



# HM Government of Gibraltar

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Ministry of Financial Services  
and Gaming

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### THE HON ALBERT ISOLA MP

#### BUDGET SPEECH

23 June 2015

Mr Speaker,

I have the honour to present my second budget address in relation to the areas that form part of my ministerial responsibilities in what is our Government's fourth Budget since the General Election of December 2011.

Mr Speaker,

#### *Gibraltar International Bank*

Mr Speaker, All Governments face challenges, and there is no question in my mind that the announcement by Barclays in October 2013 of their exit from Retail banking in Gibraltar was one of the larger challenges we have faced. The inability through a lack of supply of people and businesses to bank is a huge threat to any community, and especially so to one like ours which is essentially a service community.

When the Cabinet agreed to launch GIB in December 2013, we began to work through all the objectives of what we wanted to see. We started with a blank piece of paper, but with a very clear focus of where we wanted to end up; a modern innovative digital bank, independently managed on commercial terms providing first class retail banking services to our community.

What we have today Mr Speaker is exactly that, although I concede our Card and cheque book suppliers have let us down and we will overcome these difficulties in the coming days. It is Mr Speaker unusual for a "new" bank to open, let alone in the timescales we have, and in those

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instances a new bank would have some 3 months of testing systems before opening – GIB had barely 3 weeks because of the impending closure of Barclays.

We have Mr Speaker, every confidence in Lawrence Podesta and Derek Sene and their staff at the bank, as well of course as the magnificent Board of Directors, and are extremely grateful to them all for their complete professionalism in having achieved already what many thought was an impossible task.

We are immensely proud of the launch of the Bank and of course recognise and are thankful for the support and contribution of all those across the community that have worked with us in delivering this project.

### Financial Services

Mr Speaker, in the area of Financial services, we have continued and accelerated the push for new business, worked on the legal and regulatory framework to enhance and improve the business environment for all, and introduced significant legislation to Parliament to further support the Industry.

I am delighted to say Mr Speaker that all this has only been possible with the full cooperation and support of the Finance Centre Council with whom we work on all of these issues. I am most grateful to the Council and the individual associations with whom we frequently meet and work through the many challenges we face. There is much more to be done, and I look forward to continue working with them. As one of the members of the Council reminded me, the relationship they enjoy with Government today, is a far cry from the begging and waiting for a meeting with the members opposite.

Mr Speaker, we will during this year, in partnership with the sector and the Regulator continue to deliver ground breaking reform in legislation and regulation. We believe this investment will stand us in good stead in the years ahead as a pragmatic, efficient and responsive approach to regulation will become ever important in the new world we compete in.

Our commitment to meeting international standards remains as strong as ever, and has proven to be absolutely the right decision to take when elected in 2011. Our industry has always sought a level playing field and as we systematically challenge each and every country which black lists Gibraltar, with the support of the United Kingdom Government, we continue to drop from these lists as it is inexcusable for us to remain on them. Mr Speaker, we have not only entered into these commitments to exchange information, but we have complied with them. The OECD Phase II report on Gibraltar published last October confirms exactly that. We are “Largely Compliant” in the effectiveness of our exchange systems, as is the UK and Germany. Mr Speaker, a staggering endorsement of the progress we have made in this area.

In business development Mr Speaker, I think its fair to say, that never has Gibraltar and its financial services sector featured in so many articles, interviews, features and positive news stories as we have done these past years, especially in the individual trade press and media. Never



Mr Speaker, has Gibraltar been represented at so many events and exhibitions in this field than we have these past years. Never Mr Speaker have we hosted flagship events in Bermuda, Hong Kong, London, Geneva, Zurich, and Singapore raising the profile of our Jurisdiction, and in all of these Mr Speaker, with the full support of the Industry in a planned and structured programme.

We have Mr Speaker, totally delivered on our promise to dedicate energy, staff, time and resources in the promotion of this sector, which they had all been crying out for prior to December 2011.

### *Funds & Asset Management*

In the area of funds, under the direction of Phillip Canessa, we have exhibited, sponsored and attended conferences in all the main jurisdictions we are focusing on including London, Switzerland, Hong Kong and Monaco and will next week be visiting Singapore and Hong Kong once more to maintain momentum on our drive to attract business from the Asian market with the sterling support and tireless work of our man in Hong Kong Mr Jason Cruz.

Mr Speaker, all of these conferences and events, as well as the direct marketing by Gibraltar Finance in visiting professional firms in all of these jurisdictions is carried out with the direct support and involvement of the Gibraltar Funds & Investment Association for which we are extremely grateful. GFIA works closely with us both at a technical level on legislative and regulatory matters and also in our business development activities, and for this we are extremely grateful, and look forward to continuing this work together.

This year Mr Speaker, we have for the first time ever added a dedicated "Funds Lunch Event" in London on the day after Gibraltar Day in London at which we had close to 200 guests, the majority of whom had been invited directly by Gibraltar Finance to meet the local professionals attending the event. We have had excellent feedback from this event and hope to repeat this again this year.

Further Mr Speaker, we have also for the first time ever, organised with Informa PLC a dedicated Funds Conference here in Gibraltar with both local and International speakers and close to 100 delegates. We have discussed for many years the pros and cons of organising such an event in Gibraltar and I am pleased to say we have concluded that the event worked extremely well and are looking to repeat this again next year.

On both these initiatives, we worked closely with GFIA and will of course continue to do so.

### *Private Clients*

In the field of Private Client work, Senior Executive Paul Astengo has driven through a series of legislative changes originating from a request by STEP some 6 years ago and which have now come to fruition and are before this house for consideration. The work to bring this legislation to this House has been significant and would not have been possible without the commitment of Paul and the private sector firms who have assisted us in the preparation, thinking and drafting of these measures. To each and all of them, we are most grateful and I hope, as they do, that these new



measures will allow our sector to continue to grow by increasing and expanding the suite of services available to our professionals.

Gibraltar Finance has attended some 24 events this past year, exhibiting and speaking at many of these. In addition, Paul has attended over 70 direct meetings with professional firms in the United Kingdom and Switzerland often with private sector firms, and presenting the Gibraltar proposition. We believe that the UK and Switzerland are the main markets for this area of business and the combination of supporting events and direct meetings are the most effective means of driving new business to Gibraltar.

We are also considering increasing our efforts in the area of Family Offices in close cooperation with the private sector and also in the process of agreeing a closer working relationship with the Gibraltar Philanthropy Forum who have done some superb work in the past years and with whom we are keen to expand this further.

Paul has also driven, with private sector professionals, the review of Cryptocurrency leading to a full consultation process and now a final definitive decision pending Cabinet decision. We need to be engaging and innovative as we look for new opportunities balanced always by our ability to regulate effectively and to preserve and protect our reputation as a leading international financial services centre.

The Category 2 Committee has now completed its work in reviewing our existing legislation and proposing widespread and innovative changes which are presently under consideration. This product has served us well and its review was long overdue. There is no doubt that the proposals present us with an opportunity, albeit with its challenges, and we look forward to working through the detail with the Committee. I am most grateful to the members of the private sector who drove these proposals forward with the enthusiasm and energy, which so typifies our private sector whenever they are asked to engage with us.

Mr Speaker, we also continue to grow our social media presence as a method of increasing awareness to a wide yet appropriate audience. Our database stands in excess of 4,000 individuals, which we interact with almost on a daily basis. Our electronic “bookshelf”, hosted on ISSUU.com, now has 90 publications covering the full range of topics that are of interest to our readers. These include self-generated fact sheets, articles, manuals and guides created by private sector firms. To date, these publications have been read in excess of 6,000 times.

#### *Insurance and Pensions*

Mr Speaker, in the area of Insurance and Pensions, Mike Ashton, our Senior Executive has continued his drive to push Gibraltar into new areas of business and of course new markets.

Last year we received a letter from HM Treasury confirming Gibraltar could access the UK Part VII Insurance transfer business. Whilst it was not the Statutory Instrument we preferred, it was a significant step forward after almost seven years of non productive negotiations with the UK authorities on this matter.



Since last July we have been working hard to clarify certain aspects requested by the run-off industry and currently expect that the first application for a Part VII transfer from the UK to Gibraltar will be initiated during 2015. Once this process is clarified, we expect significant growth in this sector and are in direct communication with a number of intended new entrants.

Mr Speaker, a further new area of business we have worked on this year have been the Insurance Linked Security business (ILS) which working closely with the Horseshoe Group headquartered in Bermuda, we set up an ILS Working Group with International senior practitioners from across the ILS sector. Following the FSC's publication of the ILS Guidelines in September 2014 Gibraltar's first ILS transaction of €100 million by Lottoland, a Gibraltar licensed lottery operator, was finalised in April 2015. This was little over 12 months since we formally announced our intentions to work towards being an alternative ILS jurisdiction at the largest annual ILS conference in New York. We are grateful to INEA for their confidence in our Jurisdiction and we continue to work to actively promote Gibraltar as a European Jurisdiction for this business. I am Mr Speaker, delighted by the progress we have made in this area.

We have continued the process of marketing and raising the profile of Gibraltar as an insurance jurisdiction with participation at key insurance industry events and conferences and extensive networking on a global basis. We continue to seek opportunities to add greater diversity to the current insurance sector where the predominant class of business is UK motor insurance. We have had a number of high-level discussions with insurance groups that are interested in gaining a better understanding of the benefits and opportunities that Gibraltar offers to new applicants. Mr Speaker, given the level of seniority with which we are engaging leads me to believe that Gibraltar's insurance industry will continue to grow and to diversify.

Mr Speaker, following on from work we completed in 2013, Gibraltar Finance has, since autumn 2014, been working closely with the new FSC management and a FSC pensions consultant with industry representatives on new personal pensions regulations to widen and strengthen the existing pensions regulations. A consultative document was published earlier this month and we expect the regulations to become law before the end of 2015.

We have also looked at a set of broad parameters to enhance the existing occupational pension regulations, and again working closely with the FSC and local industry representatives, we plan to start on this issue once the personal pensions regulations have been completed.

Gibraltar has become a favoured jurisdiction for QROPS but we want to expand the breadth of pension products to include contract based pension schemes and pensions schemes established with a PCC cell, subject of course to robust regulation, in order that Gibraltar can develop into a truly international pensions centre.

Mr Speaker, we are totally committed to ensuring that our regulatory regime is robust, but efficient. We believe that speed to market and a practical and pragmatic approach to regulation is what the Industry requires and are constantly investing in this process. There is no question, Mr Speaker that this is work in progress and we have some way to go before achieving this but I am confident we are going in the right direction and will get to where we want to be. I will continue to



work closely with Samantha Barrass the CEO of the FSC and the Finance Centre Council to ensure we make this happen.

We are also working hard and investing in the new legal framework for Financial Services through the Legal Reform programme. This is a mammoth task, but I have no doubt we will end up with legislation which will be very much more efficient for licencees, professionals and the regulator to navigate. I cannot stress the importance of this initiative for the sector and look forward to delivering this radical overhaul of complex and often clumsy legislation.

But how has this sector performed in real terms since 2011? This House will recall the election noises from members opposite that we couldn't be trusted to tackle the difficult challenges facing this sector, and that it was in effect too big a risk. Well Mr Speaker, the numbers demonstrate that this could not have been further from the truth.

Against a background of continued challenges and a world economy struggling to get itself on its feet again, Gibraltar has not just held its own, which would have been an achievement in itself, we have grown significantly by whichever measure you choose to consider. The Chief Minister has already referred this House to the data, but I do not apologise for repeating some of these; Jobs in our sector in 2011 stood at 4083 (31/10/11) and at 31/10/14 had increased to 4643, almost 600 new jobs in the sector, and Mr Speaker, I understand the numbers in 2015 continue to grow at a similar rate this far. I am sure Mr Speaker this success will delight the members opposite. The consequence of that Mr Speaker is that PAYE receipts for the Financial Year 2014/15 have increased by 14.5% since 2010/11.

But Mr Speaker, when one looks at the Corporate tax, over the same period, receipts have increased by a staggering 325%. Good news for the sector, good news for the Government and of course good news for the Jurisdiction.

Mr Speaker before turning away to Gaming, I must pause and thank the team at Gibraltar Finance so effectively and ably led by their Chief Executive Jimmy Tipping, for their work this past year. They cover a huge spectrum of services from marketing to organising events to exchange of information, to product development, to legislation to Cat2 and HEPSS applications and of course to the technical areas of the OECD, FATCA and our vitally important work in working with HMT and other countries on blacklists, all of which are equally important and critical. I must also thank the Finance Centre Council and all the participating associations for their honest and genuine support in what we are seeking to do, and of course Samantha Barrass and the entire team at the FSC who I look forward to continuing to work with closely.

Mr Speaker, I now turn to matters to do with the Gaming sector.

## **GAMING**

Mr Speaker, Gibraltar's undoubted success in the area of remote gambling is, we believe, something to be most proud of. We have been continuing to grow and licensing at a rate of 6 applications or so a year since 2012. There are still some companies that we would love to



welcome to Gibraltar and we are working hard to make this possible. All this Mr Speaker, against a background of serious challenges including new licensing regimes across Europe and of course the UK Point of Consumption tax. We have done incredibly well, but need to continue to work closely with our Operators to maintain ourselves at the cutting edge and forefront of this industry.

As of 31<sup>st</sup> March 2015, there were 33 licence holders, an increase of 3 on last year, however, since that date, we have issued a further 3 remote operator licences and the Sunborn licence, so there are now 36 remote licence holders, and 2 non-remote casino licences.

Members will be aware that during the course of this year the Government commissioned a review of the 2005 Gambling Act by four of our most experienced and prominent lawyers in the field of gambling, along with our Gambling Commissioner. I am grateful to each of them, Sir Peter Caruana, Peter Montegriffo, Peter Isola and Peter Howitt for sharing the benefit of their huge experience and expertise in this area with us to ensure we end up with the best possible regime for our Operators and Jurisdiction alike. The work of the “4 Peters” as they are known, will lead to a series of proposals for significant changes in the way both remote and non-remote gambling facilities in Gibraltar are licensed and regulated in the future. Once these have been considered, extensive consultation with Operators will ensue and their input will be invaluable to our evaluation.

The review will capture and consider all aspects of Gambling in Gibraltar, and not be limited to remote operators or land based casinos.

Mr Speaker, I must emphasise at this point, that although there are no significant deficiencies in the existing licensing and regulatory arrangements, we must ensure that our legislation offers to be at least as effective in the next ten years as it has been in the last, and that Gibraltar’s reputation as a safe, responsible and transparent jurisdiction, providing gambling services of the highest standards, locally and internationally, is maintained. Additionally, we must ensure that gambling duties (remote, casino, machines, bingo, betting and pools), paid by all our Operators remain fair and proportionate given the ever changing and demanding tax and licensing environment gambling operators are exposed to.

Mr Speaker, Members will also be aware that the Gibraltar Betting and Gaming Association’s judicial review challenge of the UK’s point of consumption tax has yet to be concluded. The ruling may come soon. Notwithstanding the decision of the trial judge, The Government is considering changes to the remote gambling duty model as the model itself needs to better reflect the emergence of the B2B games industry developing in Gibraltar as well as the high costs of multiple and duplicative licensing, regulatory and duty models emerging across Europe and further afield, for both B2B and the B2C industry.

During 2014/15, the gambling industry generally, and the remote industry in particular, continued to significantly increase its contributions to Gibraltar’s economy. Remote Gambling Duties increased to £14.1m from £11.6, largely due to an increase in the number of licences held by our licensees and an increase in turnover, as well as the previously mentioned increase in the number of licence holders.



Corporate tax received from gambling operators for the same period currently stands at £31.3 million. This represents an increase of £3.3 million from the figure stated last year.

Mr Speaker, the impact of the challenges I referred to earlier has led to an increased cost base of the remote gaming industry in Gibraltar and internationally and the trend towards consolidation amongst operators has resulted in some modest reductions in the total number of staff employed in the gambling sector, and corresponding PAYE contributions.

Mr Speaker, it remains the case that some of our operators continue to grow their base here, while others are contracting, indeed, some are subject to merger and acquisition activity in part driven by the intention of reducing operating costs in Gibraltar and elsewhere. This is why we must ensure that the cost of doing business in Gibraltar remains as competitive as ever and we remain the first choice jurisdiction and host to the remote gambling industry.

This Government remains committed to providing constructive support to the remote gambling industry and again this year I was pleased to be able to visit the globally recognised International Casino Exhibition and Conference in London and meet with a number of our licensees as well as view the never ending range of technical and operating developments in the remote and non-remote sectors. I also took the opportunity this last year to visit the equivalent event in Las Vegas, and likewise meet key senior managers from a number of our licensees with operations in the US.

We were also delighted for the first time to support the KPMG eGaming summit here in Gibraltar which continues to grow from strength to strength. We are also excited by the prospect Mr Speaker, of the potential interaction between the industry here and the University of Gibraltar in a number of areas including Responsible Gambling, all contributing to the centre of excellence we are working with the Industry to promote in Gibraltar.

I must also thank the Chairman and members of the GBGA for their work and support during the year. Their constructive and professional interaction with Government is most welcome and beneficial to Government, the sector and our community.

As with Financial Services it is useful to compare the performance of the Gaming sector from 2011 to 2015, to see how we have fared in our management of this sector; Mr Speaker the PAYE receipts for 2014/15 have increased by 37.9% since 2010/11. Corporate tax receipts have increased by a staggering 318.8% over the similar period and Gaming Duty has increased by 28%. All numbers which demonstrate the increasing strength and importance of this sector to our community.

I mentioned last year the excellent work undertaken by the staff in the Gambling Division, both in licensing and in regulation. It is my expectation that the revisions to the Gambling Act, gambling duties and the changing nature of the industry in Gibraltar and regulation elsewhere will lead to further responsibilities for the Gambling Division during the next year, so that it too keeps pace with this increasingly complex and valuable industry.





I also announced recently Mr Speaker my delight at the agreement reached with Mr Phill Brear to extend his time in Gibraltar and to assist us in ensuring we have the time and resource to engage in our search for his successor in the years to come to ensure we enjoy a seamless transition with his support throughout this process. We are grateful to him and his team for their superb work and commitment to the Jurisdiction.

I must also thank Lorraine Britto and her team at the Gambling Division for their efficient and ever reliable work during the year.

Mr Speaker, I now turn to the Liaison Department.

## **LIAISON DEPARTMENT**

The Liaison Department was set up last year to facilitate interaction between the Gaming and Finance sectors and Government departments. The concept has worked extremely well and been most welcomed by both sectors. The ability to intervene and avoid issues has made the entire process efficient and helpful for the sectors which was the intention behind setting it up.

The work of the Department has extended from fast tracking work permit and other applications to the Ministry of Employment, to assisting employees facing redundancy from their employers in these sectors, to facilitating banking arrangements for the Gaming community prior to the opening of Gibraltar International Bank.

Support has been provided to companies across all Government Departments and filtering of employment opportunities has led to a close working relationship with the GBGA and the HR forum to identify skills and services required by the sectors.

My thanks to Lizanne and Tania who manage this small but effective unit in making the private sector interaction with Government smoother and more efficient across all areas.

Mr Speaker, I now turn to Maritime Services, an area that I assumed Ministerial responsibility for following the reshuffle of portfolios last December.

## **MARITIME SERVICES**

### *Gibraltar Maritime Administration (GMA)*

Mr Speaker, I would like to report on the Gibraltar Maritime Administration, which includes progress with respect to its commercial and regulatory sections. I must express my gratitude and congratulate my colleague Minister Costa for his hard work and achievements in the maritime sector. In respect of the GMA, in many ways, he has laid the foundations for one of the most successful maritime registries in Europe.



Overall, the Gibraltar fleet (both yachts and ships) has increased by around 3% between 2013 and 2014. This is despite increased competition from other European registries and a challenging economic climate.

The reputation of the Gibraltar flag as a high-quality register continues with the accreditation on the US Coastguard 'QUALSHIP 21' programme in 2014, as well as an increase in rankings on the 'Paris MoU' league table, up to number 21 worldwide. Just by way of comparison Mr Speaker, USA is ranked 26, Panama 36 and Spain 41.

The GMA's Seafarers' Section reported another record year for crew certification, with nearly 5,000 provisional and full-term certificates issued in 2014.

The GMA is the central authority for maritime training in Gibraltar and has enhanced its programme with state authorities. In the last 12 months, GMA surveyors have been training Royal Gibraltar Police officers, fire fighters, Gibraltar Port Authority staff in a variety of technical courses and scenarios. The Department also manages maritime cadet programme, which is co-sponsored with local bunkering companies. Currently, four cadets are undertaking training to be qualified British ship officers.

Last year, the GMA participated in a number of important marketing events, most notably the Cannes Yacht show last September and the ministerial delegation to Hong Kong in November 2014. Both events have led to significant enquiries on the yacht and ship products respectively, including new contacts with vessel owners and two new ships for the Gibraltar Ship Register.

In September this year, the Gibraltar Ship Registry will be co-sponsoring a series of major events at 'London International Shipping Week' along with the other British Red Ensign Registries. These events include the official opening ceremony, which will have a Gibraltar presence and the Gala Dinner.

Mr Speaker, as a final note, I am delighted to inform you that the GMA for the first time ever will be hosting and sponsoring 'Gibraltar Maritime Week' on the Sunborn hotel in July. This 3-day event will cover the main maritime areas (ships, yachts and seafarers) and a number of international experts have been invited to give presentations and engage in workshops on the most important contemporary issues that affect the industry.

Mr Speaker may I thank Richard Montado and Diane Soussi for their tireless and professional work this year and for driving this important Authority forward in the manner they have.

Mr Speaker, I now turn to the commercial aspects of the Gibraltar Port Authority, a responsibility which I share in part with my colleague Paul Balban.

#### *Gibraltar Port Authority (GPA)*

Mr Speaker, I am pleased to report that the initiatives introduced by the Gibraltar Port Authority to improve efficiency over the past twelve months, underpinned by the Government's targeted marketing strategy, appears to be having effect. It is essential that we get better at what we do



and properly communicate with the market how we are progressing.

Levels of shipping activity for the Port, across most sectors, for the first four months of 2015 would indicate that the slowdown experienced in recent years might be coming to a rapid end. In our efforts to provide the full range of marine services, the GPA oversaw its first two successful LNG ship-to-ship transfers in our waters, highlighting the highest safety standards applied by our people and reinforcing their enviable reputation across the maritime community.

The marketing strategy put in place by the GPA last year is working extremely well, further enhancing the Port's profile. Of note, in what was a first for Gibraltar, the Port Authority, in collaboration with the International Bunker Industry Association (IBIA), hosted a two-day international bunker conference earlier this year. This proved to be a tremendous success, and we are already facing demand to ensure that this is not a one off event.

Of interest Mr Speaker, in 2014, more than 300 super yachts called at Gibraltar, and we will work further to increase this number in the next 12 months. The Government is currently considering a number of proposals to increase berthing capacity and services available to the discerning super yacht owner, with announced plans for a super yacht marina on the Eastside, at Ocean Village and along the new wharf being created at the fantastic new small boat marina.

Finally, the GPA continues to actively engage with the local maritime community to consider ways of further improving our dynamic business, staying abreast of regional and global developments and solidifying our position as a leading port.

Mr Speaker, Gibraltar is fortunate to have a Captain of the Port with the commitment, knowledge and experience that our Captain has, and to boot, he is a Gibraltarian. I am grateful to Commodore Sanguinetti and his team for their professional work this year as our Port department grows from strength to strength.

#### *Ministry*

Mr Speaker I cannot close without thanking my team at the Ministry led by Julian Baldachino, who ensure that the Ministry functions without fuss and with the efficiency I have come to expect, and I must also thank my secretary Lourdes Piri, for her effortless support and professional work throughout the year.

Mr Speaker, I believe it is appropriate that I close by thanking the private sector for engaging with us both directly and through their associations in enabling us together to continue to develop each of these areas. In Financial Services, Gaming and the Port, I enjoy a first class working relationship with the professionals and their associations. We enjoy a real partnership and it is our view that the only manner in which we can further develop and succeed, is by listening to each other and working together, for the benefit of Gibraltar PLC and we are totally committed to continuing to work in this manner in the years ahead.

Mr Speaker, thank you.