



**HM GOVERNMENT OF GIBRALTAR**  
**Ministry of Financial Services & Gaming**  
**Suite 771**  
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**Gibraltar**

**PRESS RELEASE**

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**BUDGET SPEECH 2014**  
**BY THE MINISTER FOR FINANCIAL SERVICES**  
**AND GAMING**  
**THE HON ALBERT ISOLA MP**

Mr Speaker,

It is an honour and absolute privilege to present my first budget address in what is our Government's Third Budget since the General Election of December 2011 in relation to the areas that form part of my ministerial responsibilities namely, Financial Services and Gaming.

Mr Speaker, I have always held the view that to be involved in politics there are two fundamental criteria that you require to have, the first of which is a good sense of humour and the second to do the right thing for the right reasons. Over these past months, Mr Speaker, the members opposite in Opposition have issued a series of policy documents in three areas which I believe test anyone's sense of humour and certainly they tested mine, Mr Speaker.

The first of these is the policy document on education and training which my honourable friend the Minister for Education has already highlighted and considered. If one then considers, Mr Speaker, the members opposite recent policy paper on housing it is equally staggering, equally inconsistent and equally amusing because having spent sixteen years in Government, having built houses for sale and indeed for rent and at the end of that process having allocated many many hundreds of flats, when they finish, they then come out and publicly say that the allocation of houses from now on should be means tested. Mr Speaker it's almost like complaining your steak hasn't been cooked properly after you have eaten it. Another staggering

statement to make Mr Speaker and frankly a little late to have such a thought if in fact that was their genuine view and not just an attempt to say something new.

But Mr Speaker, the most staggering policy document of all is one that they launched recently entitled “Enhanced Democracy”. Because, Mr Speaker, this is the party that in their election manifesto of 1996 promised more meetings of Parliament, talked about a democratic deficit and promised the people of Gibraltar many things which in sixteen years they simply failed to deliver. Mr Speaker I quote from their 1996 manifesto; “House of Assembly; there will be regular and frequent meetings and question times....The House of Assembly must be the true expression of democracy at work in our community.” But Mr Speaker, when you consider that in 2007 there were 2 sittings of Parliament, in 2008 there were 3 sittings of Parliament in 2009 there were 3 sittings of Parliament, in 2010 there were 3 sittings of Parliament and in 2011, Mr Speaker, there were barely 2 sittings of Parliament, how on earth can we take them seriously and how can they now talk of “enhanced democracy”. This in effect meant that the Opposition could only ask questions of the Government as we now do on a monthly basis - twice in one year. And now these same people are coming to the people of Gibraltar and saying that they want “enhanced democracy”. Mr Speaker, I do not know if they have woken up one morning and suddenly learnt what the word “democracy” means, but assuming they understood that word these past sixteen years, I would be intrigued to discover what they mean by “enhanced”. But Mr Speaker “Enhanced Democracy” does not stop there. They also call for a “Public Accounts Committee...to have oversight on how our money is being spent” – well Mr Speaker, I then wondered what, if anything, they thought of this idea in 1996. Surely not Mr Speaker, well yes I am afraid so and again I quote from their 1996 Manifesto – “We will appoint a Public Accounts Committee in the House of Assembly to scrutinise Government expenditure of your monies.” So Mr Speaker one thing is very clear...they are only interested in Democracy, enhanced or otherwise when they are in opposition because they had 16 years to do it and – they chose not to! Why now do they seek to copy their policies of 1996 and try and sell them to the people as new? Why was it not important when *they* were in Government?

In truth, if you scroll down through their policy document what in effect they are seeking under the umbrella of democracy is a bigger role for the opposition. They call it a “broader” role. But Mr Speaker there is still more... point 2 of their Proposal contains their idea (now in opposition) to have a member of the Opposition sitting on

statutory bodies and they suggest having a seat on the Development and Planning Commission because they believe that that would be “appropriate”. So what did they promise the people in 1996? Yes Mr Speaker they did; I quote “We will initiate an open and modern planning process....” And they also said this; “ Gibraltar is our home. It is wrong that decisions which radically affect our surroundings should be made so secretively that you only learn about demolitions..... once it is too late.” Well Mr Speaker I like to be fair and they did indeed introduce a requirement for public notice of all applications and the right to object, but they still maintained secretive meetings behind closed doors and they never instituted an open and modern process. But they have no need to worry because we have now done that after waiting for 16 years for them to deliver. But Mr Speaker they obviously like the system and now want a seat for the opposition. You couldn’t make it up.

Mr Speaker for a party who when in Government allowed the Opposition to ask questions twice or at the very best three times in a period of 12 months when their meetings of the DPC were held in secret behind closed doors and where the members of the Opposition were not even extended the courtesy of an invitation to a Government drinks party, it is staggering how in such a short period of time they have come to the view that in fact the Opposition has a much more important role to play in local politics in our Community and in the exercise of our democratic system. Well how very convenient. What they really mean Mr Speaker is “enhanced opposition”, not democracy – and after 16 years in Government with little democracy and nothing enhanced, now that they are in opposition they have suddenly remembered they forgot to set up a Public Accounts Committee. Palante indeed!

Finally Mr Speaker, I believe it entirely appropriate to congratulate my Honorable and learned friend the Chief Minister on his recent appointment to Queens Counsel, but particularly so Mr Speaker because it has been granted on the recommendation of our recent visitor the Minister for Europe and I quote “in recognition of his distinguished role as an advocate for Gibraltar both Internationally and domestically, and his commitment to the rule of law” – well Mr Speaker, so much for the noise from the other side of the mishandling of our affairs this past year. Maintaining my sense of humour Mr Speaker I make that 2 QC’s for the Government and 1 for the Opposition, and all of course Mr Speaker richly deserved.

### **Financial Services**

Moving now to my own areas of responsibility, I have to say Mr Speaker, that what this Government found in December 2011 was that in financial services there was a total lack of adequate resources of the office of the Finance Centre a lack of adequate funding which in effect meant that we had a huge amount of catching up to do as opposed to other jurisdictions like for example Malta who had been investing heavily in resources and funding to raise the profile of their jurisdiction.

Mr Speaker the estimate this year for marketing is £350,000 but will be reviewed and I believe will result in the highest investment spend in our history for the Financial Services sector, quite apart from the huge investment already made in our Senior Executives tasked with the marketing of our Jurisdiction.

Mr Speaker, the financial services sector accounts for some 14% of total employment and contributes around 20% to our GDP. Overall, there has been an increase in employee jobs in the Finance Sector of some 123 jobs during this past year.

Mr Speaker, I have always believed that it is important to give credit where credit is due and certainly the previous Government's Income Tax Act of 2010 delivered to Gibraltar a conclusion of the transition from the offshore to the onshore which is absolutely fundamental to our success as a Financial Services Jurisdiction. The industry has grown consistently these past years but the problem was, in my opinion Mr Speaker, that without an effective plan to review our product range, be innovative in the creation and exploitation of new areas of business and then not, most importantly, have a serious plan to develop our international presence and raise our profile we were running a risk that we were simply slipping further and further behind. That is our assessment of what has happened and of what we intend to put right.

As a result Mr Speaker when I took over from my honourable and learned friend Mr Gilbert Licudi some 12 months ago, I carried on the work that he had started and focused on a number of areas;

1. Firstly Mr Speaker, we continued to listen and engage heavily with the Finance Centre Council, individual associations of all the various professional bodies, and indeed individual firms engaged in financial services business to gather from them what they believed our core products were, which markets they believed we should be focusing on and indeed how we should be attending to the raising of our profile in this space. Mr Speaker, that threw up a whole raft of different issues including, I must say, Mr Speaker, the need for

a five star Hotel as clients of these firms were dissatisfied with the quality of the hotel stock as the lack of a serious five star hotel was prejudicing the ability of their clients not just to visit Gibraltar but indeed to host conferences and functions here. Mr Speaker, the Financial Services Community and indeed the Gaming Community were delighted by the arrival of the Sunborn and very many conferences and functions have already been hosted on it to the betterment of Gibraltar Plc.

2. Secondly Mr Speaker we engaged as promised the 4 “Jimmy’s” as they were known, Senior Executives working in the Finance Centre in specialised areas and one based and working from Gibraltar House in London.
3. Thirdly, we reviewed our product range and this is of course an ongoing process – the introduction of QROPS which is proving to be a successful and profitable area of business for our Sector. We are shortly, in fact in this session of Parliament introducing QNUPS after further discussions with HMRC. We have also introduced the new Companies Act and Insolvency regulations, superbly driven by my Honourable friend Mr Licudi, and we will also shortly be introducing a series of legislation requested by STEP in 2010 which we are now finalising. All designed to enable our sector to keep up with competing Jurisdictions and indeed stay ahead in certain areas. This is an ongoing process and I will refer to a number of other innovations later in my address.
4. Fourthly Mr Speaker, we refreshed and rebranded the Finance Centre, now known as Gibraltar Finance with for the first time its own website, social media connectivity, new branding all of which now give the professional look and feel the sector has been calling for.
5. Fifthly, and most importantly Mr Speaker, we have completed our first ever business development plan. A Business Plan developed hand in hand with the Private Sector having first heard in detail what we should be promoting and where they thought we should be going and finalised with the total support of the Finance Centre Council and the individual associations. Why Mr Speaker is this so important? Well for the first time ever the financial services firms know exactly what we are doing this year, which conferences we are attending, supporting and indeed speaking at, and of course which jurisdictions we are focusing on and in what areas. So Mr Speaker the

Insurance community know where we will be all year, as do the Funds sector and the Private Client community. This has involved a complete review of every single conference and event in the market, and selecting the events we believe will be of most benefit to our players.

6. Finally Mr Speaker, we will shortly be announcing that we propose to engage the services of an international Public Relations firm to assist us specifically in the promotion of our financial services industry by addressing the trade media for each of our sectors, better informing the public of what we have to offer and raising our profile in the right places. Mr Speaker I strongly believe that the combination of the new Gibraltar Finance team working to our new Business Plan, with our innovative website and social media outreach, together with a private sector supporting all of these efforts and now a leading PR firm beating the drum for Gibraltar financial services, we will at last, be equipped to support this important sector of our community like we have never done before. This investment is and will continue to pay dividends for the benefit of all.

Mr Speaker, I believe it is appropriate at this stage to express my thanks to the Senior Executives for their work, expertise, innovation and support in these past twelve months, Mr Speaker, as well of course as the remainder of the team at Gibraltar Finance who each in their own way play such a critical and pivotal role in the work that the Financial Services Sector depends on us to do across a whole range of areas both in Gibraltar and abroad in dealing with our marketing and logistics as well as handling all Cat 2 and HEPSS applications. They are the ones who ensure all of our events go as smoothly as they do! Mr Guy Canessa is the quiet man in the team who with much care and attention to detail cares for all our EOI matters and is our much valued technician. I must also, Mr Speaker, thank Mr Jimmy Tipping, the Finance Centre Director who drives Gibraltar Finance forward working with the remainder of the team and always having an uncanny ability to pre-empt so many of the issues that come across my desk on a very regular basis. He has been especially good in his support to me in my dealings with HMT and HMRC as well as of course with all OECD matters. He has been in the game for some years and his knowledge, expertise and calm approach have been invaluable to me. I am

grateful to each and all of the team at Gibraltar Finance who do a stunning job for the sector.

#### International Compliance

Mr Speaker, we have repeatedly said that our philosophy of compliance with international standards is one area that we are committed to and believe strongly in. Our position on exchange of Information, TIEAs, FATCA are well stated as is our desire to ensure notwithstanding these, a level playing field with our competing Jurisdictions.

There is no question that the environment in which our Financial Services Sector has worked and will work in the future continues to change at a pace that few would have dared to predict. However, Mr Speaker, that is the brave new world in which we work and it is essential in our view that we remain in the main stream in implementing and adopting these standards. Every challenge brings with it opportunity and I have every confidence in the ability of our professionals to embrace and benefit from these challenges.

The Parliament will also be aware, Mr Speaker, that we have recently had our Phase II review by the OECD which will report back at a meeting in Paris in September which follows on from the Peer One Review that was conducted in 2011. Mr Speaker, as at the 21<sup>st</sup> March 2013, Gibraltar had implemented all of the recommendations contained in the Phase I review and we now await the results of the Phase II review which we expect later this year. We will continue to work closely with the OECD until the completion of the Report. I must also report that we are shortly to issue a full consultation Document on the merits of the central register of beneficial ownership as has been announced previously and contained in our published action plan, and further Mr Speaker, as to whether such a register should be public or otherwise. Mr Speaker, although we have already engaged in direct consultation with the sector we have felt it appropriate to extend this consultation process more generally and the documentation will shortly be released to the public.

#### Gibraltar International Bank

Mr Speaker, as the Chief Minister has already mentioned, the Gibraltar International Bank was announced last December and the works are ongoing to make this a reality later this year. Although for a number of reasons the building works have been slightly delayed all other aspects of the new Bank including its technology platform, its management team and its systems and operations are on course to be

concluded in anticipation of the building works being completed. Mr Speaker, there is no question that the number of credit institutions not just in Gibraltar but around the World are reducing and therefore more than ever, Mr Speaker, there is a need to ensure that Gibraltar will have the banking facilities that it requires and deserves not just for our people but for our business community as well.

I am grateful to all those associations and professional bodies that have welcomed and supported the announcement of the establishment of this Bank and I look forward to continuing to work with them in the months ahead. In particular Mr Speaker the Gibraltar Bankers Association and the Finance Centre Council have been most helpful in this process.

My sincere thanks also Mr Speaker to the Banking Committee who have supported and advised us in putting this project together and all those professionals who are working with us to deliver this to our community including of course our CEO and COO.

#### Funds and Asset Management

Mr Speaker, on the 22<sup>nd</sup> July 2013, the Government transposed the Alternative Investment Fund Managers Directive (AIFMD) thereby enabling authorised alternative investment fund managers to market within the EU. Mr Speaker, this is a key area of focus for Gibraltar Finance and indeed the private sector and we continue to work closely with GFIA to capitalise on our market position within the European Union. We believe this Directive will play to Gibraltar's strengths in terms of speed to market and an approachable regulator.

Over the past 12 months our Senior Executive in this field, Mr Philip Canessa has worked very closely with us and of course Mr Speaker, with GFIA and has exhibited, attended and / or delivered a presentation at a range of conferences and events including Invest 13 in Geneva, the Bloomberg Hedge Fund Startup in London, the Fonds 14 in Zurich, the Euro Hedge Summit in Paris and the Hedge Fund Startup Forum in London. In addition to those Mr Speaker, we also attended in early June the highly regarded GAIM 2014 event in Monaco where I was afforded the opportunity to deliver the opening address at its plenary session.

Further, Mr Speaker, in April this year, Gibraltar Finance supported a hugely successful private sector organised funds conference held on board the Sunborn and sponsored by several local financial services firms. Mr Speaker, around 50 Swiss Asset Managers attended, and the feedback on the conference received from



delegates, sponsors and local firms was enormously positive. A further conference for Swiss Asset Managers will be organised in the future and I was particularly pleased by this initiative which we were delighted to support, Mr Speaker, because it has always been our Government's desire to attract conferences to Gibraltar particularly when we are able to bring so many Swiss Asset Managers to see the jurisdiction, meet the professionals and understand our unique strengths in this area. Mr Speaker, moving forwards, Gibraltar Finance will further be attending and exhibiting at the Hedge Fund World Asia Conference in Hong Kong at Invest 14 in Geneva and the Hedge Fund Start Up Forum 2014 in Zurich. Mr Speaker, I am sure members will agree that no effort is being spared to raise the profile of our funds sector internationally whilst at the same time maintaining very close contact with all local professional firms to ensure that our product range is updated and relevant in this sector.

#### Private Clients

Mr Speaker, in the area of private clients as indeed in the other areas, our Senior Executives have been actively involved both domestically in working closely with the private sector as well as internationally in raising the profile of our jurisdiction and promoting Gibraltar as a place to do business. I am delighted to report Mr Speaker, that significant progress has been made in a number of long outstanding initiatives such as for example concluding the Capital Requirement Directive, the Customer Safeguard Accounts legislation and work continues Mr Speaker on the following;

1. Provisions relating to anti-forced heirship;
2. Legislation to introduce private trust companies;
3. Legislation to introduce purpose trusts;
4. Legislation to introduce foundations; and
5. Legislative changes to vary and amend the perpetuity period.

all of which I look forward to bringing to this Parliament immediately after the summer recess. Mr Speaker, members opposite may recognise this legislation which has been requested as far back as 2010 by the Society of Trust and Estate Practitioners and I am delighted to report that we are now finalising the drafts of all this legislation working with a number of individuals and associations in the private sector who have assisted in the process. Mr Speaker, it is appropriate to thank all of

those professionals who have and continue to assist us advising us, in the drafting and preparation of this legislation.

Mr Speaker, I am also grateful to my honourable and learned friend Mr Licudi for steering the introduction to Gibraltar of the Companies Act 2014 and the regulations relating to the Insolvency Act. I have only partially been involved in that process which he has driven with some skill and patience in bringing all the various parties together to complete the passage of that bill and which has delivered to Gibraltar a consolidated modern and updated legislation which has been welcomed by all Practitioners in the private sector.

With regards to business development Mr Speaker, our Senior Executive has also attended a series of conferences in London, Birmingham, Manchester, Geneva, as well as Mr Speaker numerous privately arranged forums and meetings in Leeds and privately arranged meetings in Amsterdam and Rotterdam in support of a private sector initiative. In addition Mr Speaker, a number of seminars have been hosted at Gibraltar House.

Mr Speaker, you will note that our marketing in the United Kingdom has not been limited to London at the specific request of the private sector and we have now extended this with visits to Birmingham, Manchester, Leeds and these will most certainly continue.

Mr Speaker, it is also appropriate to refer at this stage to the work of Mr Paul Astengo in driving through the entire re-branding project that Gibraltar Finance has been through as the contact point in delivering this very well received change not just in relation to the branding Mr Speaker, but also of course to the website and to our presence in social media. To give you an example, Mr Speaker, our combined social media audience has grown from some 50 persons in 2013 to now in excess of 3,000. This is an important media as our ability to communicate with some 3,000 people, cheaply and efficiently enables us to keep all of these participants updated and in many cases enabling the recipients of these messages Mr Speaker to further distribute them through their own systems. Our database, Mr Speaker, has also increased to some 2,800 contacts who can be contacted and sent updates as and when developments arise in our industry. This interaction at every level is a vital component part of the work of Gibraltar Finance which is most certainly not limited Mr Speaker to attending functions, conferences and events.

Gibraltar Finance in London.

Mr Speaker, since September of 2013 our Senior Executive has been in post in London and has proactively marketed Gibraltar not just in London but use this as a base to meet financial services players in the North of England, in the South and indeed in the West of England. Mr Speaker, Victor Galliano has hosted and attended a series of events at Gibraltar House both individually and in support of other members of the Gibraltar Finance Team.

Mr Galliano has since late 2013 also been involved in actively promoting Gibraltar as a jurisdiction for credit institutions and has succeeded in attracting interest in this area one of whom, Mr Speaker, will be arriving in Gibraltar next week to engage with our Regulator in discussions. Victor in addition to marketing Gibraltar in the UK by making direct contact with professionals there, supports the other Senior Executives whenever necessary by organising and attending events and conferences and indeed hosting these at Gibraltar House.

#### Insurance and Pensions

Mr Michael Ashton, Mr Speaker, is the Senior Executive in Insurance and Pensions and we have worked closely together in considering new areas of business for the insurance and pensions community and in diversifying our existing insurance base and exploring how better Gibraltar as a jurisdiction can service the insurance and pension sectors.

Mr Speaker, Gibraltar has been hugely successful as a motor insurance jurisdiction and that growth has continued from the work undertaken by the previous administration and now accounts for some 16% of the UK motor market. We are keen, Mr Speaker, to continue to develop this sector not only in the United Kingdom but indeed on a pan European basis and enquiries in this area are increasing, but Mr Speaker we must also work to diversify our insurance offering to other areas where we hope to replicate, in time, the success of our motor market.

Mr Speaker, there has also been an enormous effort both on our part and on the part of Gibraltar Finance to finalise discussions with the United Kingdom to allow portfolio transfers of run-off or legacy insurance to take place between the United Kingdom and Gibraltar. This has been a long process and has been pending for too many years. I believe Mr Speaker that we are close to finalising these discussions and I believe that I will be able to announce shortly that this type of business will soon be able to be managed from Gibraltar. We believe Mr Speaker, that there is an opportunity for Gibraltar to develop expertise and attract new run-off insurers to our

jurisdiction as we have done with other EU jurisdictions including the Republic of Ireland. We believe the timing is right to engage in this business as the implementation of Solvency II will undoubtedly lead to a greater interest in transfer and legacy portfolios to run off specialists.

Another area Mr Speaker which excites us enormously is the rapid growth in the global insurance linked securities market (ILS). This market Mr Speaker, looks set to see the catastrophe bond and insurance linked securities sector hit a major milestone before the end of June with record issuance of over 10 billion dollars coming to market in a single 12 month period. We have been working hard Mr Speaker since last summer to position Gibraltar as an alternative ILS jurisdiction within the European Union and have been greatly encouraged by the support and contribution that a number of the major ILS participants have extended to us to ensure that our guidelines when formally published will be fit for purpose, competitive and attractive to the users in this industry. I expect before the end of the summer, Mr Speaker, that we will be able to issue our own ILS guidelines and I very much hope that this will be yet another significant new sector that we will introduce for our insurance legal and accounting community. Mr Ashton's work in this area has been extraordinary.

Further, Mr Speaker, our QROPS sector continues to grow with a record number of schemes now in place and with these showing every sign that they will continue to grow well ahead of one of our competing jurisdictions Malta. Mr Speaker, we are also consulting the sector and the Regulator closely in relation to legislation that we hope to introduce to further improve our regulatory environment in the area of pensions and I hope before the end of the summer to also have these proposals open for consultation. Mr Speaker, as you will be aware, there is an amendment to the Income Tax Act which will be considered during this session and which seeks to introduce to Gibraltar the new product of QNUPS. As we did with QROPS in 2012 Mr Speaker we will now introduce QNUPS to the market following our discussions with HMRC.

Mr Speaker, in addition to these areas, Mr Michael Ashton has attended a series of events and conferences in Hong Kong, Birmingham, Manchester, New York, the recent Gibraltar Day in Bermuda which he put together, all of which continue to raise in a serious and professional manner Gibraltar's appetite for business in the insurance sector. I have to say Mr Speaker that the visit to Bermuda was extremely

successful and I am delighted to report that a number of the people that we met during our visit have already been in contact with our Regulator.

Mr Speaker, I believe it is also important at this stage to ask you to note that our Regulator currently has before it a number of new insurance company applications and an insurance intermediary application. I have absolutely no doubt Mr Speaker that these numbers will increase as Gibraltar's profile in this area continues to grow. I must thank Mr Ashton for his professional and expert knowledge in this area and who continues to drive the marketing of this sector with such great style and success.

#### Conclusion; Financial Services

Mr Speaker, there is no doubt that as a Financial Services Jurisdiction we will need to work harder than ever before to catch up on the lost years where unfortunately, and I genuinely mean unfortunately, our investment in business development and raising Gibraltar's profile fell short of where it should have been. However, Mr Speaker, with renewed vigor and energy that this Government has brought to the Finance Centre Department, now known as Gibraltar Finance, we will catch up and we will maximise our ability to attract new business to Gibraltar.

Mr Speaker I must thank Mr Marcus Killick our outgoing CEO of the FSC for his 10 years of work in driving the commission forward in the manner he did and welcome Samantha Barrass who joined us in February. We will be working closely together to improve what we have and how we deliver these functions but more of that another day. I must also thank the members of the Board of the FSC and the Chairman for their work, they enjoy our confidence and support.

#### Gaming

Mr Speaker, Gibraltar continues to be established and recognised as a world leader in remote gambling. It is an industry undergoing constant change, development and challenge, and those principles apply as much now as ever before. We have continued to operate as the members opposite did, in carefully scrutinising new entrants and believe this is in the best interest of our community and operators.

In October last year, this Government hosted the first business breakfast for remote gaming industry professionals in the City. The initiative was built into the Gibraltar Day in London programme of events which for the first time was extended to include our Gaming community. Over 80 key players in the industry, including chief

executives, directors, lawyers, accountants and telecommunication providers attended. We look forward to revisiting the event again later this year.

Mr Speaker, the Government has been attending the ICE Conference in London for a number of years now. This year I attended in February and met a series of operators and suppliers with interests in Gibraltar. In particular, I met with representatives from four companies who wish to pursue licensing in Gibraltar. Two of these have now completed the licensing process and the other two are in train. It is my expectation that at least two further licence applications will be submitted in the very near future and others will follow.

In the last year we have continued to strengthen the base of the industry with the addition of 6 more licensees, and we expect that pattern of modest growth of high quality suppliers to continue, but also for some further consolidation of businesses to take place as markets mature and more and more jurisdictions seek to directly licence and regulate the industry.

As of 31st March 2014, there were 30 licence holders in Gibraltar, though since that date 2 of our smaller licensees have been subject to takeover by other Gibraltar licence holders. 5 of the remaining 28 licensees are pure games software suppliers to customer facing operators located here and in other places; 18 are exclusively or almost exclusively customer facing operators; and 5 are 'hybrid', supplying software and also with relatively modest customer facing activities as well.

This distinction is not just a matter of detail. I mention it because it is an illustration of the increasing diversification and complexity of the remote gambling industry and why we will look to develop and amend our arrangements in the near future as other jurisdictions amend and adjust their own. More and more companies providing specialist business services to the traditional remote gambling companies are seeking to establish themselves in Gibraltar. These are significant and equally complex industries, which support the industry. They look for the traditional benefits of doing business in Gibraltar and to use the internationally recognised Gibraltar name as 'leverage'. We should look to ensure that we properly and effectively embrace these industries, where it is in our mutual interest to do so.

Mr Speaker, it will not have gone unnoticed that there have been significant changes with regards to the land based casino; its acquisition by a world leading group of gaming companies reflects again the quality and status of this facility and they are most welcome to Gibraltar. The casino continues to employ in the region of 160

management and staff and the House will be aware that it remains a valuable and popular venture, offering a variety of services to customers.

Mr Speaker, as at the end of March this year, there were 3,034 employees in the remote gambling sector in Gibraltar. This is an increase of 387 on the same date last year and a similar increase to the preceding 12 months.

In terms of GDP contribution, Gambling and Betting activities are estimated to contribute 25% to GDP and represents some 14% of total employee jobs. This includes all employers trading in gambling activities.

The Government Revenue from remote gaming tax for 2013-2014 has decreased slightly to £11.6 million from £12.1 million in 2012-2013. This is attributed to the consolidation of licences held by one licensee from four to two. Without this consolidation the remote gaming tax would have increased by £500k approx.

PAYE from remote gambling operators totalled £22.8 million for the year. This is an increase of £4.6 million from the amount stated last year, which can be attributed to the substantial increase in employees as a whole in the sector, with particular reference to three of our licensed operators.

Corporate tax received from gambling operators for the same period currently stands at £28 million. This represents an increase of £10.8 million from the figure stated last year, which can be attributed to notably higher corporate tax payments effected by four of our licensed operators during the financial year. Mr Speaker, I would highlight, that under the current rules, corporate tax payments are requested twice a year (in February and September). These payments could reflect both payments based on actual profit (with submission of accounts) or on account payments based on the previous years' profit which could result in over/ under payments.

Overall, direct Government revenues from gaming duty, PAYE and corporate tax from gaming operators have again increased this year.

It goes without saying, that as we host and licence most of the world's major remote gaming operators and suppliers, we must ourselves ensure our legislation and regulation keeps pace with industry and global developments. We are working closely with the GBGA and having regular meetings with them to ensure that our legislative framework remains fit for purpose and reviewing generally our gaming proposition with operators.

All will be aware that during the last year, and continuing to date, discussions and representations have been taking place about the impact of the UK Government's

proposals to licence, regulate and tax remote gambling operators located outside Great Britain but supplying services to consumers in Great Britain. I will not repeat the arguments, but I will say that we would be affected by this course of action since the supply of the lion's share of such services emanates from Gibraltar.

This Government has continued to make clear to authorities in the UK that these proposals, individually and collectively, have serious weaknesses in their development and delivery, and have the capacity to cause irreparable harm to what is currently a world leading industry. But these representations are not just for the benefit of the industry or Gibraltar, it is consumers who also stand to pay a heavy price as regulatory standards lessen and more poorly regulated jurisdictions become the new baseline for others to follow. The loss of business to unregulated markets and an increase in the grey market will harm not just Gibraltar but of course the UK Government and its consumers which the Act is intended to protect. We know Gibraltar operators will comply with the law, but the further fear of other operators not complying with the UK proposals makes the position even more challenging as the level playing field reputable operators seek will fail to be achieved.

I should also mention the continuing licensing and regulatory demands faced by the Gambling Division. Earlier this year, 2 vacant regulator posts were filled. The unit is now up to its full complement of 6 staff and the Gambling Commissioner. The Division will shortly be moving into new accommodation at Europort that will better cater for their needs.

Regulators from across Europe and the rest of the world regularly visit Gibraltar to see our set up. Gibraltar is probably the best regulated jurisdiction in the world for remote gambling activity and we are very happy to share our ideas and best practice in regulatory ethics. Mr Speaker, characters no less eminent than the Governor of New Jersey lays claim to Gibraltar's status, with his wish that his own state may soon become the primary remote gaming hub for that continent. The challenge of course is to bring the rationale and method to fruition, which is something we wholeheartedly support, as it improves the reputation of the industry worldwide.

We have all seen the very many steps forward taken by the industry since the inception of remote gaming in Gibraltar as far back as 1996. We must, nevertheless, be prepared for and be sufficiently flexible to accommodate steps back. Although, even at this very late stage in the development of the UK Government's proposals, their impact on the Gibraltar based industry is very unclear, with the industry



continuing to grow in terms of licensees and employees against this highly visible and well publicised series of proposals.

Mr Speaker, whilst some companies trim back operations at a particular point in time for a particular reason, we also see expansion amongst other operators. This is the dynamic nature of the Gambling Sector one which we are now accustomed to and embrace.

We will continue to work closely with the GBGA and indeed the individual Operators with whom I meet from time to time. We are a listening Government and the Gaming Operators will bear testament to that statement as we continue to work together to meet the challenges and opportunities that lie ahead.

I must Mr Speaker thank our Regulator Mr Phill Brear and his team for their complete professionalism in working with the Industry and providing us with practical and incisive advice on the sector at all times, we are privileged to have him with us. The Licensing Authority under Lorraine Britto must also be thanked for their consistent and quiet good work in keeping everything to date and to the greatest detail.

I cannot understate the importance of this sector to our community, or indeed our Government's commitment to it.

### **Liaison Department**

A further innovation this year Mr Speaker has been the introduction of a Liaison Department within my Ministry. The thinking behind this was to facilitate, originally for the Gaming Sector, all the interaction between the Operators and Government Departments. We were keen to improve the efficiency of our Departments when dealing with Operators to avoid delays and assist in resolving any difficulties they experienced such as for instance with work permits, residence permits, detached worker permits, GHA and indeed any Government Department. The initiative was warmly welcomed by the gaming sector and it has proved to be most helpful to them. As a result of this success we decided to extend this to the Financial Services sector where it has been equally well received and being used more and more.

The Liaison Department managed by Lizanne Olivero is now considering many of the processes we have to examine if these can be improved to facilitate the process. The Detached Worker permit is one example of this having now been completed. I am grateful to Lizanne and Tania for their continued great work and commitment to this function.

## **Ministry**

I cannot close without thanking Julian Baldachino my Senior Officer, Lourdes Piri my secretary and the remainder of the team who 12 months ago welcomed me into the offices of my Honourable friend Mr Licudi which has been my home this past year. With no fuss and complete professionalism they have just got on with the job. My thanks to them all.

## **Conclusion**

We have made huge strides in these areas since December 2011. We face challenges across all areas as the world of commerce is more competitive and more mobile than ever before. But today, Mr Speaker we have the assets in place, the will to move forward, and the commitment to invest in making our growth a reality. In real partnership with the private sector I believe we have a good story to tell and it really us incumbent on us, here and now, to leave no stone unturned in the delivery of that message. We intend to continue to work closely with the GBGA and the Finance Centre Council to ensure that these two areas of enormous importance to our community are given every support and opportunity to continue to grow.