



Date: 3rd July 2018

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## Budget 2018 – The Hon Albert Isola

Mr Speaker,

The impact of Brexit on our business community is difficult to predict or quantify as the moving parts that Brexit is comprised of are far from clear and continue to move in unpredictable directions. As a consequence, we have continued to work, wherever possible, to maintain the business we have, whilst working to explore new opportunities and new lines of business which will increase activity in our community.

We have to accept that our new modus operandi will not work for all, and that there will be areas of change. We remain today where we were 24 months ago; we will work to deliver the very best results possible in the circumstances, working closely with the private sector in ensuring our product lines across all areas remain relevant and fit for purpose in the new challenges and opportunities that Brexit will deliver and offer.

### Gibraltar International Bank

Mr Speaker, I have the privilege to work with the quite excellent Executive team at the Bank and am immensely proud of their work in providing our community with exactly what we asked them to do. Almost 21,000 accounts, increasing deposits and loans, a stable professional staff, and an independent Board of Directors have delivered ahead of their own business plan, a Bank that will this year break into profit – provided there are no surprises. We must congratulate Albert Langston and his Board on delivering these results and of course Lawrence Podesta CEO and Derek Sene COO who lead the excellent team we are so fortunate to have at the Bank. Our thanks to each and every one of them.

### Financial Services

Mr Speaker, for our Insurance community, Brexit remains an opportunity as over 90% of Gibraltar's insurance business is with the UK and with passporting rights from Gibraltar into the UK secure, with the CM's work at the JMC, the effect has been to ensure that Gibraltar remains a unique alternative domicile for insurance businesses focused on the UK market. We have two applications pending that are particularly interesting, because if authorised,

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they will both have significant capital investment from day one. Whilst today, Gibraltar has a number of very large insurance companies, the path to growth has, in most cases, come from organic growth over the last 10 to 15 years. The creation of new, highly capitalised, insurers has been more prevalent in other insurance centres, but would send out a very strong message that institutional investors have confidence in Gibraltar and its post-Brexit status.

Mr Speaker, there is a high degree of confidence in the Insurance market. Currently, we are promoting the use of cell company structures, which will allow business continuity to flow through the post Brexit transition period.

Mr Speaker, Gibraltar Finance continues with its marketing strategy in the Far East in the Insurance space. Structural changes to the Chinese Insurance Regulator in 2017 slowed our progress but we continue to gain traction and support. Relationships need both time and investment and so we will continue to travel to the Far East to articulate Gibraltar's compelling insurance proposition.

Finally on Insurance, Mr Speaker, the rapid development of Gibraltar's FinTech sector offers opportunities to create a complementary InsurTech Hub and efforts are underway to promote Gibraltar to the InsurTech community.

### Funds and Private Clients

Mr Speaker, We have continued to work with GFIA and the funds community in addressing their ambitions to update our legislative position and introduce interesting and innovative products in the new post Brexit world of opportunity where a dual regime becomes possible. We are also looking at Crypto Funds and how best to better market these services. We continue to support in direct business development work with GFIA in the traditional markets in London and Switzerland.

Mr Speaker, the private client space continues to reinvent itself as it adjusts and prepares for Brexit. The challenges are obvious and we are pushing ahead with supporting this sector in our plans for this year.

### DLT Framework

Mr Speaker, this year has seen the introduction on the 1st January of our innovative and ground breaking DLT framework. Gibraltar PLC has invested heavily in making this a reality and an incredible amount of work has gone into preparing and delivering these services.

Since January 2018, Gibraltar Finance has been delivering on a detailed and strategically formulated activity schedule, created to proactively drive home our very strong DLT message. We have researched and identified key markets and audiences and focused our marketing in these areas, with Mr Speaker some success.



To date, in 2018, this has resulted in attendances at the World Blockchain Forum in Miami, the StartUp Grind in San Francisco, the FinTech Week in Tel Aviv, a visit to Beijing, Hong Kong and Singapore where we hosted 2 very successful events. The hugely renowned Consensus 2018 and Token Summit III, both in New York, where on both occasions I was invited to address the audience, Amsterdam for Money 20/20, Zug for the Crypto Valley Conference and, of course, our traditional market in the UK, including London Blockchain Week and others. Our aggressive schedule will continue for the remainder of 2018 with conferences in Tel Aviv for a Gibraltar Day event, San Francisco, Beijing and Shanghai, London and Latin America and will include the second Gibraltar Finance FinTech conference in October, details of which will be made public shortly. We have also supported two private sector fintech conferences in Gibraltar, the most recent being the Token Market summit only last week.

Also in January of 2018, I addressed the Blockchain Technology Seminar in Davos; in the margins of the World Economic Forum at the invitation of the Global Business Blockchain Council.

We have of late been publicly welcoming some of the firms that are settling in Gibraltar. Industry leaders such as Xapo, eToro, Huobi, Gnosis, Oxygen, RSK Labs, TokenMarket, Coinfloor, Covesting and Coindash, to name but a few. Many more to come as we evolve as a centre for global enterprise in this field. We must also not forget the work being undertaken by GBX, as it actively seeks a license in the quest to become one of the world's first Blockchain Exchanges.

I have to acknowledge the support and work of all Gibraltar firms who have supported our development in this area, and for their relentless push with us, in spreading the word. Mr Speaker, In February 2018, we announced that we would introduce complimentary but distinct legislation covering token sales. Working in partnership with the Gibraltar Financial Services Commission and the private sector, this complex work is in its final stages and should be before Parliament in the very near future. We remain committed to protecting the jurisdiction and consumers in tandem, while providing innovative support to this nascent industry. Our vision remains one of attracting quality operators with who will create long term, sustainable and mutually beneficial relationships.

Mr Speaker, The Financial Services Commission is actively processing some 35 applications for DLT licences, news on these are expected very shortly, with a similar number in the pipeline. Our professional services providers are working as never before in providing quality advice and guidance to applicants and are raising their own game to meet the challenges that we face and meet the high standards we expect of them.

Mr Speaker, if all licensed, this means 35 new businesses in this sector creating economic activity, employment and opportunity, and all created by ourselves as a Jurisdiction.

There has also been spin off in other areas of private client work with applications pending for emoney and further ahead more proposed banking licenses. DLT initiatives are also creating a market for trust and company managers to provide their services. All of this translates into bottom line revenue for our jurisdiction, which in turn benefits all of our community.



Mr Speaker, none of this work would have been possible without the support of the team at Gibraltar Finance, under the safe and trusting stewardship of its CEO Jimmy Tipping who's knowledge and expertise in all things financial services is exceptional and I am most grateful as always for his work, and that of his team, including Tim Haynes in London who organise events and manage the offices with no fuss and to our required standards effortlessly. Exchange of Information and UBO works continues smoothly and I am pleased to report effectively.

Mike Ashton has driven our Insurance development with energy and enthusiasm, particularly in Asia and we are most excited about our prospects there, as well as of course our continued growth in the London market.

I must single out for special mention this year the work of Mr Paul Astengo. His efforts on the DLT front have truly been quite superb. He led the working group 4 years ago and developed the thinking which we are seeing succeeding today. He has led the work with the private sector and the regulator, and also the business development drive. He has spent most of the last year living out of a suitcase as he spreads the word around the world. Put simply, we could not have done this without him, and I and Gibraltar owe him a debt of gratitude which I am happy to acknowledge today.

The Finance Centre Council is a valuable and important part of our Jurisdiction who we interact with regularly and extensively, and in this year of consultations on our Legal Reform Programme, they have really demonstrated their value. They add tremendous value to our work as we together shape the future of this sector and its legislative platform. My thanks especially to Peter Montegriffo, the outgoing Chair of the Council and all its members for their time and care.

Our ability to sit round a table with the private sector and the Regulator ensure our decisions are informed and well considered. I am grateful to Samantha Barrass, the CEO, and her team at the GFSC and of course the Board for their continued good work. We have together developed the DLT framework and worked on a multitude of other important issues in all areas financial services, and I must particularly mention Sian Jones for her wisdom and expertise on everything Blockchain and Crypto. We are also making good progress on the Legal Reform Programme and I am grateful to Ernest and Julian at the GFSC for their work on this project.

## **Gaming**

Dealing now, Mr Speaker, with the Gaming industry, which continues to be a key sector of our economy.

The combination of the remote and land-based industries provides direct employment for some 3,490 individuals with the bulk of those working in the remote sector. There are also a large number of supply chain and support functions that are dependent upon that industry.



It is undeniable that the Gibraltar based remote gambling industry remains the most significant in Europe, if not the world, but it is now sailing into headwinds. These are created not only by the uncertainties of Brexit and challenges around EU market access, but also because of increased industry consolidation; as companies look to scale up, drive efficiencies and deal with increased regulatory costs in new and existing jurisdictions.

Our two land based casinos have also recently announced their own plans for shared operations. It is important we retain both the Sunborn and the Admiral facilities and an enormous amount of work and goodwill had been invested in taking this project forward.

Whilst the number of remote licenses held remains around 30, further consolidation will mean that the number of B2C licenses is again likely to reduce this financial year. However, interest in Gibraltar as a licensing jurisdiction remains; with the Licensing team dealing regularly with pre-application enquiries and small number of substantive applications. Both the consumer facing B2C and B2B games supply market continue to grow in scale, if not in absolute numbers, but there has always been variation in numbers within an upward trend that has continued since 2011.

In March, and following discussions at the Joint Ministerial Committee, the Chief Minister announced, amongst other matters, that the UK has guaranteed Gibraltar licensees continued access to the UK remote gambling market throughout the transition period and beyond. Gibraltar is the only jurisdiction to have received such an assurance. Much of the Gibraltar based industry is UK facing and some 80% of UK remote betting and a very significant percentage of UK gaming is provided from Gibraltar, to what is the EU's biggest gambling market.

We have made it clear that Brexit provides an opportunity to strengthen our operations with the UK, and our discussions with UK Ministers and officials have demonstrated that the UK does not want to see a shift in the critical mass of remote gambling operators away from Gibraltar.

However, we can understand and will support our firms who are contingency planning and prudently assessing the political and business risks created by the nature and timing of Brexit being unresolved. Looking at the issue from a traditional business risk assessment perspective, whilst the probability of a hard or early Brexit and not being able to access EU markets from Gibraltar remains low in our estimation, the impact of a such an occurrence would be high. That this situation could arise in the coming months, but is effectively being planned for in 2021, means early decisions have to be made that will change some operations in Gibraltar.

That is why we are working closely with our operators, who are most immediately exposed to 'Brexit risk', to construct a regulatory and licensing framework that is right for them and right for Gibraltar; in terms of regulatory control and continued economic benefits for Gibraltar and all those who live or work here.

Our engagements have given us a strong degree of confidence that whilst operators may need to be flexible about the contingent location of some of their transactional technology, their people, both management and staff, prefer to be anchored in Gibraltar. They understand the



personal and business benefits of being in this jurisdiction and we are working with them to develop alternate operating arrangements around technology, tailored to different Brexit outcomes and each operator's unique business model.

In addition, the Gambling Division is now working closely with Government and the GFSC on DLT and crypto currency proposals in the gambling space; as well as considering how it might support the economy by considering business plans for gambling start-ups; where the management of those start-ups have themselves a strong industry and regulatory track record.

Mr Speaker, I am clear that Gibraltar will not lower its regulatory standards or become a "brass plate" jurisdiction for remote gambling, but nevertheless the new post Brexit world requires us to be flexible, innovative and to take a balanced view on new business models and technology platforms. Gibraltar should be prepared to be an incubator for selected technology firms and this requires a shift in mindset and more flexible legislation; which widens the regulatory perimeter to include all firms employed in the provision of remote gambling services from Gibraltar.

There will also be a requirement to enhance cooperation with other gambling regulatory regimes; both EU and non EU, to ensure that Gibraltar remains at the heart of the wider remote gambling international community.

I have previously indicated that the Government has been considering various models to replace the historic and essentially 'flat rate' gambling charges paid by our licensees since 2005.

This has proved to be a complex and challenging process with significant interest within and beyond the industry. For this reason we have consulted extensively with the sector. As a consequence I can inform this House that Government has decided to roll out the arrangements for both new licence charges and new gambling duties with immediate effect. To delay implementation would mean a 12 month delay and this is not workable as the first due date for this year is 1st July.

In sum, the industry is being moved on to a charging model with substantially higher annual licence fees, typically £100,000 for each B2C licence and £85,000 for each B2B licence, with gambling tax paid only by the B2C's on their gross receipts, both gaming receipts and betting receipts, at the very low rate of 0.15%.

As with any changes in tax modelling, there are 'winners and losers'. My staff have been assiduous in ensuring those who are likely to pay substantially more have been kept abreast of developments, the reasons for the changes, and how they will impact on them.

Whilst no industry welcomes increased charges, they have appreciated the consultation and made their own adjustments; conversely, those with likely reductions in charges have been less well informed so as not to encourage over or excessive expectations about reduced charges, and this model, which largely links charges to gross profit, will reduce the charges paid by many.



It must also be remembered that amongst our largest licensees are a number who have consolidated 2, 3 and even 4 former licence holders in the interests of efficiency and global competition, likewise, they and others are global suppliers and amongst, if not the largest, in certain markets and these charges are both fair and proportionate.

Again, I can assure the House that this new model is necessary and has been carefully developed to complement a constantly changing industry landscape. Ideally the transition would have been initiated at an earlier point in the year and with more information available, but that detail will be provided in days and weeks to come and I am confident we have the right model and now is the time to introduce it.

Mr Speaker, our new Gambling regulator, Andrew Lyman, is now in place and he has been working side by side with Phill Brear to effect a smooth handover of responsibility. Andrew has already proven himself to be a safe pair of hands and I have every confidence in his ability to continue to hold high our excellent regulatory reputation in this important sector.

There has also been a continuing focus on regulatory cooperation and closer alignment with the UK Gambling Commission on which we are making good progress. I have recently met with the UK Minister for DCMS Tracey Crouch to further these discussions and I am grateful for her continued support.

Phill Brear has gracefully consented to remain in an advisory role, dedicating himself to three key issues. Firstly, to revive the review and amendment of our Gambling Act to make the regulatory regime fit for the future, secondly the transition to a new gaming tax regime and thirdly an update of the industry AML/CTF code. I must thank Phill once again for his service and commitment to our Gaming community, he has been a superb leader of our Gambling division and a key player in our continued success these past 11 years in this area. I am sure all members will join me in thanking him and his wife Janet for their support of our community.

## **Liaison Department**

Mr Speaker, turning to the Liaison Department.

Mr Speaker, since the Department was created in 2013, it has operated as a support and problem solving hub for the Gaming and Finance sectors. Lizanne and Tania deal with a wide range of services, ranging from fast-tracking employment permit applications, to chasing up and or expediting processes being managed by other Government departments. I continue to receive thanks and compliments for the efficient work of this unit and I am most grateful to Lizanne and Tania for delivering this.

In 2017, the Liaison Department set up a forum incorporating a number of departments with the aim of finding ways to streamline and fast track processes in the Public Service. This close interaction provides a proactive path of invaluable assistance to the people and companies that form our Gaming and Financial Services sectors.



The work of the unit will now also be extended to support the new DLT firms.

## **Commerce/Office Of Fair Trading**

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

Even though the Office is only in its second full year of operations, I am very satisfied with its ability to meet the ambitious objectives and responsibilities set for it by the Fair Trading Act 2015. The team, ably lead by Francis Muscat, continues to be actively engaged on a daily basis to assist businesses to set themselves up in Gibraltar as quickly and easily as possible within the requirements of the Act.

In conjunction with the Gibraltar Federation of Small Businesses and the Gibraltar Chamber of Commerce we are currently reviewing a number of areas of the OFT work to simplify and improve the process. I am happy to report that an amended Bill has already been drafted and that an advanced draft of the proposed subsidiary legislation to replace the business licensing provisions of the Act has already been considered by the GFSB and Chamber. The Bill will be considered once members opposite have had an opportunity to consider the draft regulations.

We have also recently issued a Consultation paper touching on a number of business related issues and we look forward to engaging further with the Chamber and the GFSB on all these issues. I am grateful to them for their open and frank relationship, even if we do not always agree!

Mr Speaker, the number of active business licences continues to grow at a steady rate. There has been an increase in excess of 10% of licence holders since my address last year, despite a substantial clear out of the OFT's system, seeing the revocation of approximately 400 inactive licences. This increase reflects, not only the vibrancy of our economy and business community, but also the positive steps taken by the OFT to engage with other GoG departments so that there is meaningful inter-departmental communication to ensure all businesses are licensed and operating on a level playing field.

In the past year Mr Speaker, a significant part of the OFT's efforts have also been dedicated to its new Anti-Money Laundering and Counter Terrorism responsibilities.

As the appointed Supervisory Authority for Real Estate Agents and High Value Dealers under the Proceeds of Crime Act 2015, the OFT has worked hard to produce and issue detailed and easy to use guidance notes setting out the manner in which the OFT will regulate each of these sectors in accordance with Proceeds of Crimes Act.

Mr Speaker, I am happy to report that as the OFT matures, it continues to constantly develop and review its internal procedures, to ensure it provides its services to the public efficiently and to the highest standards.



## **Postal Services**

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

Mr Speaker, I must thank the entire RGPO team for their continued work and dedication in meeting the needs of our community, whilst at the same time manage a complete relocation of services to the new mail centre and parcel office at Mid Harbours. Despite the technical teething problems arising from the move normal service has now been resumed

Mr Speaker, the RGPO Review is progressing well and I am pleased to say that there is a constructive and positive attitude in the process. I must thank Gareth Flower, who leads the review on my behalf, for the excellent work he and the team (Collin, Lyzanne and Nadine) from the Human Resources Department have done in knitting together all the issues and the various permutations that have been considered throughout this worthwhile process. Their work has been invaluable. My thanks also to the shop stewards and Unite the Union, for their continued involvement in the review and the efforts made in making the final outcome of interest to all parties.

Mr Speaker, I am pleased to announce that Gibraltar has been elected chair of the Conference of Commonwealth Postal Administrations. This is one of nine inter-government Associated Organisations, which places Gibraltar in the mainstream of Commonwealth activity. To commemorate this special year for the UK and Gibraltar, a stamp was launched on the last day of the Commonwealth Heads of Government meeting in London in April this year.

Mr Speaker, my thanks to David Ledger, Sabina Pitaluga, and especially to Mr Joe Brosco who has been invaluable to my Ministry in working through the review. My thanks to all the teams at the RGPO for their patience with me and their continued hard work during the course of the year.

## **Information Technology**

Mr Speaker, turning now to technology.

ITLD has been busy implementing measures to further develop and enhance internal Government systems across the entire spectrum of public services and as new and improved services are being delivered daily.

By way of example Mr Speaker, speed cameras are now linked to an automated ticketing application, which has revolutionised the way traffic offences are captured in Gibraltar. The result, is that our roads are safer than they have been and Police resources can be safely redeployed to cater for other community needs.

From schools to fire services to UBO Registers and exchange of information, to planning and to transport matters, ITLD have been working to meet the increasing demands of the use of more and more technology.



Their work is often not appreciated as they beaver away resolving problems before they arise. We shout when we have a problem, but do not thank them when we don't, which is 99% of the time. My thanks to Tyrone and Jonathan for driving the team forward in these challenging times as they are stretched every which way as we work with them in delivering eServices. I am grateful to them and every single member of their team who work day in and day out to keep our systems going. Their roles will become increasingly important as we embrace technology more deeply.

## **eServices**

Mr Speaker, the Ministry of Commerce has been working tirelessly on the implementation of numerous platforms and digital services, which represent the vanguard of becoming a truly digital Government and community.

Last year, saw the introduction of the Procurement Source-to-Contract platform. All large Government tenders are now procured using the new system. The S2C software allows the Government to negotiate more value for money contracts and makes the procurement process more streamlined, standardised and efficient for both HMGoG users and suppliers. 15 Government public service organisations are already on the system and the transition from totally manual to digital processes has been virtually seamless. By digitising the purchasing process, the number of people required to deal solely with purchasing will be significantly less than with our current manual processes. Controlling Officers will be able to be more involved in the day to day approval process for purchases, thereby resulting in tighter controls and savings. Mr Speaker, the investment in this type of technology is a no brainer.

However, Mr Speaker, this is only the start. The Government, has been working on two major projects which will start to bear fruit this calendar year.

Mr Speaker, eVolve is the name we have given to the Enterprise Resource Planning platform we are implementing, which basically is the engine the Civil Service will run on in the not too distant future. The solution integrates core Government activity related to our systems, Human Resources and Payroll in a live environment.

Mr Speaker, the system will enable core tasks to be automated across Government, so that we can get on with more value-added work.

The other major project we are working on is Digital Services which is about analysing core business processes and automating functions. At the moment, we are working with the GHA, the Employment Service and the Tax Office in order to bring 32 existing services online. This is the first phase and the remaining services in these and other departments will follow in the next phases.

Mr Speaker we will continue to work to deliver real eGovernment in a safe and sustainable manner, and are reviewing our security systems and processes including of course an evaluation of our cyber security risks and mitigating features.



Mr Speaker, the implementation of these systems represents a quantum leap forward for Government.

Mr Speaker delivering eGovernment is an enormous enterprise. We have expert support, an implementation team drawn from ITLD, the GHA, Treasury and HR, all working together to deliver these services. The team is led by Julian Baldachino who's care and enthusiasm for this project is matched by his deep knowledge of all civil service systems. He is a complete professional and a joy to work with and I have every confidence that his work will be appreciated for many years to come as eGovernment is rolled out. He is ably assisted by Karon Cano, seconded to my Ministry from ITLD exclusively for this project and is an understated and quiet expert in this field. My sincere thanks to the entire team.

Mr Speaker, I cannot conclude without thanking the staff at my Ministry for their continued support these past 12 months. Gareth, who joined me this year has already proven himself as a key player in the team and Lourdes my secretary who keeps me organised and unusually, on time! I must mention Flavio Madeira, a long serving member of our team, who has been unwell and now recovering, and Karl Rose who has stepped up to provide cover during this time. My thanks to them and the rest of the team for their work and support.

Mr Speaker, we live in challenging times. We are in good shape and the future is looking cautiously encouraging. Our partnership with the private sector across all areas is unquestionably bearing fruit, and they, as are we, are excited by the future. Government at this critical time is providing the confidence and leadership that our business community needs and together we shall continue to prosper. Mr Speaker, there is no lie in this, or indeed in any aspect of the excellent work we are doing.