



Date: 27th June 2017

Budget Speech - The Hon Albert Isola MP

Mr Speaker, I have the honour to present my fourth Budget Speech dealing with each of the areas I have the privilege to have responsibility for;

GIBRALTAR FINANCE

Mr Speaker, I start with financial services.

Mr Speaker, the result of the Brexit Referendum in June 2016 was not initially viewed as a positive development for Gibraltar's financial services sector, as the loss of our EU passporting rights was unwelcome. It became clear to us in the months following the referendum that the actual volume of business being conducted throughout the EU was small, and we were predominantly a jurisdiction which worked strongly with the United Kingdom, the World's 5th largest economy.

Mr Speaker, I must pause to mention, applaud and commend the exceptional work of my friends the Hon Dr Joseph Garcia, our DCM and Mr Michael Llamas QC our Attorney General for their precise, detailed and methodical work in preparing our "Heat Maps" of our entire economy which enabled us to engage with others with accurate, factual and compelling data. The many months of very hard work have been invaluable and they should both be commended for this work.

Mr Speaker, I must also mention my friend the Chief Minister who has since the Referendum demonstrated and proven himself to be a remarkable leader. Mr Speaker we needed calm action, intelligence and strategic thinking at a time when we were facing our most uncertain period in recent history. He led the team, with our DCM and Attorney General which met with the Prime Minister, Chancellor, Foreign Secretary, Secretary of States, Ministers, officials and secured by last October a commitment from the UK Government for UK access which has enabled us all to focus on the opportunities that this will bring. I cannot stress enough the importance of his work this past 12 months and on behalf of our entire business community I thank him for his staggering effort and leadership which has much strengthened confidence in these difficult times.

Mr Speaker, in considering opportunities and the relevance of UK market access we must remind ourselves that there are a large number of financial services firms that passport their services into the UK from continental Europe. Whilst most of the UK press has been about UK businesses needing to plan their post Brexit strategies in order to protect their existing markets, there has not been so much press about passporting services into the UK post Brexit. Gibraltar's unique



trading relationship with the UK allows Gibraltar to position itself as a 'gateway to the UK and the world's fifth largest economy both today and post Brexit'.

Mr Speaker this is especially true in the Insurance sector where we continue to work with firms considering Gibraltar as their base for business, complying with EU legislation and regulatory standards but with a pro-business friendly approach and culture.

Mr Speaker, we continue to work with delivering Part VII transfers from the UK, and recent Court decisions will, we believe, facilitate this and in further developing other structures which we are working on with the Gibraltar Financial Services Commission and the professional sector. In the last 12 months we have worked with a number of parties about establishing new life insurance companies in Gibraltar in particular for pension transactions such as bulk annuity transfers and longevity swaps. The number of these types of transactions has been gaining momentum in recent years and the expectation is that this sector will expand considerably over the next five to ten years. We intend to position Gibraltar as a domicile for this type of insurance activity.

Mr Speaker, the new personal pensions regulations were introduced at the end of March 2017 and were drafted to ensure that the Gibraltar Qualifying Recognised Overseas Pension Scheme (QROPS) continued to meet the requirements of Her Majesty's Revenue and Customs (HMRC), which were due to change from 6 April 2017. There has been a number of profound changes to the QROPS sector over the last 12 months, with HMRC removing a number of jurisdictions from its recognised QROPS list and introducing a new 25% levy on pension transfers from the UK, which whilst not affecting all transfers is, likely to lead to a significant reduction in QROPS business for Gibraltar and many other QROPS domiciles. Having worked with HMRC since December 2015 in this area the result was deeply disappointing and we continue to work to explore opportunities in this space.

We remain committed to supporting the pension sector as it seeks to introduce new pension and savings products and to begin to reposition itself following the unexpected introduction of the 25% levy on pension transfers from the UK.

Mr Speaker we are also exploring further improvements to the PCC legislation with the sector to enable their further use and we expect these to be considered fully with the GFSC shortly.

The Insurance and Pensions sectors are well represented by Mr Michael Ashton who has the energy and drive of a teenager but the knowledge and experience of a master. We are fortunate to have him.

Mr Speaker, earlier this year we completed the review and implementation of what has become known as "STEP legislation". The enactment of the Private Foundations Act 2017 completed the delivery of the STEP Gibraltar wish list submitted to Government some years ago. I am grateful to the private sector, and in particular the STEP association for their support in helping us to complete this process.

Family offices is one of the areas that we have particularly focussed on and continues to provide successful outcomes impacting favourably across a number of specialist practice areas for local



professional firms. We have agreed a way forward with the Philanthropy Forum and will continue the good work they have started in reviewing our legislation and making it fit for purpose.

Mr Speaker, in May, we published for extensive public consultation a document entitled, "Proposals for a DLT Regulatory Framework". The result of a huge amount of work undertaken by the Cryptocurrency Working Group and the Gibraltar Financial Services Commission and a number of leading representatives in this field. The consultation period ended in early June and we are considering the feedback received. The interest generated by this proposed regulatory approach has been significant and we hope and expect to introduce this framework in January 2018. We believe Gibraltar is well placed to move swiftly in this interesting and fast moving area. My sincere thanks to the CryptoCurrency working group, the GFSC and Sian Jones our consultant for their professional and dedicated work which of course is ongoing.

Mr Speaker, our Category 2 and HEPSS products continue to provide effective solutions and are attractive to the international client. As the Chief Minister announced recently we will reconvene the Cat 2 Working Group to further consider their proposals.

We also continue to grow our social media presence Mr Speaker as a method of increasing awareness to a wide yet appropriate audience at a very low cost. Our database stands in excess of 5,100 individuals, which we interact with almost on a daily basis. Our electronic "bookshelf", hosted on ISSUU.com, now has 137 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. Our audience has read these publications more than 11,150 times.

Mr Speaker, Mr Paul Astengo has driven all these important projects forward as well of course as dealing with the continued business development throughout the United Kingdom and Switzerland. He is a joy to work with and ever dependable in the many areas we have asked him to work in. A true and trusted professional.

Mr Speaker, in the area of funds, we have worked more closely than ever with the Gibraltar Funds and Investment Association, reviewing our legislation, considering improvements and new innovative changes which will serve us well in the future. As the Chief Minister announced at the recent Accountants dinner, we expect to have the first phase of changes in our legislation in early July. I am most grateful to Adrian Hogg, its President as well as Jay Gomez, Joey Garcia and James Lasry all of whom work closely together with the Executive to deliver the best for their sector and Gibraltar PLC. My thanks also to Sarah Hall and Julian Sacarello from the GFSC who have made this happen.

Mr Speaker, Mr Tim Haynes working at Gibraltar House in London continues to support the Funds and Private client space in London where his extensive knowledge and contact base in this sector have contributed to the success of events hosted at Gib House London and this will continue as we now start, with GFIA in hosting monthly seminars in London targeting the professionals in this area.

The time dedicated to business development remains strong with Mr Astengo and Mr Haynes focusing primarily in London and the UK generally and Mr Ashton focusing in Asia together with



Mr Jason Cruz whose sterling support continues to open up opportunities across all sectors of our business community.

Mr Speaker, I am pleased to update Parliament on the progress of the Gibraltar International Bank. I am delighted Mr Speaker to report that the Bank continues to deliver above expectation in both its performance and its service levels and this is especially pleasing as we have witnessed the unfortunate further reduction in the provision of Banking facilities. Mr Speaker we were right to have decided to set up the Bank in 2013, right to have established an independent Board of Directors and right to have allowed the Executive team to get on with the job of driving GIB forward. The results speak for themselves; just 2 years after its doors opened, the Bank has over 10,000 accounts opened, £440Million deposited and over £90Million in Loans. I must again thank the Board of Directors, Lawrence and Derek and each member of the team at the Bank for their spectacular work.

Mr Speaker we have also continued the excellent work on our Legislative Reform Programme, which we expect to complete early in 2018. This will have a significant impact on both Regulator and private firms and I am confident will be most welcome. The first sector consultation will commence on 12th July and continue for the rest of the year. I am grateful to the Finance Centre Council for agreeing to be actively engaged in this process. Sarah Hall and Ernest Lima have driven this project with us and they must be commended.

The quality of the work of the GFSC in all these areas are also worthy of mention. Each of the members of the many teams I have worked with have delivered professional, dependable and expert advice and support to a high quality, from its Chairman Mr Jonathan Spencer and its CEO Samantha Barrass to all the other individual members of the team. My sincere thanks to them all.

Mr Speaker, Government is most appreciative of the work of all private sector firms, associations and individuals who work with us throughout the year. The list is endless but we are grateful to each and every one of them, as we are especially to the members of the Brexit working group, who have excelled in their detailed work on the best way forward for our Jurisdiction.

Mr Speaker, before turning to Gaming, I must thank Mr Jimmy Tipping, CEO and my right hand man in this area, and his fantastic team at Gibraltar Finance for the superb work they deliver every year and with such calm and ease. Jimmy has inter alia driven our complex discussions on the UBO register this year and will perhaps be best remembered for his outstanding performance in defending Gibraltar at the often hostile PANA Committee hearings in Brussels.

GAMING

Mr Speaker, I now turn to Gaming.

Notwithstanding the tumultuous political year in Europe and especially the UK, some in the popular media wish to find bad news stories about the remote gambling industry rather than the good news it remains.

I will take this opportunity to confirm that none of our licensees is currently undertaking a Brexit based restructure that might see its Gibraltar establishment transplanted to a different



jurisdiction. Both my staff and myself are in regular liaison with our licensees. While the shape and features of Brexit creates uncertainty and licensees change the nature, size and shape of their operations as markets, products, technology and the political landscape develops Gibraltar licensees are looking at the mitigating factors that they may need to apply should some of the Brexit risks materialise;

Mr Speaker, That is not 'planning to leave Gibraltar', but sensible and prudent scenario planning by sensible and prudent companies, the type of company we are keen to licence and welcome to Gibraltar. None of us here can predict what a 2019 Brexit will look like. Indeed, whether it will be in 2019 or we may only have clarity in 2019, but what I can assure members is that as those details do become clear, this Government will still be pressing for measures, and taking its own measures, to ensure that the Gibraltar arrangements remain the most attractive and supportive in Europe, if not the World. The major players in this industry continue to beat a path to our door, to invest here, to operate here and to be associated here as they have done for the last 20 years and more.

As in previous years, there remains a constant flow of highly credible and respected names in the remote industry engaging in discussions with the licensing and regulatory teams about Gibraltar licensing. Such enquiries and developments have been taking place at a time of unprecedented 'M&A' activity in this sector. We are now in the fourth year of escalating M&A that far exceeds the impact of Brexit and M&A is not going to end soon. M&A has affected over half of all our licensees and 15 of the current crop of 30 licence holders. In 4 years, it has seen 9 licensees absorbed into bigger companies and those 9 licences expire, and 6 other licensees become significant parts of bigger companies.

Mr Speaker, This consolidation means that the total number of licensees is standing still despite new arrivals. In the last 12 months (April 2016 to March 2017), we have seen 5 new operators issued with licences, whilst 5 existing licence holders have been surrendered, with 2 of our biggest licensees merging. Where there were 31 licensees at this time last year, there are now 30, but I anticipate a possible 4 more being issued in months to come as licensing plans come to fruition, but likewise, consolidation and the apparent 'loss' of licences will also continue.

Correspondingly, employment in the sector has seen continued growth of 101 posts during the year to a new high of 3,353 as at 31/3/17, and as the CM has already mentioned, an increase of 9% from October 2015 to October 2016. We must not forget that staff can be hugely unsettled by the wave that industry consolidation may bring. However, this is the nature of this incredibly dynamic industry and we are happy to work with the industry to ensure that the Government can play its part in supporting this sector which continues to thrive.

Mr Speaker, Government receipts from the industry, charges, taxes, fees etc. continue to increase significantly as the industry grows and will be reported separately. However, the closure of the GBGA POC Tax case does create the opportunity to review and re-shape the way in which the gambling industry contributes to the revenues of Government. I plan to discuss with the industry in months to come how we can both modernise and consolidate the current charges into a simpler and more consistent model of taxation and fees. It is incumbent on me to make clear that this is not a proposal to implement a structural increase in those charges, but look to bring them up to date and better reflect the revenues and costs of the industry some 20 years since they were introduced.



This work will also allow us to resurrect the Review of the Gambling Act initiated in 2014 but deferred for 12 months following the Brexit vote.

Mr Speaker perhaps the biggest change this year will be the retirement of our Gambling Commissioner and Head of Regulation, Phill Brear, at the end of this year. Phill will have served a full 10 years in his posts here in Gibraltar, and seen through a transformation of the industry between 2007 and 2017, a transformation that he is the first to admit has yet to end. The process for the appointment of his replacement, indeed, likely replacements, is now underway and I am confident we will have a strong new team identified and in place by the time Phill's tenure comes to an end in October. Phill's contribution to this sector cannot be underestimated and it will be difficult to replace him. He has been an exceptional servant to Gibraltar and I repeat my view that he is one of the best online Gaming regulators in the world, and we are most fortunate to have had him here. His contribution is recognised by the industry, regulators and Government(s) and I am equally confident we will soon conclude arrangements that ensure both a smooth transition for the new team as well as, I am delighted to report, his continued involvement in the development and oversight of the gambling industry in Gibraltar.

Likewise, another stalwart of the Gambling Division has recently moved on. Lorraine Britto has been the driver of the 'engine room' of the Gambling Division for some 8 years and is soon to be replaced. I take this opportunity to thank once again the outstanding efforts of Lorraine and the licensing and regulatory teams in maintaining Gibraltar's reputation as a first tier jurisdiction. Their work continues to be exceptional.

Mr Speaker, I will end by emphasising that Government remains committed to a strong and supportive legislative, regulatory and taxation regime for the gambling industry, remote and non-remote. I will continue to meet with industry leaders on a regular basis to ensure their interests and concerns are properly understood and that Gibraltar remains the preferred jurisdiction for their operations.

I must also thank the Brexit Working group for their continued expertise and support as we jointly plot the exciting future for this sector.

LIASON DEPARTMENT

Mr Speaker, I turn to the Liaison Department.

The Liaison Department was set up in September 2013. Its function has evolved over time from its original concept – to facilitate and support the Gaming & Finance Centre industries with their interaction with all Government departments.

Their work is constantly recognised by these sectors as they continue to provide necessary support to them. The Unit also provides invaluable assistance to my Ministry in a number of different areas as we work towards developing a new framework for interaction between citizens, businesses and Government.



I am most grateful to Lizanne Ochello and Tania Pereira for their work in all of these areas.

COMMERCE AND THE OFFICE OF FAIR TRADING

Mr Speaker, it has been a pleasure working with the Chamber of Commerce and the Federation of Small Business this past year in meeting their members' needs. They are always forthright, honest and well-intended and although we may not always agree, we certainly make progress for the benefit of Gibraltar PLC. We have worked on many areas this year and we will as a result of this close working relationship shortly be consulting on further improvements to our business environment.

Mr Speaker, I turn to Office of Fair Trading, or the OFT as it is more commonly referred.

I am happy to report that the OFT has finished its first full year of operations making substantial advances in the manner in which it delivers its services for the benefit of businesses and consumers alike. During this time, the office has settled well into its new regulatory role and has made noteworthy progress in trying to meet the ambitious objectives and responsibilities set for it by the Fair Trading Act 2015.

As with any new project, it has been a steep learning curve for the Office and its staff, particularly with the addition of new responsibilities, and consequently this project remains very much a "work in progress". We are working on a review of the Fair Trading Act 2015 together with the Gibraltar Federation of Small Businesses and the Chamber of Commerce which will make the process of setting up business in Gibraltar even simpler and more efficient while at the same time bolstering the protection afforded to consumers.

I have no doubt that once the changes are drafted and announced they will be most welcome by the business community.

Mr Speaker, the OFT has been given the responsibility of regulating High Value Dealers and Real Estate Agents in Gibraltar from an anti-money laundering and counter-terrorist financing perspective. On 15th September 2016, the OFT was appointed as a Supervisory Authority under the Proceeds of Crimes Act 2015 with the objective of preventing the laundering of illicit funds using these businesses.

This is a substantial new role, working relentlessly to set up new, practical anti-money laundering measures and procedures for the effective regulation of high value dealers and real estate agents. All this is also being done in anticipation of Gibraltar's upcoming Moneyval assessment, which is due to take place in the second half of 2018.

Mr Speaker, I now turn to the OFT's consumer protection responsibilities. The nature of the work carried out by the team, which was previously the Department of Consumer Affairs, has shifted from a mediatory role to a regulatory one. The ultimate aim of the current Consumer Protection team is therefore to prevent significant harm to consumers in Gibraltar, not to offer redress.

Mr Speaker, I now turn to Business Licensing. Since the introduction of the Fair Trading Act 2015 (which extended the requirement for licensing to service providers) the number of licences issued



by the Business Licensing Authority has more than doubled. There are now approximately 2,000 licensed businesses operating in Gibraltar. The Office has been extremely busy dealing with a constant stream of applications. This surge, while expected, has led to very high workloads as the previously unlicensed businesses have been applying for their new licences. I am happy to say the team has dealt with this extra work well.

In terms of tackling unlicensed businesses, a strategic programme has been introduced to tackle this issue on a sector by sector basis. The Business Licensing team has the ability to deploy OFT's Consumer Protection Enforcers to investigate businesses that it suspects or is informed are not in possession of a valid business licence.

Mr Speaker, I must thank Mr Francis Muscat and his team for their superb work in making a success of this new project. We have lots more to do in streamlining and improving these processes but this is only possible because of their commitment and ability to respond to these challenges and to embrace further responsibility in the manner that they have. I am most grateful to each and every one of them.

POSTAL SERVICES

Mr Speaker, I now turn to my responsibilities for the Royal Gibraltar Post Office (RGPO).

Mr Speaker, I am looking forward this year to engaging with the management and staff of the RGPO, together with UNITE to review all aspects of the Postal Service. There is no question that as technology reduces the use of ordinary mail, and the global economy and in particular online purchasing significantly increases the quantum of postal purchases and parcel deliveries, there is an opportunity to review how we operate and serve the public's needs in the best way possible.

I intend to work through all of these areas with the team at the RGPO and Unite and am confident that we will together agree a sensible and fair way forward for all parties concerned. These discussions will start immediately.

I must thank the entire team for their continued work and dedication in meeting the needs of our community, and I know they will be willing partners in this process.

Last year the RGPO announced that it was the first Postal Service to launch the UN Universal Postal Union Customs Declaration Kiosk System (CDS), which sends Advance Electronic Information (AEI) to other countries. As from 1st January 2020 it will be a mandatory requirement for all postal items containing goods to send AEI to all the other authorities around the world.

Mr Speaker, this April this year the RGPO signed the new multilateral agreement in respect of a new Tracked Packets Service and in September, the RGPO has planned negotiations with Royal Mail to discuss the introduction of the new International Merchandise Returns Service (IMRS), which is a tracked postage-paid returns service designed to meet the demands of bulk mail operations. Growth in this area may present significant opportunities for the RGPO to grow its business. The Government is looking at ways to adapt its products and services to make bulk mailing operations based in Gibraltar more attractive.



The RGPO is also working with British Airways World Cargo on the possibility of introducing Radio Frequency Identification (RFID) transponders to give 100% visibility of mail bags in the BA cargo shed at London Heathrow to create more visibility of the transport of mail.

Mr Speaker, since 2013, the RGPO has coordinated a local Letter Writing Competition with the Department of Education. Each year, the winning letter is forwarded to the UN UPU International Letter Writing Competition. In 2016, Anna Grech from Westside Comprehensive School became the first Gibraltarian to reach the top 13 out of 980,000 applicants, for which I presented her with various prizes donated by the UPU. A remarkable achievement and a real attempt to preserve the magical art of letter writing!

Mr Speaker, my thanks to David Ledger, Sabina Pitaluga, Joe Brosco and all of their teams for all their hard work during the course of the year.

INFORMATION TECHNOLOGY AND LOGISTICS DEPARTMENT

Mr Speaker, I now turn to ITLD.

Mr Speaker HM Government of Gibraltar aims to be the leader in providing digital electronic services by making the best possible use of information and communication technologies, to bring interactive Government counters to the door steps of citizens and businesses, providing services anytime, anyhow and anywhere.

But, Mr Speaker, that is easier said than done, especially when you are simultaneously engaged in keeping the entire Government network working and dealing with supporting, designing and caring for every single Government Department. And, to boot, dealing with the ever increasing threat of Cybercrime.

I must thank the IT Team for their excellent work in dealing with recent well reported Cyber attacks which have seen them covering our systems 24/7 to ensure we are as best protected as we can be. They have served us well and we are truly grateful to them. There is much work to be done in the area of Cybercrime and we will continue to develop our plans for this.

Mr Speaker, I would like to thank Tyrone Manasco and his team of professionals in the IT department for all their hard work during the year. I have personally seen the extent of their remit and am most grateful for their commitment to serving our needs.

Mr Speaker, Government is committed to delivering eGovernment and a huge amount of work is being undertaken to deliver this. Yes, Mr Speaker this is taking longer than we would have liked, but I am confident we will deliver a service which the community will appreciate and be proud of.

Mr Speaker we are reviewing every single aspect of our IT systems including all arrangements with existing suppliers of services in this area and the internal arrangements within Government Departments in what our needs are and how we operate. All of these Mr Speaker are being audited, as are our intended digital strategy. We are taking time Mr Speaker to verify our systems and our needs to ensure compatibility and functionality across all our services.



In brief Mr Speaker our Digital Strategy will deliver;

1. eAdministration, which will provide the entire Government with an operational system that will revolutionise how we work. The first phase, our Procurement system has already been introduced and suppliers are registering as we speak and we expect to go live very shortly. Any provider of goods or services will require to register on our system.
2. eCitizen, which will provide all citizens with a secure online portal to coordinate their entire interaction with Government
3. eBusiness, which will provide a secure online portal for businesses to transact their business with Government directly and efficiently.

Mr Speaker, this resume belies the extent of the change and the efficiencies this will provide us with. There are a number of workflows running in parallel which will deliver a new way of doing business with Government, all built on a stable, robust and resilient network.

Mr Speaker this is a massive undertaking and I am grateful to all the many parties who are assisting us in making this a reality. I must especially Mr Julian Baldachino who is driving this project across Government with an enthusiasm and energy which is critical to the success of this project. His determination matches Governments desire to make this a reality and he is ably supported by Mr Karon Cano, on secondment from our IT Department for this project.

Mr Speaker, a truly exciting time for the Government. I am very excited about this work as I believe this process will bring about, perhaps one of the largest transformational changes the Government has seen, and certainly, in the last generation.

Mr Speaker, I would like to close by thanking my Secretary, Lourdes Piri and all the team in my office who are always there for me, providing a professional service and always supporting the work I do with a smile on their faces, whatever the challenge. They are a credit to the Civil Service and I am most grateful to each and every one of them.