings Bank and will also house the Treasury Department.

In their 2011 general election manifesto, the GSLP/Liberals pledged that the Gibraltar Savings Bank would be expanded to take on board the needs of Gibraltar businesses and personal users. The manifesto also stated that the provision of loan facilities for small businesses, to help them expand and see them through periods of difficulty, will be one of the bank's objectives. It also said that the bank will pay interest on current accounts, as well as no charges for the handling of cash. The bank will also operate a small guarantee

The guide also answers many questions, that overseas investors and businesses may have, and it is a great starting point for anyone looking to conduct business in Gibraltar.



It also covers reasons why an investor may consider Gibraltar, including explaining legal presence, tax issues, regulatory matters and dealing with practical issues like business insurance and customs and excise duties.

The free business guide is available to download and hard copies are available on request. Please visit, www.pwc.gi for more information.

Business ROUND UP

scheme for small businesses.

The Gibraltar Savings Bank dates back to 1882. The Government paid £3,000,000 for the investment in the property and at the same time has approved the sale of the present Treasury Building, the negotiations for which are currently on-going.

Gibraltar Business Guide

PricewaterhouseCoopers (Gibraltar) Limited have published a "Doing Business and Investing in Gibraltar" guide. The guide provides insight into the key aspects of undertaking business and investing in Gibraltar, from establishing an entity, to dealing with employees.

Business Advisory Unit

Gibraltar law firm Hassans, have announced the launch of a Business Advisory Unit, against a backdrop of envisaged legislative changes in Gibraltar, and as part of its continuing commitment to serve the needs of its corporate clients with local and international business interests.

It is being led by Michael Castiel, a senior partner at Hassans, who has extensive experience in international business, corporate tax, and business law.

Working alongside Mr. Castiel is Richard Buttigieg, a partner of the firm, senior associates Gemma Arias and

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Michael Castiel: Senior Partner

Tim Garcia and associates Francis Muscat and Danielle Villa. Together they offer a wealth of knowledge and experience in the corporate and commercial field of local and international business.

Gibraltar Law Firm ranked No 1 in Chambers and Partners
Hassans international law firm is once again delighted to be ranked No 1 in the

independent legal directory, Chambers Global 2012. Its stand-alone position further strengthens the firms' reputation, expertise and quality of service to clients.

Chambers and partners select firms for rankings based on a three step process: submissions put forward by legal practices, client interviews during the course of research, and their own database resources.

In addition to their No 1 ranking, Senior Partner, James Levy QC, received a 'Star Individual' ranking. This ranking is given to lawyers with exceptional recommendations in their field.

Mr. Levy commented, "We are thrilled to once again

receive the ranking of No 1, this not only gives a boost to firm morale, but it is also an opportunity to thank our most valued clients who provide the feedback. I am very proud to be at the helm of this firm,



James Levy QC

whose future remains bright and firmly established in this exciting and growing jurisdiction and to lead such an exceptional team of professionals, who work hard to provide excellent client service."

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clients, allowing them to personalise dealing levels for firms or individual users.

eQ was researched, developed and built by a team of IT and banking specialists in the year 2000, and is regularly used by financial intermediaries, financial advisers, and corporate clients in the offshore marketplace.

Ibex Insurance and Akin Charity prepare for Marathon

The goal of Street Child of Sierra Leone (SCoSL) is to reduce the number of children living on the streets, (Estimated 50,000), and care by tending to their nutritional, health, educational, recreational, and psycho-social needs. Re-building trust in adults,

Marathon running has become a very popular

challenge for charity fundraisers over the years, and the Ibex/Akin team are busy training for their first ever marathon, but not in London or New York. No, this group will be heading for the small town of Makeni in Sierra Leone, for the Kiln Sierra Leone Marathon, on the 9th June.

The goal of Street Child of Sierra Leone (SCoSL) is to reduce the number of children living on the streets, (Estimated 50,000), and care by tending to their nutritional, health, educational, recreational, and psycho-social needs. Re-building trust in adults,



reconciling the children with their families and communities or settling them in alternative loving environments. SCoSL is a volunteer-led UK- registered charity committed to spending 90% of all donations on high-impact projects.

Donations can be made via your local Ibex Insurance office or via the web at, www.virginmoneygiving.com/team/IbexAkinKilnSLMarathon www.street-child.co.uk www.akincharity.org www.ibexinsure.com

Rain doesn't stop play for Gibraltar's Sport Relief

Members of the Gibraltar business community, military, and general public, did not let bad weather stop them for turning out for Gibraltar's first-ever Sport Relief. Nearly 400 runners turned out for the

event, which consisted of one, three and six miles runs, that were organised by the Sports Minister Steven Linares and the RAF Station Commander, Wing Commander Jim Holland.

Miss Gibraltar, Michelle Gillingwater Pedersen started the one mile race and GBC Sports Personality of the Year, Nathan Stagno, started the three and six miles races.

Monies raised from the event went to the Diamond Jubilee Trust Fund. Mr. Linares explained that, "The trust has been set up by the Chief Minister and the Governor. Many future events during this Diamond Jubilee year will also be raising money for this trust". www.sportrelief.com



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Quality Management Systems


Information Security Management Systems

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EIF's and also qualify, while under the previous legislation the minimum applied in respect of a single investment.

Very importantly, the change also allows the FSC to permit participants of re-domiciled funds (either by fund or by category of fund, from a particular jurisdiction) to qualify. This is critical as Gibraltar continues to position itself as a realistic EU alternative fund domicile. The advent of the Alternative Investment Funds Managers (AIFM) Directive for one is likely to widen the gap between EU and non-EU fund domiciles for marketing and distribution purposes (within the EU). An EU AIFM managing a non-EU Alternative Investment Fund (AIF) may be able to rely on local private placement rules after the 22nd July 2013, but there is no guarantee of what those private placement rules will look like. Similarly, after 2018, such distribution channels may become unavailable. What is also clear is that a passport will automatically apply to the marketing of an EU AIF by an EU AIFM from the date of transposition, while the pan European passport may only apply to the marketing

of a non-EU AIF after 2015 (and subject to certain conditions).

Authorization Process

The Regulations also introduce an additional option for the authorization process of an EIF. The post launch notification process remains, and is in fact now a distinguishing and attractive feature for Gibraltar. However, funds may also choose to apply to be registered prior to launch by notifying the FSC at least 10 (business) days before the establishment of the EIF. Unless further information or clarification is requested, the fund will be registered and if no request is made the fund will be deemed to be authorized at the end of the 10 day period.

This is unique to Gibraltar after the recent change to Luxembourg law on the 6th March 2012 (Bill no 6318) which amended the law on specialized investment funds and removed the possibility of having prior authorization, thereby losing one of its predominant characteristics.

Conclusion

There are many other changes to the Regulations that are beyond the scope of

this article. The clarification of the principal duty of an EIF Depository is a welcome addition as are the details relating to additional disclosures on procedural and notification matters.

Gibraltar is well placed to take advantage of developments in the international 'onshore' fund industry and the amendments to the Regulations are an excellent first step. The recent partial revision of the Swiss Federal Act on Collective Investment Schemes Act (CISA) are arguably also geared in part towards AIFM and could also put Gibraltar on the map for the Swiss Asset Management Industry concerned about the extending FINMA regulation, and EU market access.

As stated by Minister Licudi in the Government press release on the Regulations, "as part of the EU, Gibraltar provides access to a market of over 500 million people and the Government anticipates an increase in the flow of business to Gibraltar in the area of funds and hedge funds as a result of this legislative improvement."

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Professional Bodies based in Gibraltar

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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)
Emma Perez, President, Tel: + (350) 2000 2000
Email: emma.perez@sghambros.com

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

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

Gibraltar Finance Centre Council (GFCC)
Kerry Blight, Chairman, Tel: + (350) 2000 4000
Email: kerry.blight@credit-suisse.com

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

Gibraltar Funds & Investments Association (GFIA)
Adrian Hogg, Chairman, Tel: + (350) 200 45502
Email: adrian.hogg@gi.gt.com

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

Gibraltar Insurance Institute (GII)
Andy Baker, President, Tel: + (350) 200 79520
Email: abaker@argus.gi

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

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

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