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Editorial Comment

Investment bright, but more newcomers needed

There appears to be an undoubted air of optimism in the main economic sectors of Gibraltar; or it could be that people are trying to look on the bright side of life. In the last quarter there has been progress with a raft of retail, office and residential projects in Gibraltar, demonstrating it is argued, the commitment by investors to the continued economic success of the jurisdiction despite uncertainty caused by the prospect of having to leave the EU after the UK's Brexit vote last year.

Some had no choice but to carry on with confidence having already started their development. Greg Butcher, the serial Gibraltar investor and responsible for the large Ocean Village, mixed use residential, office, retail and marina project, has just opened the world's 65th World Trade Center (WTC) on adjacent land. It sets a new standard for office accommodation in Gibraltar with two large back-up generators, flexibly-placed high speed fibre optic internet connections, seven large lifts, and significant first-time touches – an integral Costa Coffee and even a crèche!

Many take their hats off to him for realising his decade-long dream of a location to encourage new business both to promote and locate in the jurisdiction; and Butcher claims there is demand for more WTC space and even for a conference hall.

With £45m invested, Butcher has to remain buoyant. Just like those retailers investing in new Main Street ventures: International Franchises Ltd had no trouble convincing Debenhams that The Rock was good business; Trends' new £4.5m fashion store project had three local banks wanting to provide loans.

But there is apparently no shortage of mortgage money from banks – and a lot is needed to satisfy purchase of the circa 2,000 apartments said to be coming on stream this year and next. Two blocks at Ocean Village account for 250 units sold, mostly to locals and many for investment, within days at prices up to £450,000; 1,000 are shared ownership.

It is not the same story however, for most business, where availability of funds remains generally tight. Particularly so, if your interest is in the emerging area of internet blockchain and crypto currencies, where most lenders seem unwilling to back initiatives that might on the one hand greatly improve transactions security and on the other, radically alter their business modus operandi. It's something the government needs to get to grips with, before any ground-breaking regulation being developed can take effect.

No-one knows for sure why the £1.1bn Bluewater mixed use development on Gibraltar's east side – described as "the territory's largest single inward investment" - has not progressed – at least 18 months after it was expected to do so. Nor why no details have been revealed on another mixed-use development at a central site known as Rooke by the London firm that was awarded it by government in October 2015. There is only speculation that lack of funding and/or uncertainty increased by Brexit has prompted the pause.

Overall though, the investment picture for the moment, seems bright.

Ray Spencer

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New office space snapped up prompts surplus fears

Gibraltar's largest and most prestigious office block, the £45m Gibraltar World Trade Center (GWTC) has finally opened, the result of nearly a decade of planning and financing arrangements

In January, only 5% of the 15,500m2 office project, built as an annex to the Ocean Village multi-purpose residential, retail, office and marina development, remained to be let after the first occupants moved in at end-2016, and all space is forecast to have been taken before April.

Around 20% of GWTC office space was sold at construction outset to private investors, nearly two-thirds of that being for personal occupation and the balance rented separately to businesses and achieving 7-8% pa returns, it is estimated.

Most of one floor was taken by a single investor, who is in advance negotiations with a gaming-related business that plans to increase staff by 50% to reach well over 100 by employing people new to the jurisdiction.

Firms relocating from one or more Gibraltar offices have taken almost 90% of space at GWTC, which boasts the jurisdiction's largest floor plates of up to 3,000m2.

Relocating from four office locations to 3,500m2 at GWTC is BetVictor, the on-line gaming company, to house 400 staff, mostly on one floor, while Stan James, part of Unibet Group, has 1,500m2 for its 150 staff.

Recruitment assisted

"For many companies being able to recruit and retain quality people in a common culture and working environment is difficult to achieve on a single site elsewhere in Gibraltar without having sufficiently large floor plates", explained Pete Burgess, head of GWTC sales and marketing.

Hassans, the jurisdiction's largest law firm, expects to move its staff from multiple offices into the new 4.3 acres Midtown mixed use residential and office development in the City centre when complete early next year. With three tower blocks, the first phase has some 7,000m2 of offices and a further 11,000 m2 promised in Phase 2.

With two other significant office developments expected to be complete in 2017/18, property owners worry there will be a squeeze on financial returns.

"There is concern at what will happen after the transfer of businesses to new Grade "A" office spaces, leaving numerous much smaller, what might be termed Grade "C" or "D" office locations", observed Mike Nicholls, managing director of estate agency Chestertons (Gibraltar). This will bring a downward rental pressure and a requirement for the spaces either to be upgraded or perhaps converted to small residential units where there is a high demand."

Developer, Evgeny Cherepakhov, plans to construct 350 mainly one-bedroom apartments and 2,000m2 of retail and office space on a car park site in a £100m EuroCity project and he is completing construction of another block – West One.

Projects on hold

Squarestone, a London-based property developer, has halted plans to build a 14-storey, 5-star Marriott hotel and 7,633 m2 of offices in a separate adjacent 8-storey block, after the government last year allocated the site to developer, London & Regional, for a 16,000m2 mixed use Rooke project, but no details have been published.

The £1.1bn Bluewater development on Gibraltar's east side – launched in June 2015 as "the biggest single inward investment in Gibraltar" to include 1,000 affordable homes, 450 high-end apartments, a super yacht marina and retail and office space – has also stalled.

Investors behind Europort, the 20,000m2 office complex that includes Atlantic Suites, have put on hold NW1, a £30m development for warehousing and offices. Lawrence Isola, Europort's chief executive, said: "We have long experienced 95-97% occupancy and seen only small changes. Gibraltar's economy has survived well, but we have not had an influx of newcomers to the jurisdiction. From our research, we believe that by mid-2018 there will be a lot of spare office capacity in Gibraltar, but mostly in older and/or smaller units."

Franco Ostuni, the 4-star Caleta Hotel general manager, observed: "When Europort was built people said it was too much office space and that would create problems for the jurisdiction, but if it wasn't for that facility and other following developments, Gibraltar would not have been able to take advantage of the investment here by gaming companies and the finance centre generally.

Bank spare space

"If we are going to expand our economy, it's necessary to create the office and other infrastructure and bank it for the newcomers we expect to attract," he held.

Ostuni is pressing ahead with piling for a 120-bedroom Holiday Inn Express for completion in Spring 2018 "to attract a market for a more basic, limited service 3-star accommodation from an internationally recognised brand that is not here now".

Trends has become the largest clothing store in Gibraltar with 2,500 m2 on three floors and investment of £4.5m in the former Main Street branch of Barclays Bank last November, increasing fourfold the company's retail area in four smaller shops, claims managing director Bisham Nihchalani.

Having achieved the highest sales per sq ft worldwide in the first independent Debenhams Home outlet launched last autumn by International Franchises Ltd (IFL) at Main Street, director George Russo opened Debenhams department store to replace BHS in an enlarged 1,500 sq ft at the ICC block. "If we had our way we would double the store area because of the potential trade, " Russo said.

New occupants at GWTC amongst 38 listed, are Los Cardos, a wealth manager for an individual family, Alpha Estates, a Middle East investment firm and the largest, Regus, a FTSE 250 business and the largest supplier of serviced offices in the world, which has taken a complete floor of 1,100m2 in its 27th WTC. "Regus provides the incubator space Gibraltar has long needed", said Butcher, chairman of Fairhomes.

He told preview visitors: "There are now 91 World Trade Centers worldwide, designed to encourage and serve international trading. WTC carries a worldwide reputation and we had to deliver a 6-star standard office building. There is a need for more space like this [in Gibraltar] and the WTC international organisation would like us to add conference halls as well!"

Ray Spencer

Shifting Gears

By Alan Mudie, Head of Investment Strategy, Societe Generale Private Banking

2016 witnessed a number of major upsets on the political front, ranging from the United Kingdom's decision to quit the European Union to the surprise elevation of Donald Trump to his first elected office. It is perhaps no coincidence that what appears to be a rejection of the established political order has occurred almost a decade after the Great Recession.

The last three decades have witnessed a profound transformation in global commerce as multi-lateral trade agreements under the aegis of the World Trade Organisation (WTO) have enabled companies to build international supply chains. This trend only accelerated after China's accession to the WTO in 2001.

As companies began to offshore manufacturing capacity, the number of jobs in Western factories continued to decline, feeding fears that jobs had been "lost" to China or elsewhere. More efficient supply chains also helped reduce prices of many goods, contributing to downward pressure on producer and consumer prices. In turn, falling inflation meant modest wage increases for workers which fuelled fears of a decline in living standards, most keenly in those communities which had suffered factory closures.

In this context, political and popular scepticism about the benefits of free trade has risen, leading to a gradual rejection of the previous decades' easing of trade restrictions. Since 2008, barriers to commerce have been raised again and global trade volumes have slumped well below pre-crisis levels. And in turn, this slowing of trade flows has contributed to weaker economic growth in the aftermath of the global financial crisis of 2007-2009.

Global crisis

The crisis was triggered by a build-up in debt, in particular sub-prime mortgage lending in the United States. It became global when it emerged that the international financial system was highly exposed to this risk; and the scale of the ensuing downturn in activity was such that it was judged that highly unconventional monetary policies were necessary to restore growth. First, interest rates were cut to negligible or even negative levels. Then, central banks expanded their balance sheets to purchase financial assets (e.g. government bonds), with the aim of lowering yields across different maturities and encouraging banks and investors to seek higher returns elsewhere.

As a result, the unconventional monetary policies conducted over the last decade have benefited owners of financial assets. The inflation that was targeted by central bankers has shown up in bond prices rather than in those of goods and services, at least until very recently. The growth stimulus that was sought has reflected in equity prices – the S&P index of large-cap US stocks has increased by 230% (data as of 23 November 2016) since its March 2009 low – rather than an acceleration in productivity or gross domestic product (GDP) growth.

This in turn has fed a divisive rhetoric that "Wall Street" has been given preference to "Main Street" – that is, that financial intermediaries have benefited more than entrepreneurs and their workers. In addition, the rise in security prices has diminished the returns available on deposits or on fixed income instruments. This means that savers – for example, those building assets to fund a pension plan – have been penalised. As yields decline, more capital must be deployed to guarantee the same level of investment income.

European Union

In addition, greater commercial and economic integration across borders has encouraged greater international mobility of labour. In the European Union for example, to the population flows driven by freedom of movement for workers has been added the influx of refugees fleeing trouble spots in the Middle East and in Africa. Given the above-mentioned factors, it is not surprising that many voters have felt threatened.

This framework can help us understand the two unexpected electoral results we mentioned above. In both cases, "lost jobs", "falling living standards" and "uncontrolled immigration" have proved powerful arguments for change.

One of the changes underway is a shift from over-reliance on monetary stimulus to a renewed focus on fiscal policy. Concerns that unconventional monetary policy is having little impact on inflation or growth have fuelled fears that central banks might reduce or even stop their asset purchases. While the build-up in debt in recent years constrains most governments' ability to make radical changes, the change in emphasis is welcome.

> "The crisis was triggered by a build-up in debt, in particular sub-prime mortgage lending in the United States"

In summary, the shifting gears in the policy mix will bring new opportunities but also new risks for investors. More expansionary fiscal policy would boost growth but valuations could be pressured by rising interest rates and dollar strength. In this context, broad diversification across assets and long-term themes remains advisable.

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An understanding watchdog makes for a 'go-to' place for new Fintech business

Use of virtual currencies and the blockchain to ease and make more secure a raft of financial services and other applications is expected to be given a boost with Gibraltar's plans to introduce a world-leading regulatory regime

Vastly bigger potential seen beyond Bitcoin: roundtable members, (l-r): Nick Cowan, Ransu Salovaara, Peter Howitt, Siân Jones (on screen), Nicky Gomez, Brent Almeida, Tim Connal and Micky Swindale

New technology companies will be drawn to the jurisdiction by promises of encouragement and support rather than having an overly cautious and restrictive approach, according to a group of business professionals attending an end-2016 roundtable discussion organised by accountancy firm, KPMG (Gibraltar) and *Gibraltar International Magazine*.

But major obstacles remain for innovative entrepreneurs: acceptance by banks to provide initial project finance and operational bank accounts; awareness of support services; and having a watchdog that also seeks to protect consumers and investors.

All of which provides an opportunity for Gibraltar to become the go-to financial technology (Fintech) jurisdiction, with the intervention of government, marketing of the advantageous business environment and support services, and having an understanding financial services regulator.

A blockchain is a distributed ledger of unchangeable, digitally recorded data that provides full transparency in virtual currencies applications like Bitcoin and for land title transfer and accountancy, for example.

Micky Swindale, who is head of advisory for KPMG's Gibraltar and Isle of Man operation, told the eight sector guests: "As an advisor, just about everyone I'm dealing with on just about anything they are doing at the moment, is asking whether we think they should be doing it on blockchain!

"It's not an automatic, one size fits all", she declared, "however, whilst it may not work for all applications, I think there will be a very quick evolution [of the technology]."

Siân Jones, founder of UK virtual currency consultancy Coinsult, taking part by remote video connection, submitted: "The market capitalisation of bitcoin is about £10-12bn, small beer compared to wider currencies, but when you look at the much, much wider range of blockchain use cases, you start to see massive potential."

Having worked for the last three years in virtual currency and distributed ledger technology, and on public policy in Brussels, Jones reported: "There has been a huge shift in the last year on thinking just in terms of virtual currencies, which is dominated by Bitcoin and accounts for around 94% of the value of all those blockchain-based digital assets.

Vast potential predicted

"The potential in other use cases – financial and non-financial – is vastly bigger in my opinion than the virtual currency and payment related stuff, which itself will become much bigger in time. In that context, when you look at the broad terms and say Gibraltar wants a piece of that, it starts to make some very significant sense," Jones observed. "My crystal ball prediction is that that space will account for less than 10% of all the uses and value of use cases for the wider underpinning technology."

As an example, a recent report on insurance by accountancy firm, PwC, foresaw a US$5-10bn opportunity in the wholesale insurance market from the use of distributed ledger technology.

But as the roundtable participants quickly identified, having a sound, safe regulatory environment to protect investors, the public and a jurisdiction's reputation was necessary if virtual currency and blockchain initiatives are to flourish. Yet, New York State – where a regulatory regime launched in 2015 and two years in the making – had been "a spectacular failure" resulting in just two or three licences being granted, "because it is a significant, comprehensive, all-encompassing, highly burdensome piece of regulation", Jones declared.

At over 45 pages long, the BitLicence had caused a flight from NY State of innovative start-ups, "simply because the burden and cost has been so significant; they moved out to other parts of the US, or to Europe and elsewhere", she said. "That [approach] is certainly not something we in Gibraltar would want."

With Jones as an advisor, it was revealed that Gibraltar Financial Services Commission (GFSC) has been actively looking into the possibility of developing its own ambitious regulatory solution designed to create the right environment for new technology companies to settle and grow in the jurisdiction. The new licence-type is likely to be the first in the world to present a practical solution for users of virtual currencies and the blockchain.

Continued overleaf

Nicky Gomez, GFSC risk manager and one of five involved in the regulator's year-old specialist Innovate & Create team, explained: "The team's purpose is to support start-up Fintech companies who want to establish in the jurisdiction.

"One of the things that we are very much aware of is that these kinds of firms are not used to working within a regulatory environment, so it is important that we adopt a supportive approach to working with them to get a better understanding of what it is that they want to offer, what the risks are, and to manage those risks to a level that falls within our risk appetite in an environment that will benefit consumers and the jurisdiction."

People "hungry for regulative certainty" in Fintech: Micky Swindale, KPMG's, specialist in digital ledger services

As Sian Jones pointed out: "New York State shows exactly what can go wrong if you try and regulate a new technology that is still being developed. The businesses, activities, business models and use cases are all still evolving, and too early, too prescriptive regulation is detrimental to innovation.

Governments doing little

"Relatively little is being done by governments to support innovation, in spite of noises suggesting that it is happening. The UK, for example, makes a lot of noise about supporting Fintech, but in reality, there is little government support."

One significant development is the UK Financial Conduct Authority's (FCA) regulatory 'Sandbox' approach, which aims to "create a 'safe space' for businesses to test innovative financial products, services, business models and delivery mechanisms in a live environment without immediately incurring all the normal regulatory consequences of engaging in the activity in question", Jones related. During 2016, around 20 jurisdictions have launched or are developing sandboxes.

The European Commission has also published a draft amendment to the 4th Anti Money Laundering Directive that includes bringing virtual currency exchanges and custodian wallet providers, into the realm of regulation by defining them as 'obliged entities'.

Swindale, now also head of digital ledger services for KPMG's Islands Group [of seven financial services territories, including Gibraltar], interjected: "We have sounded this note of caution about putting in place a restrictive framework and the need to take time to stand back to allow these companies to develop and to understand how these technologies are being applied."

She suggested: "This is a sector that while swift regulation might not be the wisest course, people are hungry for that certainty it gives potential customers."

Tim Connal, GFSC's senior legal advisor, reminded: "The remit of Innovate & Create is not just related to Fintech and virtual currencies. Like a lot of things, it links back to our strategic business plan 2014-17, which includes support of innovation in Gibraltar, businesses coming in and the reputation of the jurisdiction.

"It is just a happy coincidence that a lot of the innovation going on in the financial services sector surrounds Fintech. We are looking also to help businesses that are not necessarily regulated, but that want to provide services to business in the jurisdiction that are regulated and provide support to licencing Fintech products."

The World Economic Forum published a report in August that gave a ringing endorsement of the ability of blockchains to transform modern financial technology, Swindale underlined. In addition to increasing the speed and security of transactions worldwide by using cryptology, blockchain technology also can be used to reduce costs by leveraging cloud technology, she clarified, adding: "Blockchain can also improve regulatory compliance by offering detailed factual evidence and a solid trail of transactions for auditors and regulators."

But some small entrepreneurs and other enterprises not experienced in operating in a regulated environment were put off by the envisaged responsibility and workload involved.

Peter Howitt, founding partner of local law firm Ramparts concurred: "We definitely have a divergence in the crypto space between those who are very pleased to carry on without supervision and those who take a more strategic long-term view, and probably have experience in other sectors where they can see there is a need for regulation and it is helpful if they do things in the right way."

As someone deeply involved in eCommerce - electronic payments, electronic money - and eGaming, he disclosed: "I have a pension fund and I'd love to have a Bitcoin Exchange-Traded Fund (ETF), but I can't; I've got an ISA. Those thinking more strategically realise that regulation is not a no-no, but there has to be thoughtful, sympathetic regulation.

"The bigger operators that I have spoken to seem to be intelligent about the need to find a good home for crypto companies, and also the difficulties of accessing the wider system – bank accounts, having relationship with card schemes - are not going to get better by staying out in the cold."

Creating a bridge

Cue **Brent Almeida**, chief executive of WaveCrest Group, a Gibraltar-based digital payment solutions company, who stated: "Our solutions create a bridge between more traditional payment networks and the emerging Fintech ecosystem. We have seen this business vertical grow by over 600% in the last 12 months, but that success would never have been possible without a regulator here that – even in the absence of explicit legislation on virtual currencies - displays an appetite for that type of financial services innovation."

However, as **Philip Vazquez**, a lawyer at Triay Stagnetto Neish and one of the organisers of Gibraltar Start-up, a voluntary body that aims to help Gibraltar's entrepreneur and smaller innovative start-up companies, disclosed: "We are not experiencing notable interest from start-ups in this [Fintech] sector at this stage. Bitcoin and crypto businesses are a new and growing area, for example.

"We are not sure why more innovative businesses are not coming to us, maybe they are coming into the jurisdiction at a higher level in Gibraltar, but we might in the next 12 months see Fintech and distributed ledger technology be the base of more smaller businesses."

Micky Swindale recounted the IoM experience where "the regulator moved fairly quickly to extend aspects of financial and personal regulation to include virtual currency companies, but the initial flood of business attracted was rather cut off at source by the fact that local banks wouldn't support those companies and became very nervous about dealing with them, even via businesses that were already customers. That can be a big issue."

Howitt went further. "We see it here in Gibraltar too, it is a massive issue," but he and Almeida both saw a big opportunity for the government to intervene and encourage the Gibraltar International Bank (GIB) it owned, to provide support, subject to sufficient

Continued overleaf

regulatory and risk control. Swindale intervened to warn: "There is a danger that all of that [effort to encourage entrepreneurs] will go to waste if there isn't a bank to support it."

Problem with banks

With that in mind, Howitt declared: "We have just described a global banking infrastructure that is starting to break – the politicians have no control over it since the [2008 financial] crisis – that largely, is why so many of us are passionate about Bitcoin. It all feeds into most of us thinking that this situation is an amazing opportunity."

Siân Jones observed: "The problem of banking is not in any way unique to virtual currency businesses; it is part of a much bigger problem of wholesale de-risking, which has been going on across the banking sector. One factor is that so many of the banks are owned by other much larger banks, so those de-risking policies filter down through to the smaller banks, many of which are reliant on their correspondent banking relationships to function."

Gomez concurred. The GFSC had identified the issue of access to banking facilities: even when local banks showed interest, their [larger] correspondent banks might not be comfortable with the risks around Fintech companies. He stated: "It shows the dynamics here. No one is going to resolve it simply by having a good regulatory environment; we need to see how that interacts with banking policies and Board risk appetite.

Ramparts' Peter Howitt "passionate about bitcoin"

"What we can do is provide a strong responsive regulatory framework that supports the right controls being in place whilst not stifling development. Ultimately, we would approach any new business with the same regulatory objective of ensuring consumers' and Gibraltar's reputations are protected. How this is done needs to be proportionate to the circumstances" the Commission's risk manager concluded.

Yet Brent Almeida saw "a huge opportunity still ahead of us as a jurisdiction", sighting the general benefits of Gibraltar – "why we are all here as individuals and businesses – favourable corporate tax regimes, no capital gain, no VAT – which also eliminate some of the operational complications with regulating virtual currencies."

The jurisdiction, he judged, had experience in building support infrastructure for a new innovative industry. "We have seen what has happened with online gaming here, where there are very similar dynamics to those of the virtual currency world", Almeida observed.

"Now [with virtual currencies and other blockchain applications] we are talking about a much larger potential market. All the ingredients are there for Gibraltar to be as well-positioned as any other jurisdiction to take advantage of this growth, it really comes down to some better marketing of the jurisdiction and execution across the board on government support of innovation and start-ups. There are clearly a lot of inter-dependencies still to be managed, but we are certainly moving in the right direction", he submitted.

Ground breaking

One significant development occurred when **Ransu Salovaara**, chief executive of Revoltura, moved to the jurisdiction to launch last summer his ground-breaking BitcoinETI product, a traded security backed by a portfolio of bitcoins, listed on GSX (Gibraltar's Stock Exchange), the first in Europe to do so.

"Many institutional investors are demanding a stock-listed product so that they can get exposure to bitcoin. We fixed this by having BitcoinETI listed in Gibraltar and trading out of Frankfurt Stock Exchange," Salovaara said, adding: "We plan to do more. We get approached by crypto currency and digital asset companies very interested to see that the whole crypto currency space will get better here if there are regulated products supporting them."

Nick Cowan, GSX managing director, devised the product with listing member, Argentarius that had a prospectus with regulatory approval to passport across the EU and in a structure suitable for UCITS funds.

"The challenge was to engage with the regulator at an early stage, to articulate clearly the opportunity as well as the risks associated with a securitisation structure, and to recognise that everyone was going to be taken out of their comfort zone," Cowan recalled.

"Structuring Europe's first asset backed security listed on a regulated market was something that no-one had seen before in virtual currency and offered a whole new learning exercise on how this would work regarding liquidity, execution and, particularly, the risks surrounding security," Cowan admitted. "There was an intensive risk matrix process – including the potential reputational risk to Gibraltar if we got it wrong."

The GFSC signed off on the project within six months. "That was a huge accomplishment from a regulatory basis, because with other products the Commission can approach other regulators as a point of reference for advice if required, but with the advent of the Bitcoin ETI, the GFSC had to take the lead showing an appetite for innovation," Cowan declared.

Howitt saw the development as an opportunity to market Gibraltar as a centre of excellence in this technology, "making it clear that we are a place in the world where you want to come to gain support as a start-up and receive help through the process. There is a really good chance that whilst everyone is focusing on blockchain and exciting things around it, bitcoin is going to keep building as the internet money alongside Fiat currency."

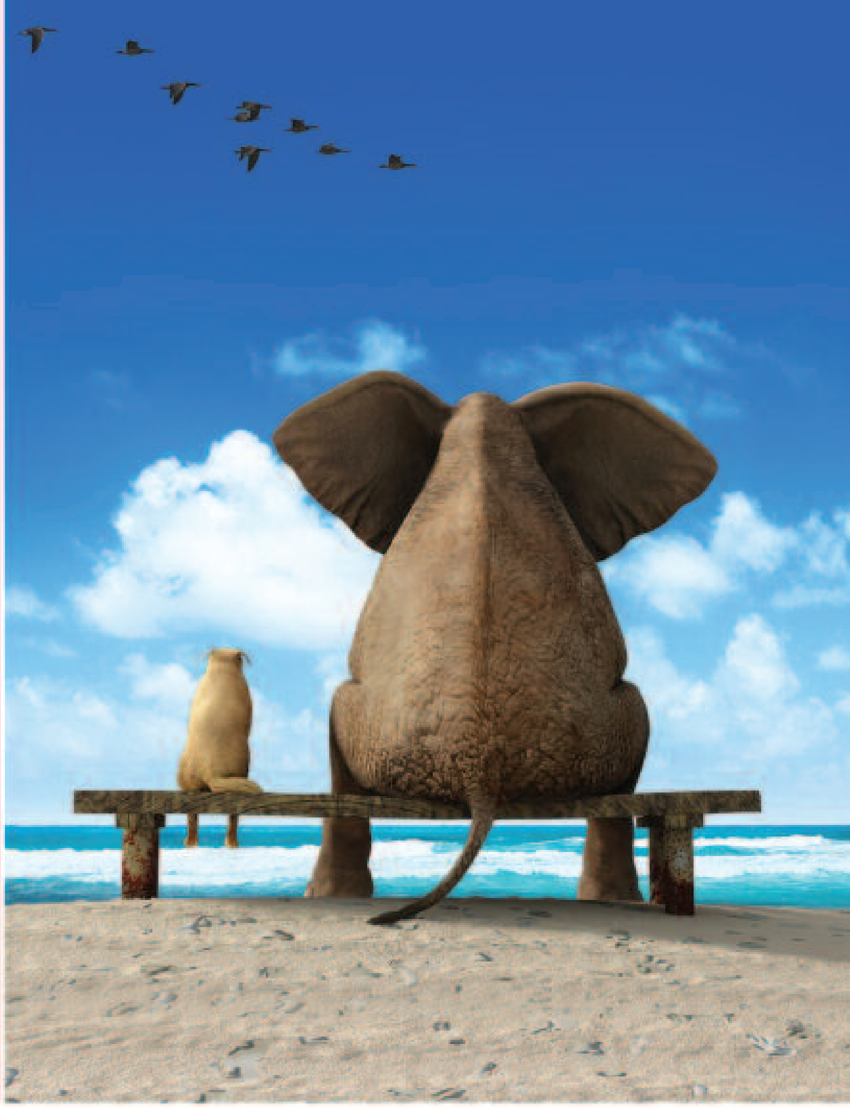
He was pragmatic: "It's a win-win situation. If there is growth in virtual currency there's a regulatory regime to support that, and if there is growth in blockchain, we have the regime to support that too, so whichever part is the one to grow we can benefit as a jurisdiction. In 12-24 months we may see that virtual currencies and blockchain are separated in their application and the key for Gibraltar is in having a flexible regulatory regime that can support either or both of those applications."

As Sian Jones perceived: "We are working hard in Gibraltar to address the challenges of a rapidly evolving, brand new technology. We know it's a bad idea to try to regulate a technology, rather focus on the business activities that might use that technology. We are looking into something that is outcomes focused, principles-based, that addresses the very broadest spectrum of the use of distributed ledger technology".

Ray Spencer

Virtual currencies and the blockchain

Roundtable participants:
Coinsult - **Siân Jones**
GFSC - **Nicky Gomez** & **Tim Connal**
Gibraltar Start-up - **Philip Vazquez**
GSX - **Nick Cowan**
KPMG - **Micky Swindale**
Ramparts - **Peter Howitt**
Revoltura - **Ransu Salovaara**
Wavecrest - **Brent Almeida**



The Common Reporting Standard (CRS)

By Francis McGowan, Senior Associate, Tax and Advisory at PwC

There is nothing new about the idea of exchange of tax information between jurisdictions. However, since the global financial crisis of 2007 and 2008, there has been a change in momentum with countries committing seriously to implement frameworks facilitating automatic exchange of tax information in a bid to catch tax evaders and claw back lost revenue.

The watershed moment galvanising support for exchange of tax information is widely attributed to the UBS scandal in 2007 when a whistle-blower disclosed information on tax evasion by US clients of the Swiss Bank UBS. This led to a US investigation into UBS. The legacy of the UBS scandal was the Foreign Account Tax Compliance Act (FATCA). Now Swiss financial institutions share account information directly with the US tax authority (IRS). FATCA then spawned UK FATCA (an exchange of information agreement between the UK and its Crown Dependencies and Overseas Territories). The latest chapter on information exchange is CRS which is also inspired by FATCA and commonly referred to as global FATCA.

CRS was developed by the OECD and aims to effectively tackle tax evasion while minimising costs for governments and financial institutions by using a standardised automatic exchange model.

> The world is quickly becoming a much smaller place, both for tax evaders and tax administrations*

Gibraltar is committed

The Gibraltar Government has enacted the International Co-operation (improvement of international tax compliance) Regulations 2016 ("the Regulations"). The Regulations implement the OECD's CRS system and the revised European Directive on Administrative Cooperation (DAC) (which provides the mechanism for adopting the CRS in the EU) into local law.

In Gibraltar, no guidance notes have been or are likely to be published to help to interpret the law to help identify which financial institutions have reporting obligations or the type of financial information and accounts which need to be reported. For assistance in interpretation, professional advice should be obtained.

Who ensures compliance in Gibraltar

The Gibraltar Commissioner of Income Tax (CoIT) is the Competent Authority and therefore responsible for ensuring that Gibraltar financial institutions comply with their obligations under CRS. Under CRS, reporting financial institutions (RFIs) will need to report accounts held by non-residents to the CoIT which will be used for eventual exchange with other jurisdictions.

If an RFI fails to comply with the CRS, the RFI will commit an offence and be liable to a fine of £3,000.

What does this mean for RFIs in Gibraltar?

RFIs in Gibraltar will have a reporting obligation to the CoIT if they are depositary institutions, custodial institutions, investment entities and specified insurance companies.

Whilst it is generally straight forward to identify an institution with potential reporting obligations, it may be less clear for some organisations such as corporate administrators, company managers and corporate trustees. This should be looked at on a case by case basis using professional advice.

What information needs to be reported on?

CRS requires that only information relating to non-residents from reportable jurisdictions (i.e. countries who are signatories to the CRS) is reported. No returns have to be made to the CoIT if there is no reportable information.

RFIs must report the name, address, jurisdiction of residence, taxpayer identification number and date of birth of each reportable person, and in the case of an entity, each controlling person which is a reportable person on each reportable account (i.e. accounts controlled by an individual or entity that is resident in a reportable jurisdiction). RFIs must also report the account balance or value as at the end of the relevant year (or on date of closure of account). On some account types, RFIs report on interest, dividends, or other income, gross proceeds from sale or redemption paid or credited during the year.

What's next?

The RFI's first reporting deadline is 31 July 2017. This must be submitted by an electronic return. The CoIT's automatic exchange deadline with other jurisdictions participating in CRS is 30 September 2017.

The first reporting period is the calendar year 2016. Local RFIs will need to review their current systems and contracts, and consider how these will need to be adapted to comply with the CRS reporting requirements. New accounting opening procedures may be required to collect the relevant information and this does not simply consist of one confirmation on tax residence at the time of on-boarding foreign clients. Systems and processes will need to continuously monitor key information such as tax residency status, account balances or gross proceeds to be paid or credited to an account holder. Fortunately, despite the differences between FATCA and CRS, RFIs can leverage the lessons learnt from FATCA in developing the processes for exchanging information under CRS.

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* OECD Secretary General Angel Gurria at the signing ceremony of the Multilateral Competent Authority Agreement for the Automatic Exchange of Financial Account Information ("the MAAC"). The exchange relationships under CRS between jurisdictions are typically based on the MAAC.


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Digital era growth to balance reduced cash handling

In the first of a two-part report on progress of the jurisdiction's banking sector, *Ray Spencer* finds availability of mortgages and to some extent other business finance has improved with the arrival of the government-owned Gibraltar International Bank

Moves to digital and internet transactions across the board are being fuelled by rising operational and financing costs that have put pressure on banking profits. In this report, we look at retail and full service banking, whilst in the following issue we look at how private investment and other banking on The Rock is expanding.

"The banking situation locally is healthy, with some competition, but also it is a difficult financial operating environment, because of negative interest rates in some of the main currencies", explains Christian Bjørløw, chief executive in Gibraltar for 14 years of the Danish-owned Jyske Bank that handles some £1bn of assets locally and employs 100 staff.

A strategic move into retail banking: Christian Bjørløw, Jyske Bank (Gibraltar) chief executive

"All of our currency exchange rates in Europe are with negative interest – currently minus 0.43% - and some corporate clients are paying more for this situation, although we take some of the hit", he reveals, adding: "There is no light at the end of the tunnel to see positive interest rates in the foreseeable future – it is not a problem for private clients for the time being, but for corporate clients it is an issue. We can't place their money on a 5-year basis, I have to pay them on demand, and even in Euros the 7-year Bond interest rate is negative.

Main income hit

Bjørløw points out: "These are areas where we make our main income. It will hit the bottom line for all banks in Gibraltar, because we will have assets that are Euro-based, and even the base rate in Sterling has been reduced after the Brexit referendum."

This stark warning comes at a time when both retail and private banks are showing signs of making progress locally, despite a significant reduction in the number of Gibraltar Financial Services Commission (GFSC) banking licences. There were 21 banks ten years ago and 12 today, including foreign exchange specialist, Moneycorps, that opened locally last summer.

Some 30 years ago Jyske Bank took over the jurisdiction's oldest bank, the family-owned retail Galliano Bank which was founded in 1855. Four years ago Jyske took the strategic decision to extend beyond private client business to become a full service bank.

Whereas private clients accounted for 60-70% of the total, today around 95% is local business split to 40% corporate, 40% private accounts and 20% in retail banking – current accounts, mortgages, etc.

Shortage of mortgage providers brings "high concentration risk": Amanda Eccleston, NatWest (Gibraltar) country head

Jyske's expansion decision pre-dated by six months that taken by Barclays to withdraw from retail banking, leaving individuals and businesses with some 17,000 accounts to find an alternative home.

The initial fall-out from the surge of people seeking bank accounts was borne most acutely by the 116 staff at NatWest, which after a short while had to stop taking applications for new accounts and banking services due to the unprecedented demand in the personal and business sectors and the impact it was having on NatWest operations.

Now claiming to be the largest holder of banking deposits locally, NatWest has taken on some 5,000, mostly personal accounts from former Barclays customers. Amanda Eccleston, NatWest [Gibraltar] country head since July, says only now is the bank considering lifting its applications pause on a staged basis.

"We are a local retail, corporate and commercial bank and do not provide services to customers in other EU member states, because we have no [financial services] passporting rights, being a branch of RBSI in Jersey, a non-EU country", she points out.

Lloyds Banking Group with 30 staff has a reduced Gibraltar presence, but still services "several thousand UK expatriate or international customers in Europe with current and savings accounts, foreign exchange and investments advice services".

Barclays is "in the process of winding down its physical presence within Gibraltar, but will continue to provide a relationship managed service to some of our local current Gibraltar clients from several divisions of the Barclays Group on a remote basis, meaning those clients that have bank accounts in other jurisdictions", as a Group spokesman explains.

Its decision was part of much wider restructuring by the UK bank parent and led members of Gibraltar Bankers' Association to support government delivery of a long-promised locally-owned retail bank, the Gibraltar International Bank (GIB), which opened in mid-May 2015 after just a year's planning.

The initial idea was that there would be an automatic seamless transfer to GIB of the Barclays accounts, but IT issues caused delays and most migrated to other banks. "The corporate entities in particular, such as traders in Main Street, could not, understandably, wait a year for us to open", Lawrence Podesta, GIB chief executive, says. Even so, GIB opened with 60 staff and 3,500 mainly personal on-line accounts that has since grown to 8,600 accounts.

More proactive

For the past year, GIB has been more proactive. "We now are more in line with what is expected of a retail bank and we have time to dedicate to clients and market ourselves to business. We are encouraged by the results – the number and stature - with enquiries coming from top corporate entities in Gibraltar as well as individuals," declares

Continued overleaf

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Podesta, who has experience of working in private and retail banking and originally trained with Barclays locally.

Deposit balances are above expectation at £300m, which gives GIB leeway for lending, an initial area of concern. As Podesta reveals: "The lending book has grown at a steady pace, which is fine by us, because we still haven't reached the 50% loan-to-deposit ratio. We did, initially, cater for the government housing scheme projects; we committed to assist with mortgage lending for half of the overall housing schemes, about 450 flats involving some £22m in mortgages, and that was comfortably financed." But the bank has also provided another £27m in mortgages for other customers.

Eccleston concludes that NatWest still has high levels of concentration risk, because of a shortage of local mortgage providers. "We are running at a very high level. In the UK you would never have any one bank having a 40+% concentration risk, but we have in housing." However, there are limited loan defaults: "Gibraltar is a well-performing jurisdiction in terms of the mortgage book and credit side."

Convenient ATMs "not a significant revenue earner", says Lawrence Podesta, GIB chief executive

Easier home loans

Bjørløw submits: "Mortgage availability has eased; it is not difficult to get a mortgage. There is no new huge development coming along, so most demand is coming from people moving on, but now only within Gibraltar." However, he agrees there is some concern at business loan availability.

"For a big project generally amongst Gibraltar banks there is a probably a shortage of funds and there is also the possibility of limits on lending for certain types of business (housing, for example) and even locations (individual developments) as a result of concentration risk for some banks at some times," Bjørløw suggests. "We have financed some small housing projects; we as a bank don't want to get involved with a project that is only half finished, so we are quite conservative on credit risk."

Being Danish-owned, Jyske says it has a different approach to business than typical British banks, which means 95% of decisions being taken locally rather than by teams external to the jurisdiction.

Using a network of 29 approved local intermediary introducers - accountants, lawyers and company managers – GIB has attracted accounts from mainly international clients not based in Gibraltar.

"Historically it has been a huge market and it gives an extra edge to the retail operation, even though we are here logically to service the local community of around 30,000 people –a considerable, but limited market", observes Podesta, whose staffing has reached 78. "There is a necessity to engage in international business for the extended growth of the bank."

Loan enquiries have come from the UK, "which we are looking at carefully, although it is a side-step to our main operation", Podesta states, emphasising: "GIB will not engage in any loan proposition for Spain or elsewhere in Europe, because we would need to understand fully the complexities of a different regulatory environment."

Cash use problematic

One of the biggest problems for local retail banks is that "Gibraltar is very much a cash-based society and many customers want to cash cheques – we are probably the only part of Europe that issues so many cheques and there is a cost to that", relates Eccleston.

Until 2015, there was a local clearing system, but rising costs and improving operational efficiencies led to each bank arranging for its cheques to be processed on their behalf by a correspondent UK clearing bank, a process that takes seven days!

"All NatWest customers are being encouraged to use electronic means – Automatic Teller Machines (ATMs) if necessary, and also on-line banking and mobile apps. For younger people, using cheques and cash is not the way things are done today", she observes. "Going digital and using the internet is the way forward."

There are 12 ATMs on The Rock. As Bjørløw makes clear: "Cash handling and cash points are an enormous cost; Jyske has only two ATMs. If I go to Denmark, I don't use any cash and instead I use a VISA card or mobile app for payments. I hope we soon will go more and more electronic for banking."

GIB aims to be a digital bank, with ATMs in its banking hall for cash and cheques can also be deposited. In April, the State-owned, but independently-run bank opened a cash centre in central Main Street with eight staff so businesses can deposit money and also arrange collection from shop premises. With five ATMs in three locations, GIB is planning two more. "Whilst not a significant revenue earner, provision of ATMs is a convenient service for clients," Podesta acknowledges.

To ease things further, NatWest, Jyske and GIB agree there is scope in the territory for another retail bank, but consider it unlikely to happen. Eccleston illustrates the issue: "One of the obstacles for newcomers is the Deposit Guarantee Scheme (DGS),which protects up to €100,000 per person on an aggregated basis, and the requirements for it.

Deposit guarantee obstacle

"In the UK if you are a member of the Financial Services compensation scheme, you are one of hundreds of banks, so your pre-funding in line with the EU Directive is minimal, but here in Gibraltar when you are one of few participants that is quite an obstacle in terms of set-up cost and pre-funding."

Eleven authorised credit institutions contribute to the Gibraltar DGS that requires pre-funding to reach 0.8% of deposits by 3 July 2024 via nine annual contributions and GFSC's Resolutions Unit reports: "We are on target."

Costs have been hit in other areas too, Bjørløw emphasises: "We need more volume today to run a bank because of extra costs of compliance and regulation that have a huge impact on the whole business. In 2002 Jyske had one compliance officer in Gibraltar; today we have a department of ten people, with risk control and compliance capability."

Despite rising costs in a competitive environment, the retail banks all say they remain committed to Gibraltar. GIB declared a £6m loss in its launch year, but plans for profitability by early 2019.

Podesta warns that EU Basle 3 regulations mean there is a need to keep a close watch on asset-to-loan and capital adequacy ratios. "The more successful we are, the more capital we have to put to one side as assets are capital weighted. In all probability, there will come a time when we will have to ask the shareholder [the government] for more capital, not because the business has physically eroded, rather the contrary, and reserves would, by necessity and regulation, have to be increased."

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Fintech: revolutionary innovation in financial services

Unless you've been living in a cave, you'd have heard the phrase "FinTech". It's a term often banded about, but despite being in vogue, its exact meaning is lost on many, Richard Bowry, Senior Associate at Hassans law firm reports

It is hardly surprising when you look at some definitions of the term Fintech. For example, one definition states "Fintech is a portmanteau of financial technology that describes an emerging financial services sector in the 21st century."

Confused? That is hardly surprising. Does it matter? Absolutely. FinTech is not a fad or buzzword. Without doubt, Fintech is something that will radically change not only how we do business, but how we live as a society. And it will happen within the next 4 or 5 years.

So what is FinTech? After all, technology in finance is nothing new, is it? That is true. The use of gold, the invention of money, the double-book entry system, calculators and the computerisation of records are all finance technology. However the last ten years has witnessed an explosion of new technologies, often internet and mobile communications based, that is transforming our world. Of course banks have been using advanced computer technology for many years, but until now financial technology has largely taken place in the back office, and whilst it has enabled more things to be done more quickly, often they are still done in hours or days, rather than seconds and minutes, and advances to date have not fundamentally changed the finance industry itself.

Although Fintech is about improving the speed and efficiency of how we conduct business, it is far more than that. It is changing the nature of business itself. FinTech, in short, encompasses revolutionary innovation in financial services. FinTech has enabled:

- consumers to make payments by multiple of means (some avoiding the banking system altogether);
- the matching of customers who want to lend with those that want to borrow, again by-passing the traditional banking system;
- the purchase of goods, services and investments without the need for intermediaries;
- personalisation of products, such as insurance, that can be personally priced based not on objective criteria such as age, but on the characteristics and behaviour of the particular customer;
- entirely new interactions, business-to-business (B2B), business-to-consumer (B2C) or peer-to-peer (P2P);
- the creation of new forms of currency.

FinTech enables new applications, new processes, new products, new businesses. For example:

1. Your banking: Banks are the ultimate middle-men. They borrow from you at low interest, and lend to others at higher interest. Technology will allow many new quasi-banks to exist, many without expensive retail space and multitudes of staff. New companies and existing global companies (e.g., Amazon) will have electronic wallet systems linked to payment networks, through which most of your shopping can be done without ever touching a traditional bank.

2. Your shopping: Use wearable tech (e.g., a watch) to tell you the cheapest place to buy what you want, and then use the device to buy it. No queuing to pay.

3. Your borrowing: Internet platforms have exploded in popularity, doing hundreds of millions of pounds in loans. Where banks can take weeks to approve a loan, peer-to-peer lenders take as little as 24 hours. Platforms will lend where banks will not.

4. Your home: The same wearable tech you use to shop can connect to a central system integrating and controlling all your remote smart home gadgets.

5. Your holiday: Foreign exchange is needlessly expensive. Today money transfer companies enable you to transfer money for a fraction of the traditional price. In effect they simply match those wishing to buy and those wishing to sell a currency, and arrange the swap. You pay an admin fee.

6. Your investing: Have instantaneous access to information, and trade on an automated basis. Invest in crowdfunded IPO's (public share offerings). Traditional IPO's are increasingly filled out by institutions. Ignore them, and invest P2P.

7. Your business: You want to start a business. If the bank won't lend, consider internet based peer-to-peer lending, or perhaps crowdfunding where monies are raised by pitching on the internet. You do not have a trading history to work with credit card companies? No problem. Use internet companies making it easier for small businesses to accept card payments through cheap terminals, or consider accepting virtual currencies. Your accountancy and audit fees seem excessive? Invest in software that virtually automates the accounting process.

Blockchain - the most exciting aspect of FinTech

The word "Blockchain" is also commonly heard but again its meaning is unclear to many. Put simply, blockchain is a new technological method of recording and verifying data. Currently computers store and verify data, however ultimate control of that data is centralised and this can limit the scope of its use. Blockchain is different. It creates a digital ledger of transactions however that ledger is not stored in one place, but is rather distributed across thousands of computers worldwide. Everyone in the network has complete access to an up-to-date version of the ledger.

Blockchain is a way to let users make and verify transactions on a network instantaneously without a central authority. It can be used for nearly anything that needs to be independently recorded and verified as accurate. This is commonly called "distributed ledger technology" and is basically a secure and transparent way to digitally track the ownership of assets.

Importantly, it can speed up transactions dramatically and cut costs while lowering the risk of fraud.

Let's add some detail. A blockchain is a digital ledger of transactions distributed amongst a network of computers. It uses cryptography to allow each participant on the network to add to the ledger in a secure way without the need for a central authority. Once a block of data is recorded on the blockchain ledger, it's extremely difficult to change or remove. When someone wants to add to it (i.e., add new data), participants in the network, all of which have copies of the existing blockchain, run algorithms to evaluate and verify the proposed transaction. Verification is possible as all participates have the blockchain history, so if a person is purporting to sell, say 100 bitcoins, the blockchain can verify through the history of transactions that such person does indeed own at least 100 bitcoins. On the system, if a majority of the participants agree that the transaction looks valid, (i.e., verifies the information matches the blockchain's history), then the transaction is approved and a new block is added to the chain.

There are different blockchain configurations that use different consensus mechanisms, depending on the type and size of the network and the needs of participating companies. The bitcoin blockchain, for example, is public and "permissionless", meaning anyone can participate and contribute to the ledger. Many firms also are exploring private or "permissioned" blockchains whose network is made up only of known participants. Each of these blockchain implementations operate in different ways.

Why is this so exciting? Blockchain technology has a host of applications, none more obvious than the banking industry. Currently, banks maintain huge computer operations integral to the bank. Within the system, processing data is comparatively straight-forward. Communications between systems and organisations (for example, a transfer between banks) is far more complex. If banks shared data using blockchain technology, it could remove a layer of inter-mediate processing that is currently necessary. Blockchain can therefore speed up transactions and reduce cost.

So what is the benefit to the consumer? If banks and other financial institutions are able to speed up transactions and reduce costs, it will mean cheaper and more efficient services. Exchanging and transferring money abroad, for example, should happen almost instantaneously at a fraction of current cost.

> **If banks and other financial institutions are able to speed up transactions and reduce costs, it will mean cheaper and more efficient services**

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Tackling internet break-ins involves all

Gibraltar aims to become "the safest place to be in this new digital world" by mitigating cyber threats to businesses and individuals through education, awareness, investigation and enforcement action.

The rallying call was made to more than 50 people representing all sectors of the jurisdiction's business community as Det. Supt. Ian McGrail of the Royal Gibraltar Police (RGP) unveiled GibCyberWatch, a cyber information sharing partnership (CISP) under the auspices of the new Gibraltar Contingency Council (GCC) that embraces Gibraltar Governor's office, the government and RGP.

A GCC strategy is being formulated with Albert Isola, minister for financial services and gaming, the sectors most vulnerable to cyber crime that account for half of the economy.

"Cybercrime is set to become the biggest area of crime – hackers, identity theft, business disruption and loss – with organised crime groups, global, international terrorism", McGrail explained.

GIBCYBERWATCH

"There have been incidences of cyber-crime, but it has not been separately recorded. However, we know substantial amounts of money have been lost," he admitted. "From a law-enforcement perspective cyber- crime is under-reported in Gibraltar."

This is the first time the business community has been actively involved. As a first step, RGP is seeking membership of the CISP – a platform with various business interest groups operated by the UK's National Cyber Security Centre - that will be open to Gibraltar business associations.

"We have many big enterprises in Gibraltar and they may be well-prepared to bat away threats from cybercrime, but it is a constantly moving target and no one is immune," declared McGrath, adding: "The knowledge these firms have can help particularly those medium and smaller–sized business lacking the resources to deal with cybercrime."

McGrath hopes to "attract a specialist army of world class professionals to fight this cybercrime enemy. This is a rallying call to take action that has longevity and sustainability."

Surveys will help gauge how far businesses are aware of the issue, the extent to which they have been victims, and how well-prepared they are to prevent cyber- crime.

Dr Daniel Dresner, a UK-based security consultant involved with GibCyberWatch, pointed out that many companies considered cyber security was an IT Department problem, but responsibility for action and awareness lay with the Board or business owner. "Remember, any cyber attack has potential to harm the company's reputation – and that of a jurisdiction, he warned.

A Gibraltar Cyber Security Summit in June at the Sunborn Hotel is expected to attract wide attendance from business and individuals.

Gibraltar Insurance Institute launches Fast Track CERT CII Programme

The Gibraltar Insurance Institute (GII) was established in 2008 to provide training and education to Gibraltar's insurance industry and quickly achieved affiliated status of the UK Chartered Insurance Institute (CII)

The GII's primary objective is the provision and co-ordination of insurance training to the local insurance industry to enhance the professionalism.

The Institute also facilitates continuous professional development (CPD) through technical seminars and promotes careers in insurance within local schools and the college.

A recent development has been the co-operation with the University of Gibraltar for the Fast Track CERT CII Programme ("the Programme") that was launched on 6 October 2016. In six months students can achieve their CII qualification through a structured programme that consists of three separate units and provides two face-to-face training days per unit with CII tutors from the UK. Students benefit from online study websites, student forums and tutor support throughout the Programme. A total of 23 students have enrolled on this Programme, which has by far exceeded expectations.

Gibraltar finance

Albert Isola MP, Minister of Commerce, HM Government of Gibraltar commented "I am enormously proud of the development of the Institute over the past eight years and the dedication and time that has been devoted by the GII Council to promoting insurance qualifications and professionalism in Gibraltar.

The Institute has a current membership of over 420, which is a clear indication of the breath, depth and commitment of its membership to improving professionalism within the local insurance industry. Gibraltar has a growing insurance industry and the GII plays an important role in helping to maintain it as a centre of insurance excellence for existing insurers, those considering relocation to Gibraltar and new start ups".

Current GII President, Lorraine Moberley ACII, who has been instrumental in launching the CERT Programme stated "The CERT Programme has already proved very popular with 23 students joining the

Who can be a member?

The Gibraltar Insurance Institute itself has over 400 members. The Institute welcomes members in any way involved with the insurance industry, this includes:

- **Employees of insurance companies**
- **Employees of insurance intermediaries**
- **Employees of insurance managers**
- **Employees of associated companies – auditors, solicitors etc**
- **Individuals who want to learn more about / get training in insurance**

initial Programme. The GII plans to offer a similar Fast Track Programme for the DIP CII (Diploma level) during 2017. In addition to the CII courses we also organise a busy schedule of events, having held 17 educational seminars and courses during 2016 many which provide CPD for the qualified professionals."

The GII is twinned with the Insurance Institute of Manchester (IIM) the oldest insurance institute in the UK which was founded in 1873. A major benefit is the support received from IIM where the two Institutes regularly share tutors and lecturers. The Institute also has a busy social calendar with five social events in 2016; the main event being the Annual Dinner in May which is always oversubscribed.

The GII's key objectives are to:

- Co-ordinate and provide insurance training;
- Facilitate continuous professional development through technical seminars;
- Liaise with the Chartered Insurance Institute (CII) on behalf of local members;
- Promote discussion and exchange of information on insurance issues through various social events, including an annual dinner.

The Institute is also actively involved in raising money for charity, the 2016 nominated charity was the 'Prostate Cancer Support Group' for which the sum of £1,154 was raised by GII members and their employers' contributions. The 2017 nominated charity is 'Clubhouse Gibraltar' and the GII expects to fundraise at their annual dinner in May and business lunch in December.

The GII is twinned with the Insurance Institute of Manchester (IIM) the oldest insurance institute in the UK which was founded in 1873

For more information on the GII, regarding Membership, Educational or Social events (past and future), please email info@gii.gi

www.gii.gi

GII THE GIBRALTAR INSURANCE INSTITUTE

UK and Gibraltar Brexit negotiations

Ministers from the Government of Gibraltar and the Government of the United Kingdom met in December, in London, for the first formal engagement between the two countries under the structure of the new Joint Ministerial Council (Gibraltar EU Negotiations).

HM Government of Gibraltar

This is the framework within which the United Kingdom and Gibraltar are developing plans for the negotiations for leaving the European Union.

The Chief Minister, Fabian Picardo, and Deputy Chief Minister, Dr Joseph Garcia, met with Robin Walker, Parliamentary Under Secretary of State for Exiting the European Union and Sir Alan Duncan, Minister of State for Europe and the Americas.

The two hour meeting centred on the detail of the report about "Gibraltar and Brexit" that was submitted by the Gibraltar Government to the United Kingdom in September.

During the course of the meeting, Mr Walker expressed the full support of the United Kingdom Government for Gibraltar, and he updated those present on the state of play at this time.

After the meeting, the Chief Minister commented: "Robin Walker has a clear affinity with Gibraltar and he understands the issues that are relevant to us as we gear up to form part of the UK's negotiations to exit the EU. We have been able to go through thoroughly the issues that matter and we will be meeting regularly now to ensure we are able to work in close partnership. Sir Alan Duncan is a keen supporter of Gibraltar and he remains the FCO Ministerial lead, as Minister for Europe and the Americas. We have been grateful for his contribution to the debate. All in all, I can assure Gibraltar that this first official meeting of the Joint Ministerial Committee has been very fruitful and successful and we look forward to continuing this process going forward."

Gibraltar Port reports another year of growth

The Gibraltar Port Authority (GPA) is pleased to announce another year of growth across most areas of activity, following its performance review for 2016.

Against the backdrop of a slowdown in global economic activity, overcapacity in shipping across the world, and stiff regional competition, the GPA reported for the second consecutive year, an increase in both the number of vessels calling at Gibraltar for bunkers and in the quantity of fuel delivered. This positive trend is reflected more widely in the total number of all vessels calling, including cruise ships and superyachts. An increasing number of superyachts have also taken advantage of the new berths at the recently commissioned Mid Harbour Marina, to extend their stay on the Rock.

GIBRALTAR PORT AUTHORITY

CEO and Captain of the GPA, Bob Sanguinetti, commented: "After hosting a hugely successful, high profile international bunker convention in Gibraltar last November, it is very pleasing to reinforce our status as a premier maritime hub in the Mediterranean, with such positive annual results.

I look forward to continuing to work very closely with our valued partners across the shipping community to ensure that the positive trend of these past two successful years, endures into the future."

Private Foundations Bill 2017 published

HM Government of Gibraltar is pleased to announce that a Bill to permit the establishment of private foundations in Gibraltar was published in January and is available via the following link: www.gibraltarlaws.gov.gi/bills.php

Albert Isola, Minister for Commerce, commented: "This is the final piece of what is referred to as the "STEP legislation" and originates from a request a number of years ago by the STEP Committee in Gibraltar seeking to add significantly to the legislative armoury available to private sector practitioners. It follows on from a number of other pieces of new and refreshed private client legislation this government has delivered over the last four years, in keeping with a commitment it gave. Delivery of this complex legislation has involved significant input, involvement and consultation with the Finance Centre Council and a number of Gibraltar firms. I am extremely grateful to the many people, including Peter Isola, Peter Montegriffo, Nyreen Llamas, Raquel Moss, Terence Rocca, Paul Peralta, Lloyd Devincenzi, Bruno P. Goutaland Rosset de Greysier, David Faria, Brenda Torres and Adrian Pilcher that have given of their time and considerable talent in assisting us to get to this stage. I know that there is international demand for this product and our ability to serve clients with new legislation that is additionally compliant to the highest of international standards will ensure that we continue to promote our financial services industry very positively".The work to deliver this Bill has been spearheaded by Paul Astengo of Gibraltar Finance, working closely with private sector technicians in delivering this draft legislation.

New charity Positive Pathways

Positive Pathways
Providing employment and education for people affected by mental health problems

Positive Pathways has been established and registered as a new Gibraltar charity, that creates employment and training opportunities for people who have been affected by mental health problems.

The charity has been working over the past 12 months in partnership with Clubhouse Gibraltar, other mental health charities, local business and the Government of Gibraltar to explore ways to fund this project and create opportunities for members of our community with mental health difficulties, who have been long term unemployed, but feel that they would like to return to work.

Positive Pathways will support Clubhouse Gibraltar's Transitional Employment Program (TEP) in offering its members opportunities to work in different sectors of employment.

For more information Email: positivepathwaysgibraltar@gmail.com

Clubhouse Gibraltar launches new website

Clubhouse Gibraltar

Clubhouse Gibraltar has launched a new website to help bring more awareness to the work they do. www.clubhousegibraltar.com

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