May/June/July 2014

# GIBRALTAR INTERNATIONAL

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## Exclusive Interview: New FSC chief executive

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GIBRALTAR INTERNATIONAL

May/June/July 2014
Volume 20/ Number 2

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## Editorial Comment

# Gambling on consumer protection

Internet gaming is on the increase, aided increasingly by access from mobile 'phones, but the emphasis of regulators and premier operators remains fully on consumer protection. So it is difficult to understand why the UK should have shunned the Gibraltar suggestion of only permitting overseas licences for eGaming companies that are from recognised, well-regulated territories where every effort is made to see that companies are well organised to detect money laundering, well funded to pay out bets and have procedures in place to identify and assist players that may become addicted.

Given that Gibraltar's 28 licenced operators account for circa 80% of UK bets, it's also surprising that the industry was not consulted about any perceived 'issues' before introducing a new, more expensive and 'open' licencing regime that will come into effect at the end of this year.

At the same time, the UK is to impose a 15% point of consumption tax on operators that could drive prices up (or odds down) whilst other newly licenced and non-licenced operators from, say Asia or Russia, suck in UK players on more competitive terms, made possible because they ignore UK requirements and pay no tax, adding to a further downgrade in consumer protection.

Maybe those in the UK advancing the changes – the Treasury and Gambling Commission (which has been shown to have questionable control over unsound operators under the existing system) – felt they couldn't abandon the plan they recommended to Ministers. Whatever the reason for this head-in-the-sand approach, legal action challenging the UK measures is now quite likely this summer from eGaming firms that account for 20+% of Gibraltar's economy.

But is a threatened Judicial Review from Gibraltar remote gambling operators the reason behind the UK delay to seeking Royal Assent for the revision to gaming licensing from March to mid-late May? Unexpectedly, the Gibraltar government has said it will support any such legal challenge, whilst not itself willing to initiate it.

Very often, taking legal action against Governments is not judged by reference to the merits of the case! More it is about what taking legal action will do to intergovernmental relationships – the politics. And Gibraltar is dependent on continuing UK support for gaining Spanish co-operation to ease border tensions that are affecting The Rock's economy – visitor numbers and retail sales in particular.

The UK can still progress its gaming law changes even if a legal challenge is sought and granted – although the objectors can ask for a stay of execution. A Judicial Review though could postpone the matter for 18 months to 2 years.

The UK measure means it is necessary for operators to licence twice – in Gibraltar as well as the UK - and it will cost some firms several hundreds of thousands of pounds more when double compliance costs are taken into account.

However, it is now considered less likely that many firms contemplate abandoning Gibraltar for the UK, but several look to change business models to compensate.

Much depends on what happens in the next couple of months; but don't expect eGaming companies to sit back and do nothing when their reputation is at stake.

*Ray Spencer*

Published by
Gibraltar International Publications Ltd.
G7 Cornwall's Centre
PMB 104, PO Box 561
Gibraltar

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# First 5-star hotel expects £40m annual business

Gibraltar's first 5-star hotel, the £120m Sunborn Yacht Hotel, began trading from mid-February and already its Finish owner estimates over £12m has been spent with more than 150 local companies, to allow for its "soft opening".

According to Sunborn (Gibraltar) development director, Brian Stevendale, hotels "generally move into profit in the third year of operation and by that time we will be employing over 300 people and will have built income in the region of £40m a year".

The 142m long seven story Sunborn Yacht Hotel at ocean Village

He added in an exclusive interview with *Gibraltar International* editor, *Ray Spencer*: "My projection, as a result of the business booked so far and the level of enquiries already received, is that we should be profitable much sooner."

The hotel, which will offer 193 rooms, including 22 suites – just about all with sun decks or balconies - is currently operating around 120 rooms, but will extend gradually to full availability by end-May.

Nevertheless the hotel is expected to achieve low occupancy this year. "Usually from start-up, hotels expect to achieve 20-30% occupancy and we are on course to exceed that. We have had guests paying for overnight accommodation from end-March," Stevendale said.

The vessel theoretically can hold up to 1,500 people at any one time, in part because there is banqueting for 400 people and conferences facilities for up to 600. The first event for 60 people was staged by Cube (Gibraltar), a data storage facility at adjoining Ocean Village in mid-February.

In early April, KPMG held its annual e-Gaming summit event on the vessel, and two other overlapping conferences – for an international health provider and 50 Swiss asset managers – would not have been based locally had the 5-star facility not been available, Sunborn declared.

"I can well understand some of the local resistance to Sunborn, because they see it potentially, as taking away their trade, but looked at overall from a Gibraltar plc perspective, it just is not true", Stevendale declared.

And he added: "We have bookings for three events that take over the whole hotel later in the Autumn, each generating in excess of £1m a night; one is a large wedding and in early April, another event will take over all of the 120 rooms then available."

Andrew Shaw, Finish-based marketing director for Sunborn International, said: "In the long term, we expect 85% of our business to come from outside of Gibraltar."

Sunborn Group has assets of €½bn in Europe and the Far East, including 5 land-based hotels (in Finland, London and Germany), care homes and spas, apartment complexes and ship building, as well as a second yacht hotel, that after a decade had a £60m refit and moved from its original Finish base to open in London in April.

## Investment sought

Hans Niemi, Sunborn Group's executive director, told *Gibraltar International*, that "we also hope to have a yacht hotel in Asia, America and the Middle East", and another in Barcelona - likely to be the next in 2½ - 3 years – where the Gibraltar vessel was originally headed.

Instead, the Finish privately-owned firm negotiated a £30m loan on undisclosed terms from Credit Finance, a government-owned company. "We had provided all of the structural finance building the vessel prior to arrival in Gibraltar. We have invested in our fleet here and in London, but it is no secret that we are looking for investment partners for each new location, what I call 'the local lions', to support us – firms and individuals that are embedded in their local community who will become partners", Niemi declared.

The extra Gibraltar-supplied capital was used "to fit out the yacht to a very high standard and, of course, we needed money to pay the early operating expenses until income is sufficient to cover all of running cost", Niemi explained.

He went on: "There are a lot of up-front costs and a good proportion of that has been returned in business to the local community." So far the project has created extra work for GibDock – "we spent many hundreds of thousands there" - electricians, plumbers, housekeeping people, laundry services, marine engineers and a whole raft of on-call teams that will continue to be contracted to service Sunborn Gibraltar.

It had been feared that local corporate business would be taken from existing hoteliers and high-end accommodation providers, and the new hotel might also undercut room rates to gain business.

## No price cuts

"We have no intention of cutting our prices; it sends out the wrong message and we will not devalue our product in that way. We have no desire to mess around with prices", Stevendale assured. He pointed to the time when Ocean Village was being built and he was commercial director and "I remember people saying we would not achieve the prices we were asking, but we did".

The standard room rate on the Gibraltar vessel is £220, but if booked 10 days in advance it is £192. However, during the "soft opening" period, rooms are being advertised at £180. The suites, two-bedroom apartments, and rooms specially designed to also accommodate children, cost £900-£1,000 a night.

"We are offering a quality product that is, if anything, undervalued by comparison with other 5 star hotels in places like London, Madrid or Rome," Stevendale insisted.

He believes the secret to the planned success of Sunborn is the meetings, incentives, conference and events (MICE) market. "If we can attract bookings from this market – and we believe we can, indeed, we have already done so - we will be bringing business new to Gibraltar that was otherwise unlikely to have been here, and this benefits everyone", Stevendale argued. "I am expecting that we will bring some millions of pounds of extra business to Gibraltar."

# Preparing for July tax purge

**The OECD advance group of 44 countries and territories, including the UK, Spain, Portugal and Gibraltar, is adopting "an ambitious but realistic timetable" to implement common reporting standards for the automatic exchange of tax information**

The first annual exchange of personal information will affect tax years beginning on or after 01 July and for companies it is in respect of reporting periods from the start of this year. The move involves all financial institutions with personal accounts and investments, including certain insurance companies.

But Chris White, head of tax for Hassans law firm, told *Gibraltar International* in mid-April: "No mechanics have yet been arranged on how to transfer information to the Government, although from July we have to send information about residents of EU Member States, including income from employment, directors' fees, life insurance policies, pensions and ownership of and income from immovable property.

"This is in addition to bank interest, which has been in place for some time." Nor has there been clarification yet on what the UK position is regarding proposals for public disclosure of beneficial ownership on central registers that also may include trusts. The European Parliament has voted in favour, but some countries including the UK, are still uncertain.

White, a former head of the UK Revenue specialist investigations unit including overseas interests, declared: "Any list of beneficial ownership will be treated as a target list for tax inspectors with nothing being done by way of any research, and so embracing many people who otherwise would not be investigated.

## Spain seeks data

"Instead of guessing, authorities will be able to go down a list, tick some names and start off issuing investigation notices", he observed, adding: "At the end of the day we have no choice, but have to make the best of what we have got."

While the current state on both tax moves has created a degree of uncertainty, there is "a certain inevitably about this and reinforces what people deep down already know but don't want to admit to. There's always been a lot of burying heads in the sand." And he revealed that there had been "30-40 [tax] information requests from Spain and a couple from the UK – these are the ones we know about and I suspect there are many more".

Information notices were now being issued "as a first resort rather than a last resort" and whereas under Tax Information Exchange Agreements (TIEAs) – of which Gibraltar has 27 – the requests had to be taxpayer-specific, "under the new information exchange process that Gibraltar signed up to in November, information exchange is automatic from 1st July and information for 2014 has to be passed on at the latest by 2016". It is the same for all of Britain's Overseas Territories, he said.

## Political reality

An OECD advance Group statement maintained: "Tax evasion is a global problem and requires a global solution. This will provide a step change in our ability to clamp down on tax evasion, which reduces public revenues and increases the burden on those who pay their taxes."

An advertisement in the *Sunday Times* newspaper late in March - under the heading: "Hiding undeclared income Offshore?" - appeared with the strapline: "We are closing in on you" over a world map and eyes peeping through it.

A packed briefing seminar organised by Hassans and attended by 120 people, heard that although some Gibraltar practitioners may regard the new tax approach to be invasive, there was now no other course – "it's a political reality".

Existing EU arrangements and through inter-government Tax Information Exchange Agreements (TIEAs) meant that some countries – principally the UK and Spain – had begun requesting information about individuals claiming to be resident in Gibraltar, but they could not conduct "fishing" expeditions.

However, as White reasoned: "The jurisdiction that has issued the [information] notice clearly has not done so for fun and Gibraltar's Tax Commissioner is not going to ignore it. The enquiring country first needs to know the identity of whom they are investigating and that is going to get easier as we have FATCA, an automatic release of information from July on foreign residents who have sources of income in Gibraltar."

## Residence information

Richard Morley, a BDO tax investigations practitioner specialising in dealing with Britain's HMRC, explained: "The Revenue gets its information not just from third party practitioners and banks, but most will come from existing risk review process, from tax returns and informers – there is a heck of a lot of information sent in from aggrieved persons, most of which the Revenue treats with a pinch of salt, but they are duty bound to follow up on most of it."

But increasingly, information comes from information notices, affecting clients and third parties, trustees, practitioners, agents, etc. "The notices are being issued as a first resort, rather than a last resort", he noted, and "I am aware of UK Revenue sending information notices to Spanish counterparties in respect of residence, which can be equally with Gibraltar, particularly given the new UK residence rules that are being closely examined."

Nicholas Jordan, a Clifford Chance partner specialising in tax litigation, said the original US FATCA was "a bit of a gamble, but it seems to have passed the critical mass test and spawned a worldwide panacea for these things. How it will work out in practice is very difficult to say, but I don't think the structure is going to go away."

## One-way exchange

And he added: "Anyone who thinks American banks are going to take part can think again; they have made it very clear that in no way are they going to spend vast sums of their own money to become outreach departments for the tax authorities of the UK, Ireland, Spain or anywhere else.

"They have taken a more political stance than our own banks, so there are no obligations on the American end; it will be one-way so far as the US is concerned, but not so far as the rest of the world is concerned", Jordan advised.

# How following up on leads will frustrate your competitors

## *Using the True Power of Email Marketing*

By Julian Byrne, Piranha Designs Gibraltar

We often question whether it is worth following up on cold or even warm leads. Here is a example of how a long term nurture Email newsletter can make a huge difference.

It's Christmas and you are planning to create a personal photo calendar of your family and kids, you do it using Iphoto on your Macbook, and it's great. But before deciding where to order it from you decide to shop around a little and eventually find a website with some special offers on, called PhotoWorld. You register for the special offers and then move back to Iphoto to finish your wonderful creation. In the end it just seems easier to order directly from Iphoto even though it is significantly more expensive, so that's what you do.

Your registration on PhotoWorld begins the continuous and automatic process of sending regular Emails with offers and discounts every 2 weeks. Whilst sometimes they are annoying, often they prompt the recipient to take action, but as you have already bought these calendars and they last a whole year you really don't need to buy anything else.

So Christmas comes around again, you have been receiving these Emails for almost a year without making a single purchase. So what do you do? You see an offer and end up ordering the new set of calendars from PhotoWorld, they were in your mind, they had given you loads of offers, they have become your friends...

You also recommend them to some close friends, before even seeing how good they are at their job. There are many photo printing companies out there, but PhotoWorld had built a relationship with you, and their brand now occupies a space in your mind.

They bothered to keep in touch with you, even though you had never spent a penny. PhotoWorld have overcome the number one marketing problem facing small businesses – Follow up.

In surveys of many small business owners and entrepreneurs it was evident that following up with warm leads was the biggest frustration. The natural thing a business owner does is focus on the immediate sales (hot leads), normally putting aside the nurturing process and therefore allowing leads to go somewhere else. There is an interesting statistic that helps bring this into perspective:

**80% of people who are looking to buy something will do so within the next 2 years.**

This means that if someone visits your website or calls your business it is very likely that they will buy your product/service, only it may take a lot longer than you would like. It is a difficult and time consuming job to continuously contact these warm leads for 2 years, and very few people can afford to do this manually.

That is where Email marketing comes in. PhotoWorld and many other companies have learned the secret powers of Email marketing. By setting up well planned, useful Emails that get sent automatically to these warm leads continuously and indefinitely you turn a complicated process into an incredibly simple and powerful solution.

Now if these automated Emails are customized and sent to specific people (eg. those who have expressed an interest in a specific product) then the power of these Emails is multiplied.

You bought a calendar from PhotoWorld and now you receive offers for related products that are actually quite enticing. Every time you see one of these Emails you are reminded of the power of Email marketing, and how frustrated some of PhotoWorld's competitors must be. They won your business and your recommendation without you even knowing if they were any good.

Now a question for you - is your business keeping contact with people continuously until they absolutely don't want to know anymore?

Do you have automated systems in place to keep contact and send offers to people that you have never actually met?

Is your website working as hard as it should be?

If not, you may be one of the many website owners that lose out to the competitor who is constantly building a relationship and confidence with their warm leads. Remember the prospect is actually a customer in disguise.

*www.pdg.gi*

### Automated Email Marketing Software

**It is amazing how the internet allows small businesses to operate as if they were larger businesses, by using tools like automated Email marketing and split-testing etc, the small business owner can be following up on many leads without having to pick up the phone or send an Email themselves. If you as a business owner find you are doing the same thing a number of times then maybe that can be automated and improved. The most advanced systems can be setup to start a different series of Emails based on the readers' preferences and interactions with each Email. If they click on an Email a new series starts, if they don't click on anything then a different Email is sent etc. The options are endless and incredibly powerful.**

# Insurance growth looking to cover Europe

**Diversification of Gibraltar's insurance industry, with an emphasis on European expansion, forms part of an ambitious plan to further grow the sector as a major constituent of the jurisdiction's finance centre**

Gibraltar's insurance sector has seen huge success in recent years; 56 firms are licensed and, with some 450 staff locally, reported a combined gross premium income of £3.8bn in 2012 (the latest available figures). Of that, £50m was life business, £795m captive insurance and £2.99bn constituted the non-life sector – up 11% on a year earlier.

Minister for Financial Services, Albert Isola, revealed at the launch of the 'Gibraltar Finance Business development Plan 2014' in March that the jurisdiction's marketing agenda includes targets such as insurance and pension markets in Bermuda (June), Johannesburg (July) and Hong Kong (September).

South Africa has a well-developed insurance sector as Michael Ashton, the Finance Centre department's insurance specialist, found in November, when he attended the country's Insurance Conference in Sun City. He felt then that many there had generally low awareness of Gibraltar's depth of insurance expertise compared with Dublin, Luxembourg and Malta.

> **Solvency II directive is an opportunity and not a threat**
>
> **Andrew Flowers**

However, Gibraltar already has three South African-owned insurance businesses – two under the Red Sands banner (life and non-life - motor focusing on Eastern Europe) and Euroguard, a Protected Cell Company (PCC), used in conjunction with passporting of insurance products throughout Europe.

The first annual survey of members of the Gibraltar Insurance Association (GIA) published in April shows the majority of industry professionals is optimistic about the future, but believe that "while the emerging markets will play a significant role in the future growth of Gibraltar, the UK and Europe are likely to remain the primary markets for Gibraltar insurers".

Getting to grips quickly with new EU rules to ensure insurers have sufficient capital to withstand unexpected problems - the Solvency II Directive - is at present a major issue for local firms.

Some, such as Enterprise Insurance chairman Andrew Flowers, see it as "an opportunity and not a threat", by introducing new disciplines into the business. Formed a decade ago, the Gibraltar-based firm employs 45 staff and says it is among the jurisdiction's

largest insurance underwriters with gross premiums of over £150m last year.

"Solid regulation and oversight of insurance is a good thing," he maintained, and Enterprise, a niche market wholesale insurer providing warranty protection for AA and Argos clients amongst others, is "in a very good state of preparedness, but I'm not sure how much of Solvency II is really necessary."

In particular, he is concerned by capitalisation requirements, "which should be proportionate as to the type of business being underwritten. We are making sure we are fully capitalised, but it's difficult to say for certain at this stage how much will be required".

That feeling is echoed by Quest Group founder, Steve Quinn, who said: "The logic of Solvency II is there to provide a level playing field, but the implementation has to be proportionate to the size of each operation."

## Wake up call needed

In just over 18 months' time, insurers will have to be fully compliant with Solvency II, and meet various corporate governance issues by the end of this year, including documenting management policies toward risk, and thereafter meeting capital requirements based on a standard model of calculation to deal with unforeseen issues.

Quinn fears that the timescale to achieve all Solvency II requirements will be taxing for smaller firms and that "some people in the industry need to have a wake-up call."

It was good that large firms such as Transalantic Reinsurance Group (TRG) and Arch, a Bermudan-based reinsurance company, have been established in the territory to sit alongside existing insurers. But he was concerned that "if an insurer is writing, say, £30m of business with the help of small, unrated reinsurance or co-insurance partners, they may be less able to deal with problems that could arise, because there is insufficient core capital in the business to support the insurance book - and that in turn could lead to a domino knock-on effect."

The new Financial Services Commission (FSC) chief executive, Samantha Barrass, agrees the EU Directive will have a big impact on firms, "with a ton of guidance and things coming out from EIOPA [the European Insurance and Occupational Pensions Authority], and we have to get on top of it".

The FSC already had extensive background material and Barrass wants to move swiftly. "It's really important for Gibraltar and for the reputation of our regulation that we are seen to be on top of

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European requirements; there is so much to deliver, but I want to do this in a way that manages the impact.

"It is not going to be easy, but I want to minimize the difficulty. The only way we can do this is a shared programme with industry and with government involvement," the Regulator declared.

According to Chris Johnson, GIA chairman, the FSC is encouraging companies that are considered relatively low in uncommitted capital to increase the amount in stages.

### Capital challenges

"The issue applies to Europe as a whole, of course: the level of capital that must be within the business is driven by the amount of insurance that is underwritten and one alternative is to reduce the amount of business that they are writing; it depends on the cost of capital and the desired return on equity," Johnson suggested.

It is estimated that over £100m of fresh capital already has been pumped into Gibraltar insurers to help meet expected Solvency II requirements. However, reaching the required levels of capital could be a challenge for some companies, particularly for small independent firms.

"Geographically, the vast majority of Gibraltar's gross premiums arise from the UK – 80% or more - so I am talking to existing insurance businesses and potential new entrants and asking them to think about what Gibraltar can offer on a pan-European basis given the opportunity of EU passporting rights," Ashton explained.

Opportunities exist for motor insurers throughout Europe, he maintained. Last year, Bermuda-based St Bernard Assurance established a Gibraltar operation and, as an initial step, applied to the Swiss regulator for a branch licence to utilise passporting rights for vehicle and property insurance. If successful as expected, the firm will look to set up similar operations elsewhere in the EU.

> One alternative is to reduce the amount of business being written - it depends on cost of capital and desired returns
>
> **Chris Johnson**

Within the motor market, there is concern that some companies' reserves to cover accident claims between 2007-2010, for example, are proving less profitable, because of a rise in personal injury claims, which in turn may require those insurers to recapitalise.

Gibraltar accounted for 16% of all UK motor business in 2012, much more than Lloyds and up from 10% a year earlier, "but we have to question how much larger we can get in this respect – maybe 25% of the UK market, but I don't know", Ashton feels.

Gibraltar's four largest motor insurers – Admiral, Advantage (Hastings), Acromas (SAGA and AA) and Zenith - together wrote £1.83bn in 2012, and each of those companies is licensed to write across a range of classes.

Two other Gibraltar insurers, MCE – specialising in motorcycle cover - and Nelson, operating in motors, are understood to be similarly looking to extend into Europe.

The jurisdiction has also set its sights on gaining a share of the $US 7.5bn a year insurance linked securities (ILS) market, broadly defined as financial instruments – typically hurricanes, windstorms or earthquakes - and are the result of the process of convergence between capital markets and the insurance industry. ILS has developed rapidly in recent years with investors attracted by returns that are largely uncorrelated with the general financial markets.

Bruno Callaghan, of Callaghan Insurance and Willis (Gibraltar), joined Ashton last September on "a fishing trip to Bermuda to gauge the extent of appetite for making Gibraltar a European hub, as an alternative to Dublin and Malta, for example".

In March, they and others locally attended a specialist ILS conference in New York, considered the global centre where such risks are assembled. "The interest there was huge and as a result, we have one licence application in progress with the FSC – not a huge one, but the first for Gibraltar and still interesting," Callaghan declared.

### New money coming

As Ashton explained: "Over the last four years, Bermuda has become the major location for ILS fund offerings, taking over from the Cayman Islands. Within the EU, Ireland has been the location for ILS offerings and Malta has recently published its regulations. Gibraltar has had special purpose vehicle regulations for insurance companies in place since 2009 and the FSC will be publishing its ILS Guidelines in the next few weeks. There is a need for some choice in Europe and Gibraltar is an ideal centre for this."

The advantage from ILS is that new money will come into Gibraltar and businesses locally can be involved in the offering; lawyers and accountants, for example – would pick up extra work from this and the jurisdiction's PCC approach is ideal for this business.

"The major players in the ILS market are global financial services organisations. If Gibraltar can successful enter the ILS market, the opportunity to raise Gibraltar's profile amongst these businesses is significant and in other areas of financial services, for example. asset management and funds," Ashton said.

The Robus Group, which has a Gibraltar operation, claims more than 50% of new Guernsey ILS structures this year, having gained a major market share in 2013 from its office in the Channel Islands – but it is outside of the EU.

Chris Le Conte, the Group's chief executive, revealed: "Gibraltar and Guernsey complement each other very well as EU/non-EU participants and we are actively exploring developing a Gibraltar ILS product to enhance our offering.

"While we and our clients are very satisfied with a Guernsey operating model at present, it may be that Solvency II brings opportunities to EU domiciles such as Gibraltar".

***Ray Spencer***





# Gibraltar's new tenacious and tough Regulator looking to make early changes

**Noting "thick skins are the order of the day – nobody goes into regulation to be popular", the new Financial Services Commission (FSC) chief executive, admits to being "a woman in a hurry"**

Samantha Barrass (47) has the task of helping take the jurisdiction's key financial services sector – accounting for 20% of the economy – to the next stage of development by reinforcing its reputation for providing firm, but flexible, regulation.

"It hasn't been unhelpful that I walk into Gibraltar with people saying you have a reputation for being tenacious and tough. I am here to do a job", she notes with the hint of smile.

In her previous 4½ years role as executive director of the Solicitors Regulatory Authority (SRA), "I had a reputation for setting a fast pace for delivering change and I like to think I'm good at doing that", Barrass says. After a 19-year career in regulation and oversight of financial services, the SRA was "my first substantive opportunity to put together the path for what I saw as the right kind of regulatory approach".

She has certainly lost little time in Gibraltar. After just six weeks at the FSC, she has declared: "Although it's still early days, it's clear that I am going to need to look at the licensing process, to check that every part of the process is adding value and [that] we are clearly focused on the right things".

Her banking, insurance, fiduciary and funds teams need to develop a general overview of all the firms they are regulating – "which ones are worrying or not" - in a way that is not presently documented. "Although, it's in their heads and it's quite sensible", but more importantly the FSC teams need to understand the key risks of running a particular financial firm, being confident that the participants are fit and proper, and that appropriate governance is being exercised – "establishing the risks to that, and that they are capable of being managed.

"One of the things on my to-do list is - does the documented approach we take match what is actually going on in practice to make sure [my staff] are on top of the key risks. I suspect there is a gap there and there is probably going to be a bit of work to do."

Barrass' views were honed between 2004 and 2009 when developing policy and approaches to evidence-based regulation as a director of the London Investment Banking Association, the trade body for international investment banks.

## Getting a grip

She explains: "I wouldn't pretend to have been a wise sage as to what led to the financial crisis, but at that time - before the crisis… there was a strong focus on price transparency in the standard corporate bond market and I remember saying to the Financial Services Authority (FSA) and the European Commission at that time, "I don't understand why you are putting so much time and attention into this, because there is a lot happening elsewhere in debt markets that we could probably all do with getting a grip on".

"What I took from the crisis as a regulator and now as a leader of a regulator is the very real danger posed when those running the firms don't understand the risks in their business, and the regulators don't understand it either." Her point was generally well received, but "when working for an industry association, other people are making decisions on where regulatory time and attention is spent".

This 'time for reflection' approach was key then, as it is again now. "If all time is spent "regulating for yesterday's problems, you are crowding out your head time to think really strategically about what risks are on the horizon."

## Centralising functions

Barrass looks likely to bring about change for her 46 staff. "I am thinking about centralising core functions - for example, enforcement. At the moment the individual teams do everything - policy, authorisation, oversight, enforcement, entering data. There is a question of whether it's a model we want to go with, or whether specialisation might support a more effective use of resources."

She insists: "At all times you have to be able to step back and say 'actually looking at the firm and looking at the sector of the industry, are we happy that we understand the risks and more importantly, are we happy those in the firm understand the risks".

However, in managing risks "in a straight-forward and effective way, we need to be very good at identifying the incompetent and very good at managing [the dishonest] out, or intervening in a way that supports them to getting back on track to delivering safe financial services", she believes.

Whilst at the SRA, Barrass admits to driving change to ensure the 10,000 law firms and 140,000 lawyers in England and Wales have compliance at the heart of their operations. Tasked at the SRA with reforming the approach to regulation of legal services, including introducing a new structure that allows non-lawyers to own and manage firms dealing with legal matters, she generated opposition in equal measure from those solicitors and barristers who rejected change and those who wanted it to happen faster.

Her quiet, even gentle, manner masks her determination to succeed. As to her tenacious reputation, Barrass retorts: "Those who would find me firm and tough are those who have earned finding me firm and tough.

"Equally, a lot of the regulated community have found me straight-forward, pragmatic, easy to do business with and good at cutting through bureaucracy – because I don't like unnecessary bureaucracy."

Warming to her theme, she adds: "I'm tough in all areas; I'm tough on regulation and I'm tough on my team doing things that aren't adding value and making life unnecessarily hard for firms, for example by making the licencing process longer than it needs to be. I'm equally tough on people who lie to me, who steal and misuse peoples' money and who put consumers and the financial sector at risk."

Given the recent UK budget pension annuity changes that are likely to bring pension savings onto the investment and fund market, she thinks oversight of firms providing financial services to savers will be even more critical. "There will be criminal intent, there will be those who are not just very competent, and then there will be a big bulk who actually are going to provide some really good financial services. My job, and that of the team here, is to work out which group the firms fit into."

Her no-nonsense, tell-it-as-it-is style owes much to 20 formative years in New Zealand. Her parents emigrated in 1974 and Barrass, after local schooling, went on to gain a B.Comm (Economics) degree at the University of Canterbury before joining the country's Reserve Bank in Wellington as an economist focused on monetary policy strategy and economic reform.

The process at the State Reserve Bank "was very driven at all levels – political, civil service, the leadership; it was very New Zealand – we have a reform programme and know what we want to deliver and we are going to get there as quickly as we possibly can. And that is very much my style."

> **Straight-forward, easy to do business with and good at cutting unnecessary bureaucracy**

However, she's not dictatorial. "I place a big emphasis on engagement with all people who have got an interest, particularly if you are going to get resistance to particular changes, you identify where that is coming from and spend time engaging with them. I'm doing it here; I'm a believer in getting industry representatives or firms and ourselves together."

And Barrass is at pains to point out that "when you are changing things there has to be a certain degree of collaboration, because you cannot force everyone over the line". She declares: "If I am presenting a proposal

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and we sit around a table to discuss it, I'm willing to change my mind."

Gibraltar firms find "the FSC very accessible and, if they come in, they can talk to someone… even in difficult circumstances. That's a really important part of the character and culture here that I want to continue".

She cites the EU Solvency II Directive - that amongst other things seeks to ensure sufficient capital is readily available if things go wrong with insurers – to be implemented by January 2016 after years of debate. "There is a lot to do and it has to be a collaborative process."

Having moved to the UK in 1993 to gain a Masters Degree at the London School of Economics, Barrass decided to stay, joined the Securities and Investments Board that morphed into the FSA, and aged 28 became an economist pioneering cost-benefit and other evidential techniques for new regulation.

For a decade she was part of a team to establish "what the principles of good proportionate regulation should be; so before you sit down and start writing a detailed rule, or to even regulate an area, you first need to go through a rigorous, analytical process that shows it is necessary."

## Fresh pair of eyes

As this career regulator explains: "The emotional reaction, if you see something go wrong in the marketplace, is to start writing down a whole lot of rules. In my experience you can often deal with issues through your supervisory and enforcement work. You don't necessarily need to write a load of rules and regulations to solve a problem."

Husband John Barrass is deputy chief of the Wealth Management Association trade body specialising in regulatory matters. He remains in London with their 17 year old daughter Emily, whilst she takes AS and A-level examinations, but the couple's two boys - Oliver (11) and Ben (14) – are at school in Gibraltar.

The family is buying a home locally. "I see my role as being important to public interest in Gibraltar and it's a bit of an article of faith that I'm not someone just busing in and out", opines Barrass, who has a three-year renewable contract.

Succeeding Marcus Killick, who spent a decade building the territory's regulatory reputation, is, she agrees, a challenge, but reasons: "No-one would deny that a fresh pair of eyes – a fresh look – to set the direction of regulation of the financial services sector is quite a good thing after a long period of time."

Barrass plans continued investment in staff development and training. "I need to pick up some of the feedback I've had from the industry that there is still more we can do – that it's still a work in progress - in terms of team development … not just in technical aspects, but in how we can develop [the team's] confidence as regulators".

Her job may be taking 16-17 hours a day at present, but "if I were pursuing my chosen career I'd be acting on stage. I love being involved in theatre and acting". She's given up being chairwoman of Bromley Little Theatre too, but hopes later that she will get involved with theatre locally.

*Ray Spencer*

# Legal action to counter new UK gaming measures gains government support

**Some 240 eGaming representatives – gaming companies, suppliers, government departments, accountants and lawyers – attended the 4th KPMG eGaming Summit at the Sunborn Yacht Hotel, Gibraltar in April to gain an industry up-date from the Regulator, hear of jurisdiction's progress as a global communications hub - consider the impact of remote gambling across Europe, the introduction of bitcoins and dangers of upcoming UK legislation**

Gibraltar's internet gaming sector, employing 3,000 people, is "reasonably confident" that there will be few - if any – operators defecting back to the UK to cut costs, despite new licensing and tax systems being introduced there from the end of this year.

But the jurisdiction's eGaming industry that accounts for some 80% of UK bets seems resigned to the fact that taking legal action is probably the only means left available to try to prevent planned licensing changes and imposition of a 15% point of consumption (POC) tax that will add significantly to operating costs.

Legal challenge "more likely that not". Phil Brear, Gambling regulator at the 4th KPMG eGaming Summit

If a court battle does result, Gibraltar's government "will certainly intervene… to ensure that the interests of Gibraltar and its people are represented and protected, we will not initiate action, but were action to commence we would certainly seek to make sure that our people are supported – something in which we have an absolute responsibility", Albert Isola, Minister for Gaming told 240 international senior eGaming delegates at the 4th annual KPMG eGaming Summit in April.

eGaming accounts for over 21% of Gibraltar's gross domestic product and has attracted all major operators to create the world's premier remote gaming jurisdiction. Together, they contribute €53.5m through duty receipts, corporation tax and employment taxes.

Government and industry representatives have so far failed to influence British Ministers and officials on the need to make any changes with the result that the Gambling (Licensing and Advertising) Act, having completed its Parliamentary passage, is expected to receive Royal Assent in May and the Tax Act, containing the PoC measure, in June.

The Gibraltar Betting and Gaming Association (GBGA) is so concerned at the new licensing measures - which it claims will significantly reduce rather than improve consumer protection and lose rather than add revenue for the UK Treasury – that an application for a High Court Judicial Revue is envisaged to stop implementation of the Acts.

Licence applications and fees are likely to produce "a mere £15m" a year for the Gambling Commission (GC), but HMRC is looking to get at least £270-290m a year from an estimated 3m-plus active UK punters. Duplication of compliance costs will add further to the operators' burden.

Industry advisor, QC and former Chief Minister, Sir Peter Caruana, told delegates at the summit, that the UK measures "substantially weakens consumer protection by multiplying the supply chain with a range of weak suppliers".

He revealed that Gibraltar had unsuccessfully proposed that the UK adopt "a system of modified passporting… that would have allowed the UK regulator to rely on local regulators in approved jurisdictions of local gaming companies, as an extension of the UK regulator and in which the government and the UK regulator had confidence".

The UK's insistence on remote gambling operators, including those from already well-regulated jurisdictions, having a separate British licence, "establishes a quite unprecedented system that effectively allows operators with little or no market penetration and no UK business and no UK nexus, to obtain a licence." As things now stand, Caruana insisted the UK "will not be able to effectively and reliably regulate operators spread around the world".

He warned "the cloak of a UK licence regulated by the Gaming Commission will, to the rest of the world – rightly or wrongly – be interpreted as having a badge of reliability, quality and respectability". It meant rubber-stamping the reputation of jurisdictions in which operators are established, and "they may not be worthy of it, adding to the risk and damage to the UK's reputation".

## Border limits powers

The Commission will have "wide-ranging powers to enable it to ensure compliance and to investigate and prosecute offences, including powers to access licenced and unlicenced premises and premises used in conjunction with gambling, (such as the gambling operator's head office)".

But as Phil Brear, Gibraltar's head of gambling regulation, pointed out to his audience: "Let's not forget that regulated powers stop at the border and the typical (to be UK licenced) operator is based hundreds, if not thousands, of miles away from the licencing jurisdiction, often speaking a different language, not subject to EU controls, and usually with no local regulator at all!"

Even under the existing licensing arrangement, the UK Commission had seen three licensed gaming operators fail in six months "All gave off distress signals and all went under without paying customers back and I would say these are structural matters the Commission should have been alive to – but it wasn't", Brear revealed. "Losing one may be unlucky, losing two may be careless, but losing three – in six months – really begs some questions about the process!"

Statistics show that if somebody is gambling in the UK at present, they are 7-10 times more likely to be on-line with a Gibraltar operator than anybody else; the fear is that higher operator costs as a result of the UK's new measures will drive consumers to overseas companies, often in the Far East, that have less stringent, if any, consumer protection controls.

Brear suggested that "some existing UK operators will go to the wall - they will either be taken over or become shadows of their former selves - UK companies will make and report lower profits to the Exchequer, and some will no longer be UK companies and so report nothing at all."

He told his audience: "A legal challenge is more likely than not and we are very much in the thick of it and it looks like it will be that way for some time." A court action would seek to show that the UK measure is unnecessary, lessens consumer protection and adds unreasonably to operators' costs.

"In EU law, the UK has to have a reason to change its legislation to make it more difficult and expensive for the licensed and regulated industry to operate there. And I don't believe it has had a problem with consumer protection", Brear maintained. And he added: "[Also, the UK's] action must be proportionate – no more than is necessary."

EU law provides freedom to supply services across all Member countries and makes clear that the only justification for placing restrictions is if there is a legitimate aim. Caruana said: "There is no evidence to show (the existing licensing system is wrong) and there are alternative, less burdensome proposals to achieve the aim that will enhance, rather than degrade the supposedly legitimate aim of protection of UK citizens", he said. "It remains to be seen whether the industry or any part of it, will choose to back the legal challenge."

The concern of Gibraltar's 28 eGaming operators is not just about the costs resulting from the new licence regime, but also the damage to the on-line gaming industry's reputation generally. If some UK licence holders have insufficient financial controls and do not operate sound anti money laundering processes, it will combine to "degrade existing levels of consumer protection".

And the result could fuel demands more widely for still greater controls or restrictions against overseas operators! Nevertheless, there is a common view that concerns about the impact of the UK measures on Gibraltar tend to be overstated.

"Some established operators may chose to make alternative arrangements, others could reconfigure their operations, but the eGaming sector is still growing here and will continue to do so", Caruana maintained.

Michael Carlton, chief executive of Victor Chandler, the jurisdictions first on-line gaming company with the largest number of employees, advised delegates: "Gibraltar is our home where 90% of our staff is based. However, that is not to see that there may be opportunities to locate some parts of our operation to other jurisdictions."

Jurgen Rautier, chief executive of William Hill (Gibraltar) that employs 450 people locally, saw opportunities to develop new international business, but only in well-regulated markets. He said: "People are becoming more mobile and in the two days before the Grand National last year, we took 2,500 bets per minute", and there is a transition from traditional means of betting towards mobile solutions.

Martin Welgold, chief financial officer for the Gibraltar-based bwinParty, the world's largest on-line gaming company, confirmed his company had no intention of departing. "Only 10% of our business comes from the UK", he pointed out.

# The Gibraltar Philanthropy Forum

By Trino Cruz, on behalf of the Gibraltar Philanthropy Forum

In these times when austerity sits side by side with what perhaps has been the greatest wave of global wealth creation we have ever experienced, there however continues to be increased polarization between where this wealth is being created and the significant segments of populations globally which are not able to benefit from this.

There is however an encouraging trend whereby a significant part of this wealth which has been created in recent decades, has been earmarked for philanthropy. This is therefore an exciting time for philanthropy where extraordinary things are already being achieved as well as representing a huge opportunity.

This is not to say that there is enough being done or that sufficient funds are finding their way into philanthropic and charitable initiatives. Clearly more is needed. Essentially, philanthropy involves better focusing our actions and resources to make this a better world.


The former British Prime Minister, Sir John Major, was a keynote speaker at the 2013 Philanthropy Conference.

The Gibraltar Philanthropy Forum arose from the close collaboration between four Gibraltar-based professionals, namely, Peter Montegriffo, Jose Julio Pisharello, Joey Garcia and myself, who share the conviction that private philanthropy has an increasingly important role to play in today's world. In November 2013, the Forum had its inaugural conference.

Fortunately, the four firms which we represent, namely Hassans, EY, Isolas and Credit Suisse, were very keen to support us with our initiative from the start.

The truth is that we have received exceptional and undivided support from all we have approached.

We have found that there is no time like the present to encourage philanthropy, to discuss it, to share experiences and best practices, to learn from one another. It is also important that philanthropy is better understood. This is very often about giving more effectively rather than giving more.

Our past experience had provided us with a good understanding of the potential for philanthropy from our work with clients and family offices. Our individual organisations have gained much experience over the years advising clients and assisting them to implement their philanthropic strategies. This has most certainly paved the way for us to launch this Forum.

Initiatives like this Forum, we are confident will act as catalysts, bringing together like-minded individuals to share experiences or even join forces. Learning from the experiences of others and receiving advice from experts can help philanthropists to find the best ways to solve the root causes of some persistent problems.

When we refer to private philanthropy we are referring to the opportunity that exists when wealthy individuals and their families have to structure and plan their long-term giving. This can ideally create commitments which provide sustained funding for charities and NGOs to embark on multiyear initiatives.

We believe that the Forum's activity will bring an increased focus on philanthropy in Gibraltar as the jurisdiction establishes itself on the international philanthropy landscape.

We have initiated this process by connecting with international specialists, philanthropists and charities. Gibraltar has beyond any doubt a role to play in the philanthropic space.

## The Philanthropy Conference 2013

The 2013 Philanthropy Conference which took place last November, benefitted from the exceptional support of many. Sir John Major, former British Prime Minister and Senior Adviser to Credit Suisse, was the keynote speaker and he shared his insight and wisdom on "The role of private philanthropy in the 21st century".

At last year's conference our select group of guest speakers addressed some of the key issues and challenges of private philanthropy. There was reference to numerous cases studies which covered diverse topics such as: the need for appropriate organizational structures for giving; the importance of collaboration and partnership; the sharing of best practices; the measuring of impact & success and the value of participating in philanthropy networks. We were able to appreciate that the great diversity of philanthropic initiatives with regards to approaches, scale, funding, objectives is its very lifeblood. We were able to experience that at its core, philanthropy is driven by passion and conviction.

Two of the conference speakers Ms Gillian Loft, EY Asset Management, and Michael Strobaek, Global CIO for Credit Suisse, considered the challenges of responsible and sustainable investing to fund commitments in the short, medium and long-term and how this can be reconciled with achieving the appropriate investment returns.

## The Philanthropy Roundtable London 2014

In addition to the annual Philanthropy Conference which takes place in Gibraltar on an annual basis, the Forum will host a series of roundtable events, the first of which will take place in London in June 2014. The objective of the Philanthropy Roundtable is to provide a think-tank discussion involving philanthropists, specialists and other relevant personalities in an environment which will provide an opportunity for participants to exchange views, share ideas and discuss key themes and challenges confronting philanthropy today. This event will no doubt provide an excellent preamble to our November Conference. The roundtable in this way extends our reach to the London-based philanthropic community which allows the Forum to make further steps in raising its international profile.

At this year's conference we will continue along the lines set by last year's event and seek to attract philanthropists and specialists particularly from the UK and Switzerland.

Our initiative has the ambition of contributing to the active dialogue and interaction between all those involved in philanthropy. Grantors and grantees, charities, NGOs, government and other institutions will thus be able to adopt best practices, leveraging on efforts and resources and overcoming obstacles and bottlenecks as effectively as possible which is so key for the success of philanthropy. Joining forces wherever possible, sharing ideas and being a source of inspiration for one another. It is fundamental to encourage a lively debate on the diverse challenges faced by philanthropy. The objective is to achieve leverage, strategic partnerships, focus and above all impact!

Philanthropists have an enviable freedom of choice when shaping their vision, developing their focus and preparing an action plan for implementation. One of the great advantages that philanthropists have is their ability to back unfashionable or unconventional ideas, to think outside the box, they can afford to take risks that a government or NGO would find difficult or impossible to take. Philanthropists can act as catalysts of change, spearheading bold initiatives which may eventually become mainstream. This really is an all too rare golden opportunity to improve the world we live in.

There is also a great need to improve visibility and transparency within the universe of philanthropy. Measurement and evaluation of impact for all initiatives is crucial as it helps to focus on results, ensures effective allocation of resources, and upholds accountability. We need to know what hasn't worked in the past and why, sooner rather than later, to avoid these pitfalls and increase impact. We need to share our findings and partner with others with whom we may share objectives and make it even easier to give effectively, to match key initiatives with sustained streams of funding.

The Forum's activities represent the beginning of an exciting and enriching journey which we are confident will bear significant fruit. Our collective effort will bring an increased attention to philanthropy as well as contributing to it being better understood by all. We would like to see Gibraltar raising its profile in this space. The success of our forum, and of philanthropy in general, will depend essentially on the collaboration, passion, expertise and support of many.

www.gibraltarphilanthropyforum.com

GIBRALTAR PHILANTHROPY FORUM

# 2014 looking good for the high value market

By Louis C. Montegriffo, Managing Director, BMI Group

*"Now, one thing I tell everyone is learn about real estate. Repeat after me: real estate provides the highest returns, the greatest values and the least risk."*
**Armstrong Williams**

I haven't got a clue who Armstrong Williams is, but I like his style. Although the quote does come across as a little arrogant, aggressive and somewhat misleading …(wow, this guy's an estate agent), the fact is that Mr Williams is actually right, on the basis, of course, that you look at long term forecasts and with the exception of Spain or Ireland (sorry that was a low blow). Seriously though, the guy is spot on and history proves this.

After having ended 2013 on somewhat of a high with what turned out to be a good year for Gibraltar, with particular emphasis on high value sales, we were somewhat apprehensive about 2014. I guess this happens to the best of us and I'm sure I'll be forgiven for thinking how one can top what was already a great year end. Although we are only in month four of 2014 as I write this, it is fair to say that 2014 has started much as 2013 ended and yes it's the high value market that is once again showing off……or rather showing confidence.

I recently had dinner with some bankers on a fact finding mission to Gibraltar, it was interesting to hear their perspective on the Gibraltar market and learn, that by comparison to most other areas that they had responsibility for, Gibraltar really was in a league of its own when it came to the market conditions and the prospect for further growth – interestingly it was their surprise that existing mortgage books are in such great shape with no repossessions recorded for some years – something I have commented on before and which I feel is testament to the confidence across the board in the property sector.

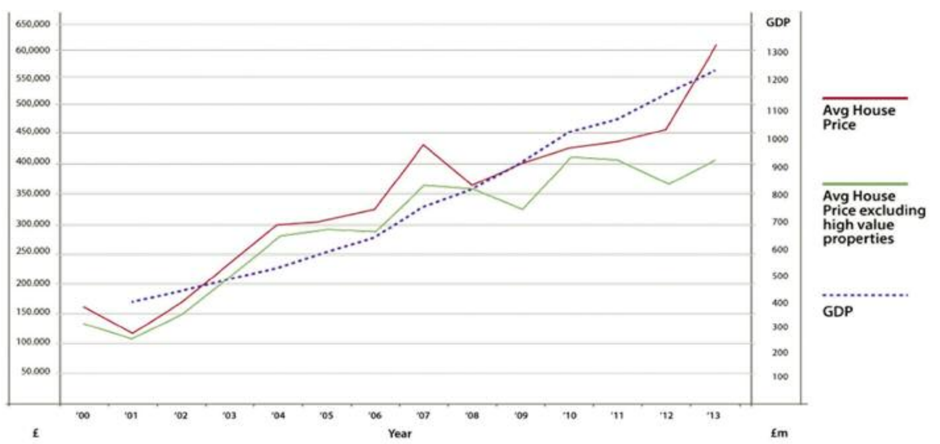
So enough with the optimism, lets look at the facts, (see graph below) which outlines the average house price with and without exceptionally "high value" properties.

The data in our view, although positive, is also somewhat alarming given that the average house price (when including high value props) is upwards of £600,000. I've been involved in property for over 15 years and I have never seen the sort of spike in the market that 2013 has delivered. The graph shows a similar trend between 2006/7, with the exception that the market then was driven mainly by speculatively driven sales which subsequently led to the dip in 2008 due to oversupply and the impact of the global crisis which clearly affected confidence. What is key in our view of today's market is that the price hike is not driven by speculation but by real demand.

## Outlook & market info

The current climate continues to be positive and likely to improve further. For three years (since 2011) we have witnessed the market harden up and prices slowly improve, 2013 underpinned this further with a marked increase in "high value" sales. Demand has continued in line with the growth in the economy and we have seen property prices (particularly in the high value market) over the past three years increase by up to 40% in some areas, but averaging out at approx. 20%.

We indicated last year that we were seeing signals similar to those experienced in 1999 – 2000 when Gibraltar first began it's boom period and which was driven by the advent of the growth in the gaming sector in which the lettings market was left with little or no stock and became the prelude to the hike in prices over the period between 2002 – 2006. It would be fair to say that this was very much the case in 2012/13 and as mentioned we are hugely encouraged by the fact that there is little speculation in the market unlike 2006/7, thereby resulting in a strong owner occupier lead property sector.




## Key factors of note

- The sales volume in 2011/2012 saw substantial increases from previous years of up to 20% and 35% respectively. 2012/13 has seen a 10% increase.
- Volume of sales in the top end of the market increased notably during 2012 with 2013 seeing further growth in this sector of the market
- With no high volume forecasted 'New Developments' in the pipeline, the market is likely to harden further.

## Key related economic factors

- There continue to be NO bank repossessions
- Unemployment remains relatively low
- Finance centre industry is growing from within and continues to target further international investment

From Gibraltar's perspective it's a positive outlook. I do hope that you have found this article of interest and I look forward to updating you in the future.

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BMI GROUP

# Hotel developers may get State finance aid

With two large 5-star hotel projects being planned and other hotels upgraded, Gibraltar's government is under pressure to provide finance to help with the estimated £50+m construction costs.

Chief Minister Fabian Picardo in response to Opposition questions told Parliament: "The Government is in discussion with both parties as to the terms of what Government support can be provided in respect of each of these projects."

The Caleta Hotel, a 4-star property on the east side of The Rock, plans to create a 5-star operation with 41 suites and to upgrade other rooms in the existing hotel at a cost of £15m, while Squarestone, a UK developer, has gained outline planning permission for a 225 bedroom 5-star Marriott Hotel and Residence Inn near to the town centre, at an estimated £30m cost.

Picardo at end-February added: "There are a number of different hotel projects and a number of hotels in Gibraltar undergoing, themselves, refurbishment." (The iconic, 82-year old, 4-star Rock Hotel has also been planning to upgrade its 104 bedrooms and other facilities).

"All hotels are constantly talking to the Government about assistance", the Chief Minister declared, as he pointed to a former State 'Hotel Assistance Scheme' when, more than 15 years ago, soft loans were provided.

Interest in funding hotel development was heightened by the revelation that the new 5-star Sunborn Yacht Hotel had been granted a £30m mortgage loan by Credit Finance, a company linked to the State-owned Gibraltar Savings Bank.

However, the government last year revealed that it was not a soft loan and interest had been set at "a very attractive, commercial rate". Investments in Credit Finance Company Limited by the Gibraltar Savings Bank Fund, to enable its lending, attract an average return of 5.58% per annum.

Referring to the loan it had received, Sunborn Group's executive director Hans Niemi, pointed out: "Gibraltar does not have an abundance of banks willing to make money available to new large ventures, so it is the role of government to help by providing financing to get projects off the ground."

**Hans Niemi,(right) Sunborn Group's executive director and Brian Stevendale, development director, say funds support is needed**

In last year's June budget, to encourage office building, the government introduced a significant tax break that allows office developers who start work by end-March to reclaim 30% of construction costs as a capital allowance.

In the meantime, a government spokesman said in early April that "there are no new developments".

# Searching for "a more cost-effective" telco provision

Gibraltar government is working to make telecommunications for the jurisdiction's expanding bandwidth hungry eGaming and financial services customers more price competitive, it has emerged.

For some time, the expanding remote gambling sector, in particular, has complained that charges for telco services are too high when compared with other territories in which they operate.

Minister for Gaming and Financial Services, Albert Isola, took delegates at the 4th KPMG eGaming Summit in April by surprise when he announced "a round table meeting" with telco suppliers – Gibtelecom (in which the State has a 50% stake) and Sapphire Technologies – and users to "find a better way forward".

He said: "It needs to be said that telcos have reduced their prices by some 50% over the last 10 years and at the same time the quality of their service has improved dramatically, but I accept that there is a need for a more cost-effective environment in our community."

More than 40% of Gibraltar's economy is generated by the remote gambling and financial services sectors. It has long been recognised that Gibraltar telco prices are a problem for gaming companies and also the wider financial services sector that also needs substantial, fast internet connections.

Telco costs became a major talking point at the eGaming Summit held at the new Sunborn Yacht Hotel when Nick Nally, chief development officer for Continent 8 Technologies, presented an outline jurisdictional comparison and benchmarking report on Gibraltar's offering that showed telco costs were between six and 50 times more expensive than in five other jurisdictions.

Over 90% of Continent 8's customer base for bulk data storage in ten countries is in on-line gaming. Recognising that his report was controversial, Nally said: "We think Gibraltar is the best location in Europe for gaming companies, but from our experience it may be bad news unless something is done to reduce bandwidth charges that also affect the financial services sector more widely."

He made clear that in other respects Gibraltar faired better by comparison with Isle of Man, Alderney, Dublin and London and Malta. Nally emphasised that across the range of staple elements to be considered when choosing where to locate an internet-based business, Gibraltar "is getting there, but there's more work to be done".

Telco insiders say that in other respects charges are only one aspect of costs, internet-based operators face and in other respects operational costs in Gibraltar are below those in other jurisdictions that have the benefit of economy of scale in telco supply.

### Triay & Triay partners analyse Gibraltar Money Laundering Law in international textbook

Robert M. Vasquez, QC, and Julian Triay, partners at Gibraltar law firm Triay & Triay have authored the Gibraltar chapter to the International Guide to Money Laundering Law and Practice, 4th edition.

The textbook has received praise from the Law Society Gazette, with the Gazette's features editor Eduardo Reyes describing it as "An ideal resource for corporate counsel."

The textbook's chapters are introduced by Mark Simpson of top London law firm Baker & Mckenzie.

Money laundering is an area of increasing importance for policymakers and regulators, and interest in it has soured in recent years as governments attempt to prevent funds reaching organized crime and terrorist organizations.

Although the book focuses on UK law, it also covers 36 other jurisdictions.

The Legal 500 rates Triay & Triay as a first tier firm on banking and finance, which includes advising on anti-money laundering legislation.

### US link formed

Moves to develop trade and cultural links between the US and Gibraltar moved ahead in March when Francisco Sanchez, former Under Secretary of Commerce for International Trade at the Department of Commerce under US President Barak Obama for 5 years, launched AMCHAM Gibraltar (the Gibraltar American Chamber of Commerce).

"Gibraltar and the US enjoy a long and fruitful history, one in which international security is only a part. AMCHAM can create critical commercial linkages to attract investment and trade to Gibraltar in financial services, gaming and the Port," he said.

James Lasry, a partner at Hassans law firm and chairman of AMCHAM – one of more than 40 such bodies around the world - hopes to organise a trade mission of American business to Gibraltar and to explore cultural and educational ties.

For more information contact Marie-Lou Guerrero at mlguerrero@bakertilleygibraltar.gi.

### Swiss Asset Managers Conference in Gibraltar

Gibraltar Finance and a number of Gibraltar-based financial services companies were pleased to support and sponsor a Swiss Asset Managers Conference, organised by Voxia, a Swiss financial PR firm in April.

The two day event was held on the 5-Star Sunborn Yacht Hotel, with a cocktail reception and presentation by the Minister for Financial Services, the Hon. Albert Isola MP, held at Grand Battery House.

Gibraltar Finance and Gibraltar-based financial services companies exhibited, and delivered presentations, and participated in roundtable discussion groups during the conference.

Albert Isola MP, said he was delighted to be supporting this event, which will serve to strengthen and develop further the existing close commercial ties between Gibraltar and Swiss financial services firms.

A gala dinner held in St. Michael's Cave and hosted by the Chief Minister, Fabian Picardo, closed the conference.

### Hassans continues to top the ranks in Legal 500

The Legal 500, one of the leading international legal directories which provides rankings of law firms based purely on client feedback, published their Europe, Middle East and Asia results in April.

Hassans continues to lead the field in Corporate, Private Client, Technology, Tax, Media and Telecoms (TMT).

The Legal 500 commented on the Gibraltar market, stating: "Following the introduction of a new regulatory regime in 2005, Gibraltar has risen to become one of Europe's leading funds jurisdictions and it continues to attract new business. The country is also a hub for eGamming companies and private client work remains a core service area for law firms; there is no capital gains tax, wealth tax, sales tax or VAT in Gibraltar."

In recognition of Gibraltar's growth as a funds jurisdiction, the Legal 500 has added Investment Funds as a Gibraltar category for 2014.

### World Autism Awareness Day

"Do not fear people with Autism, embrace them. Do not spite people with Autism unite them. Do not deny people with Autism, accept them, for then their abilities will shine" – Paul Isaacs

Gibraltar joined many other countries around the world by illuminating the Gibraltar Parliment building in blue on April 2nd to recognise World Autism Awareness Day.

'Light it Up Blue' is a global campaign that sees thousands of iconic landmarks, cities and towns around the world turn blue for the occasion.

The campaign highlights the pressing need for greater public education and awareness of autism in our communities.

www.autism.org.uk

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**Association of Trust & Company Managers (ATCOM)**
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