



HM Government of Gibraltar

Ministry of Digital and Financial Services

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THE HON ALBERT ISOLA MP - BUDGET SPEECH

BUDGET SPEECH 2021

Mr Speaker,

I believe it is absolutely remarkable, that after these last two years of horror, I should be standing here telling you how well and resilient the businesses in my areas of responsibility are doing. Brexit was without question the biggest challenge to our Gaming and Financial Services firms – that was until Covid 19 came along.

Yet, quite incredibly, both of these sectors have adjusted, planned and executed their structural changes, and got on with what they do best – running their businesses. Travel Insurance firms and Bureaux were the most impacted by the pandemic.

Today, despite all the European business having been lost by our Gaming firms, we still have some 3400 jobs in this sector and growing. I am pleased to report that we have new applications en route and our firms continue to employ here which is most welcome.

In Financial Services, having lost the European Passporting rights, we secured passporting rights to the United Kingdom – the only piece of land in the entire world to have achieved this. Not bad for a “bad” Brexit deal.

As a consequence of this excellent work delivered by the UK’s confidence and trust in our regulatory and legal systems, and the quite extraordinary skills of our Brexit negotiating teams led by my friends the Chief Minister and the Deputy Chief Minister, I can report that in the last half of 2020 the GFSC had the highest number of applications in its history, and the numbers of Cat 2’s and HEPSS in Q1 of 2021 are also at record levels.

Mr Speaker, members will have noticed that I have not yet mentioned Covid in respect of these sectors. Mr Speaker that is, put simply, because these firms adjusted their working practices and just carried on. At the very first meeting of CELAC, the representatives of both our Gaming and Financial Services firms were asked if their sectors required any of the BEAT support measures we were designing. They both said NO.

And Mr Speaker, they were true to this for the entire period of the Pandemic. We owe them a debt of gratitude for their complete professionalism, and we are fortunate to call them our stakeholders.

Financial Services

Moving on to the work of our teams, I must say that technology has come to the rescue and we have very much carried on these past 18 months with business close to as usual. In lieu of travel and face to face meetings, the team has carried on with Zoom meetings, Webinars and telephone calls to continue the promotion of our Jurisdiction, with some significant degree of success!

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We have found these “face to face” virtual meetings to be extremely rewarding particularly as partners or directors of the target firms have joined from diverse locations including as far away as Los Angeles together with their colleagues in New York and London. We have worked hard to successfully present Gibraltar as an attractive and competitive jurisdiction in many different areas and even during the height of the pandemic, we attracted new businesses to Gibraltar. Our USP of speed to market and access to Government and Regulators is compelling.

Review of the Financial Services Sector & New Applications

I am pleased to report that a strong flow of new applications has continued over the past two years. In fact, the pipeline of new applications from financial services including DLT firms at the GFSC is at its highest level in many years.

We have also seen an increase in the amount of business written collectively by Gibraltar’s insurance companies over the past two years and we saw a significant interest in new insurance applications in 2020. There are strong indications that the market share of Gibraltar motor insurers in the UK will be edging towards 30% by the end of this year. That’s almost one in 3 cars driving in the UK with Gibraltar issued policies.

Innovation

A natural progression for DLT and eMoney licensed firms is to mature from Virtual Asset Service Providers (VASPs) or money transmitters to fully fledged credit institutions. XAPO is the first to complete this journey in Gibraltar. The growth of digital banks is expected to continue and provide competition to traditional players.

Mr Speaker, it is worthy of note that Gibraltar DLT firms are punching well above their weight globally; BITSO – the first Unicorn in South America with a recent raise of \$250M and a valuation of \$2.2BN
LMAX - a large London Group who’s Gibraltar firm LMAX Digital recently raised \$300M with a valuation in excess of \$1BN
INX – The Gibraltar firm which was the first ever United States SEC Registered token IPO, subsequently raising some \$117M
BLOCK.ONE – Recent announcement of their Global “BULLISH” platform with \$10BN liquidity funding

And of course we have eToro growing internationally, and our own HUOBI with their Charity which donated \$1M to Unicef – the first institutional BTC donation accepted by Unicef. Closer to home Mr Speaker, DAM (DAMEX - Crowdcube) continue to promise and grow.

Mr Speaker, we should also note that Gibraltar has recently been pushed up into 3rd Spot in the PWC report on Crypto Hedge Funds most favoured Jurisdictions, after the United States and the Cayman Islands.

In Insurance, Mr Speaker, our firms also continue to impress; In October 2019 the first UK insurtech to start its own insurance company commenced trading from Gibraltar. It was followed in late 2020 by the second UK insurtech to start its own insurance company which commenced trading in January 2021. We welcome Zego and Marshmallow as two of our newest insurance companies, and importantly the first two Insuretech firms in the UK.

New Legislation

We continue to work to stay ahead of the curve with our DLT legal Framework. We will shortly be publishing the “10th principle” defining standards of market integrity and will be establishing forward thinking views on decentralised finance (DeFi) and non-fungible tokens (NFTs) working in partnership with the Financial Services Commission and Gibraltar Association for New Technologies (GANT).

In the funds sector, we have overhauled our Limited Partnership Act to make our legislation more competitive and introduced the Protected Cell Limited Partnerships Bill with expert support from a leading London funds lawyer and ably supported by the Gibraltar Funds and Investments Association (GFIA).

Looking to the future



In all of our sectors, we continue to promote and enhance the product and our engagement with firms and international organisations all over the world. We believe this gives us a wider reach than traditional means and has worked particularly well in DLT and Insurance.

Associations

Mr Speaker, I welcome the development of the Gibraltar Association for New Technologies (GANT). In early 2021, outgoing Chairperson David Parody completed his 2 year term of office. I would like to extend my grateful thanks to him for his work in getting this started. I look forward to working with Anthony Provasoli and Joey Garcia as the new Co Chairs of GANT.

We have also worked closely with the Gibraltar Funds Association (GFIA) both in product development and of course in business development. They are great partners of Government and fully understand the power of working closely together for the benefit of the Jurisdiction. My thanks to Jay Gomez and James Lasry and the Executive Committee.

There has also been a much closer working relationship with the Gibraltar Insurance Association (GIA) and last month the first post-Covid GIA and Gibraltar Finance insurance event was held here in Gibraltar.

I would also like to thank Francis Carreras and Lynda Martin, the Chair and Deputy Chair of the Gibraltar Association of Pension Fund Administrators (GAPFA) for their extensive time, input and technical support in respect of the Private Sector Pensions Bill.

Finance Centre Council

Mr Speaker I must thank Mr Marc Ellul for his leadership, support and insightful contributions as the Chairman of the Finance Centre Council for the past three years. These have been a really tough and transformational period for the sector and despite this, It has been a real pleasure working with him. During lockdown Marc agreed to extend his Chairmanship for a further year to provide continuity at this difficult time and I am grateful to him for that. In June 2021 in a role reversal, the Council elected Nick Cruz as the new chairman for a two year period with Marc continuing to serve as the new Deputy chairman. I look forward to continuing to work closely with the Council and with Nick as the new Chair. They have an important role to play in supporting the development of our policy and business development opportunities.

Gibraltar International Bank

In spite of a very difficult year in 2020 due to the coronavirus pandemic, the bank performed considerably well under the circumstances. The results for the first half of 2021 show that the lifting of restrictions earlier in the year has to some extent increased economic activity and this has manifested itself by the bank experiencing increasing numbers of transactions across all sectors.

Deposits have grown by £500m over the past year and now stand at £1.3 billion, a remarkable deposit figure. The Bank currently has around 18,500 clients which hold 28,000 accounts. With regard to loans/ Mortgages the book currently stands at £468 Million and the lending book has continued to grow.

Mr Speaker, the Bank has recently been subjected to a number of cyber attacks which have placed the Bank and its staff under some strain leading to staff extensively reviewing transactions manually in order to protect its clients. I am most grateful for their care and diligence.

I am also grateful to the CEO Lawrence Podesta and his executive team for their professionalism in managing the Bank and the Chairman of the Board Albert Langston and his team for their work throughout the year. We are indebted to each and every one of them.

Gibraltar Authorisation Regime



Mr. Speaker I touched on the Gibraltar Authorisation Regime at the start of this report. Let me remind the House that the UK Government issued a Statutory Instrument (SI) in early 2019 setting out the temporary arrangements for Gibraltar's ongoing passporting arrangements in financial services into the UK post-Brexit.

During 2020 detailed discussions about Gibraltar's permanent passporting arrangements were held with HM Treasury and then set out in the UK's Financial Services Bill 2020 published towards the end of 2020. The permanent passporting arrangements we now refer to as the GAR started its passage through the House of Commons towards the end of 2020 as part of the Bill.

The latest position from HM Treasury is that the GAR will come into effect during 2024 so there will be further UK SIs to cover 2022 and 2023 so as to ensure a seamless transition. Importantly, anyone or any firm seeking confirmation about Gibraltar's future permanent passporting rights can be referred to the UK's Financial Services Act 2021.

The GAR provides a single market in financial services between the UK and Gibraltar which is unique and not available to any other British Overseas Territory, Crown Dependency or Third Country.

GFSC

We have since the last Budget a new CEO at the GFSC and indeed a new Chairman. I am most grateful to Kerry Blight, the CEO for his excellent work since he took over the Commission. I know the sector have warmly welcomed his accessible, open and transparent style of operation and I too welcome this, as well as his efforts to maintain budgetary control – a battle which he is winning. He is a pleasure to work with. Mr Speaker, Stephen Haddrill joined us over the pandemic as our new Chairman and we are fortunate to have secured such an excellent individual. His knowledge and expertise in financial services are invaluable to the commission and in the short time he has been with us has already made his mark on the work of the Commission.

I am grateful to all of the Board and staff of the GFSC for their quiet and untiring work and professionalism.

Gibraltar Finance

Mr Speaker, the test of a good team is how they perform in difficult times and under unusually difficult circumstances. The team at Gibraltar Finance led by James Tipping have excelled this past two years. Jimmy, Mike Ashton, Paul Astengo and Tim Haynes have worked closely together to push the message out stronger than before and used this time to develop policy and innovation whilst banging the doors down in London Law and accounting firms via ZOOM.

I must also thank the team at HMT for their collaborative and supportive approach on GAR. We have some way to go but I am grateful for their enduring understanding and support. Jimmy Tipping, who manages our relationship with HMT, has driven the GAR project from our side, with Julian Sacarello at the GFSC and I am sincerely grateful to them both for their excellent work on this critical project for the Industry.

The Gambling Sector

The remote gambling sector has been broadly self-sustaining through the lockdown. The firms that are primarily focussed on sports betting were significantly affected by the lack of live sporting events. Even our land based operator, whose casino and betting premises were completely closed in the early months of lockdown, met its own employment costs until the latter part of the crisis.

Mr Speaker, I am happy to report that throughout the lockdown period, the Gambling Division remained fully operational and effective. Significant effort has gone into assessing business continuity plans and working closely with virtual betting and gaming content providers in order to sustain operator revenues. Virtual compliance visits have also taken place and there has been a focus on social responsibility and the wider business risks created by the Covid-19 crisis.

The focus has been on supporting business whilst maintaining regulatory standards.



Despite the headwinds of Covid 19 and Brexit, we have maintained a vibrant industry in Gibraltar. In the period April 2019 to March 2021, the Gambling Division have issued 11 new licences, resulting in gaming licence revenue remaining in a healthy state. There are at least 3 pending B2C licence applications and a potential pipeline of B2B licensees.

Finally, I am pleased to announce the establishment of an independent Gambling Care Foundation in Gibraltar, which has been funded by the industry, and which will have as one of its objectives the support of the Centre of Excellence for Responsible Gambling; a research and training institution established at the University of Gibraltar. With the support of our firms, I expect we shall be the only Jurisdiction in the world which will have all its employees having attended a certified course at the University directly focusing on responsible gambling.

My thanks to the Gambling Regulator, Andrew Lyman and his team for their excellent work done during these challenging times. Andrew has been a great signing for Gibraltar, and I am fortunate to have his expertise and knowledge available to me.

Liaison Unit

Mr Speaker, the Liaison Department continues to provide invaluable assistance to the Gaming and Finance sectors. With emerging and new technologies introduced within the Public sector, the support provided by this unit is instrumental in identifying swift solutions for all queries relating to most Government departments.

Gibraltar Broadcasting Corporation

Mr Speaker, I now turn to my responsibilities regarding the media.

GBC were quick to adapt to the Pandemic and the needs of our community who relied on the public broadcaster for trusted news on our response to Covid. Covering the daily press briefings from No 6 and increased programming as more and more people stayed at home. In all, 270 hours of additional programming was aired by GBC Television during the three-month lockdown with further programming also being provided by Radio Gibraltar

The charity's 'Lockdown' edition of GBC Open Day managed to raise £180,000 in 24 hours, which was then topped up by the Open Day Charitable Trust by £50,000, resulting in a total of £230,000. This money was then contributed on behalf of the public to the Covid-19 Fund. A very worthwhile exercise indeed and my sincere thanks to them for this spectacular effort!

In December 2020 GBC held its traditional fund-raising day in December when they incredibly raised a further £128,000 for local worthy causes through the annual marathon radio and television shows.

Mr Speaker, a new era for GBC is now around the corner. GBC is due to go live from the new broadcast centre in South Jumpers Bastion on a soft launch on Monday the 9th of August, with a transitional period to follow for a few weeks while existing electronic systems are migrated from one building to the other. Full programming from the new studio complex begins in early October. This is a technically-advanced broadcast centre providing 2 television studios and 4 radio studios, as well as a variety of technical and production areas and office spaces designed to enhance creativity and the working environment, while combining the heritage aspects of the bastion with the new build above it. It's been well worth the wait, and appropriate, as GBC enters its 60th year of existence in 2022.

Mr Speaker, I would like to thank all those in front of the cameras and microphones, as well as those behind the scenes and even those in administrative positions for the work they do. Gerard and his team have been busy managing business as usual during these unusual times whilst also ensuring the build and delivery of the new systems in time for the historic opening of the new broadcasting house. Exciting times indeed.

Town Planning and Building Control

I will now turn my attention to my responsibilities for Town Planning and Building Control.

Mr Speaker, the Department has had a busy two years, and in common with other departments, has had to deal with the challenges thrown up by the pandemic.



Notwithstanding the pandemic, the volume of applications managed by Town Planning has increased over the last 2 years. In 2019, 594 applications were processed and 665 in 2020. It is worth noting a significant proportion of these applications are large scale and/or more complex applications than in previous years involving significant input by staff.

It is a credit to the team that despite the Pandemic, DPC meetings continued during this time and I must thank them and ITLD for their great work in making this a reality, not just for the DPC, but also enabling the public to join and have access to these meetings. We believe in public participation in planning and are delighted to have been able to deliver this, even in these extraordinary times. I should mention here that with the introduction of the Town Planning Act in 2019 in September 2019, meetings of the Development Appeal Tribunal are now also public.

Mr Speaker, the new Town Planning Act now also requires Government Projects to obtain planning permission and, where the nature of the project requires it, are subject to a similar public participation process as other applications.

Mr Speaker, the ePlanning service continues to operate successfully. It allows easy access to application details and provides a platform through which applicants can submit their applications online. The proportion of Planning and Building Control applications submitted online in 2019 was some 63%. This figure rose to 86% in 2020.

Mr Speaker, the Town Planning and Building Control teams are both working with us on a review of their work, working practices and systems with a view to modernising and updating these. I am confident we will make good progress this year and publish the review in the coming months. Building Control are also reviewing the Building Rules made under the Public Health Act with a view to updating these to bring them in line with the UK and European Standards ensuring best working practices are maintained for the benefit of both the users and occupiers of the built environment.

Mr Speaker, I would like to take this opportunity to thank Paul and Norman and all the staff at the Town Planning and Building Control Department for their dedication and hard work throughout the last two years.

Aquagib
I now turn to AquaGib.

Mr Speaker, AquaGib continues to service contracts in respect of potable, seawater and sewerage services in Gibraltar.

The Government continues to invest in capital projects as part of its asset replacement plan aimed at maintaining and improving the water infrastructure assets in Gibraltar. This includes the increased supply of potable and saltwater to the Westside area and indeed the Eastside.

We have agreed a short term extension to the AquaGib contract to enable both parties once relieved of the extreme pressures of Covid and Treaty negotiations to focus on this important negotiation.

Gibraltar Electricity Authority

Mr Speaker, now turning to the Gibraltar Electricity Authority.

Since the last Budget session, there has been a huge effort going into the final stages of commissioning and the initial operational phase of the new North Mole Power Station, the associated new high voltage distribution centres, new infrastructure, the new high voltage cabling network and of course the decommissioning of the old and polluting Waterport Power station.

At present 88% (193 million units Kwh) of Gibraltar's power needs are generated by the North Mole Power Station and around 12% from the Energyst rental plant. Once the initial teething problems, (which are normal for a new power plant) are resolved, we envisage no further running from the Energyst rental plant.



On the issue of emissions, the CO2 emission this year saw a decrease of about 9% from 136,468 tonnes in 2019 to 123,869 tonnes in 2020. Anecdotally, in 2016, before the advent of LNG, the CO2 emissions from power generation in Gibraltar were at a level of 161.358 tonnes - close to 25% more of what is emitted today!

During the pandemic, the GEA continued to function as normal. This is particularly notable when you consider that the North Mole Power Station commissioning works had not yet concluded. This, however, occurred at a slower pace due to travel restrictions that some of the specialised contractors found themselves when moving across Europe.

Mr Speaker, The team at the GEA are only remembered when there is a power failure, and often teased when we are open and honest as to the causation. I would ask the community to remember that these failures are few and infrequent, and as we get through the normal teething problems will decrease still further. But the work going in to maintaining the grid, dealing with the complex systems of power generation, upgrading old infrastructure and attending to contractors interfering with our cabling network are worthy of mention and appreciation. I have witnessed first hand the response to these problems and I am grateful to Michael Caetano and his team for their good work in keeping the lights on, especially when we suffer a failure.

Gibraltar Regulatory Authority

This period has been an important year for the GRA, in particular, because of the work undertaken as a result of the UK's exit from the EU. In response to the change in regime, the GRA published Brexit-related guidance and held dedicated Brexit-related workshops in the second half of 2020.

Gibraltar's exit from the EU means the jurisdiction is now considered a "third country" for the purposes of the EU GDPR. Consequently, organisations within the EU are required to implement measures before data is transferred to Gibraltar, thereby affecting the flow of data between the jurisdictions.

The Data Protection Act 2004 and the Gibraltar General Data Protection Regulation ("Gibraltar GDPR"), which came into force on 1st January 2021, provide a comprehensive and modern framework for data protection in Gibraltar.

Data Protection

Mr Speaker, moving on to Data Protection. As you may all be aware, this field is extremely reactive and the majority of the Data Protection Officer's role focuses on dealing with advisory work, requests from members of the public and engaging with the Regulator (GRA) about data protection with regard to any Government practice.

Departments and authorities internally continue to apply privacy legislation to their considerations whenever they undertake new processing of personal data. This was evident during the height of the Covid-19 pandemic in Gibraltar, when public sector bodies set out appropriate agreements and procedures for the sharing of information. The Government has also recently purchased Egress secure, which will allow for the encryption of emails and attachments. The ITLD department will be rolling this out to all government bodies in the coming year.

Information Technology and Logistics Department

Mr Speaker, turning to technology, during the past year, the COVID-19 pandemic forced a great deal of uncertainty on all nations around the world. During lockdown and beyond, people were obliged to work from home with little to no face-to-face interactions, except with their immediate families. Reliance on virtual forms of working and communication was not just a requirement, but essential. The Information Technology and Logistics Department were under considerable pressure to deliver remote working to Government officers working from home. I am delighted to say that under the leadership of Tyrone Mañasco, the Department did a fantastic job in introducing tools across Government to support a wide range of remote working options.

IT&LD service and maintain the Government computer network. This includes everything from enhancing the physical network infrastructure to maintaining software platforms. They are the backbone to our digital services which rely on their work to deliver strong and resilient services.



Investment in IT is set to continue as the Government continues to develop and improve its online capabilities. The challenge is to build a digital environment that is fit for purpose, robust and secure. Improved IT systems has become an important focal point and a key building block for the future.

Digital Services

Mr Speaker, the Government is firmly committed to realising its ambition to become a fully digital Government for its citizens, businesses and Public Service. Significant work is going into the implementation of systems, which will enable the Government to move away from manually driven processes and control, which are inefficient and difficult to sustain.

eAdministration

As from the 1st April 2021, the Government has an integrated solution for procurement, purchasing and payment. This means that our supply chain management and purchasing systems are now integrated into the financial accounting system of the Government, something that was not possible before.

Mr Speaker, the Government has also centralised the processing of invoices. The Accounts Payables team, run from my Ministry, is made up of a team of 4 people. They have the responsibility of processing all Government invoices with the use of specialist software. This system, called Invoice Capture, eliminates the manual keying in of paper and PDF invoices done previously by the Treasury. Since we started this work in November 2019, some 38,000 invoices have been processed by the new team of which 28,205 have been exported to P2P for payment.

The eAdministration team is now finalising the work being done on HR, Expenses and Payroll. An incredible amount of work is being put into the configuration of these systems to manage shifts, request annual leave, calculate rolling sick leave, etc. It will enable the Government to capture employee information and the operational needs of the workforce like time and attendance, demand-driven scheduling and absence. These systems are being integrated, not only with each other, but with the financial system as well. Ultimately, it will produce the Enterprise Resource Planning system that spans across all Government administrative systems.

In essence Mr Speaker, the implementation of these software systems has enabled the Government to transform from manual processes to digital ways of working. This transformation is likely to be the most significant change the Public Service has faced in a generation.

I must thank the teams at the Ministry of Finance, under the Financial Secretary, and Treasury under Charles Santos the Accountant General for their work in making this a reality. We have worked closely together and I am grateful to them all for their professionalism, enthusiasm and support.

I am also looking forward to working further with the Treasury IT team under the leadership of Eddie Diaz.

eServices

The other major project we are working on Mr Speaker is eServices.

As a result of the Covid-19 pandemic, a significant number of Counter Reduction Services were also developed across many areas of the Government. These are basic services, but they come with a virtual office, a payment gateway and a customer support portal. Almost a year on since we started putting eServices online, we have processed over 20,000 applications with fee payments in excess of £760,000.

We have also started to rollout Integrated eServices. The experience is much more inclusive than the more basic Counter Reduction Services. Applicants need to register on the Gov.gi portal and a citizen profile is created for every individual.

Mr Speaker, on the 9th February 2021, the Government went live with Integrated eServices for the Department of Employment. A small number of local companies took part in the soft launch. On the 18th May 2021, the Government made the platform available to all companies requiring employment services.



On the 1st July 2021, registration for Tax services went live and on the 12th July citizens were able to claim their allowances online. The next set of Tax services include Income declaration, which is due to be completed next month. The next set of departments that form part of the rollout plan includes Housing, the Gibraltar Health Authority and the Office of Fair Trading.

Currently, there are 8,306 registered users for eServices and a total of 26,279 applications have been submitted to Departments since inception. These are promising numbers.

Mr Speaker, the Government recognises that change takes time to implement. Not everybody finds it easy to interact with Government departments online. We have therefore opened a Gov.gi eServices Office at 323 Main Street, opposite the John Mackintosh Hall, where people can seek face to face assistance from the Government in attaining whichever eService they may require assistance with. Just for the sake of clarity Mr Speaker, it is important to stress that the support office is solely for eServices. It is not possible to support Government Departments that do not have an online presence or which still deal with paper driven processes and files.

Government Departments have embraced the effort to digitise our systems and services and I am grateful to Debbie Garcia and her team at the Employment Department, and John Lester and his team at the Income Tax Office. I welcome the interaction across all Government Departments in our work to digitise and share their desire to get these services out as soon as we are able.

Mr Speaker I must especially thank Julian Baldachino and Karon Cano who are at the heart of all things digital. I could not have made the inroads I have referred to, and much more, without their total commitment. Heath Watson and Justin McNeice have also worked closely with us and I am sincerely grateful to them too.

All that remains is to thank all of my team at the Ministry - Gareth, Karl, Lourdes and Karl and all of the others for their continuous hard work and support. They are always there for me and available at anytime to go the extra mile. My thanks.

Thank you.

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