



OUR PLACE IN EUROPE

- financially

In the dim and distant past when studying law for my banking diploma, I came across an 1892 case involving the "carbolic smoke ball". The case concerned the manufacturer of a flu remedy that advertised a £100 award – not be sniffed at now (if you'll excuse the pun) and a very considerable sum at the time – to any customers who found that it did not work. Inevitably, litigation followed. I was told then that I would never forget this case – and I never have. It taught me to be sceptical of any claims or advertisements that I read in a newspaper.

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So, I can almost hear the inward groan even as I write the phrase, "Our place in Europe - financially". But relax, dear reader, this is not going to be another piece advising you how important it is to vote to remain in the European Union. Or, conversely, how important it is to leave. That choice, after all, is yours and the result of the imminent "Brexit" Referendum on 23rd June is keenly awaited all over the European Union, not least here in Gibraltar.

Since starting to pen this column several years ago, I have always avoided straying into politics. I am not going to change now and that is why this headline should not be construed as a recommendation on how to vote. That is not to say that I will be abstaining. My own views are crystal clear. What is vitally important, however, is that all of us who are eligible to vote should exercise that democratic right. The question posed is so fundamental to the future of the UK – and Gibraltar – that we owe it to future generations to discharge our duty conscientiously.

I have written many times in the past about Gibraltar's finance industry and why it is so important to the local economy. In many ways, I see Gibraltar as being a logical extension of the services sector that is key to the UK's prosperity. The UK Office for National Statistics defines service industries as businesses whose principal activity covers retail, transportation, information and communication, accommodation and food,

real estate, administrative, education, arts and entertainment, scientific and technical, defence, financial and insurance, and professional, which, if I may say so, would include not just lawyers and accountants but trust companies, corporate service providers and retirement planning firms too!

Does all that sound familiar? It could be a description of Gibraltar's economy. After all, with one or two notable exceptions – such as the excellent Gibraltar Crystal – Gibraltar could hardly be described as a manufacturing centre. And we have precious little in the way of natural resources or agriculture.

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And one need only look at the recently released UK GDP figures for the first quarter of this year to see that the services sector in general is growing – indeed it is the only sector in the economy to register positive growth. Providing services plays to British strengths. We are good at it. It's what we do.

In financial services, undoubtedly, Britain remains one of the leading players globally – if not the clear leader. And in my view this is where Gibraltar benefits. As a full member of the EU, Gibraltar is in a most favourable position to set itself up as “off-shore UK” or perhaps “international UK”. As a part of the union, it offers a distinct range of possible opportunities that, for example, the British Virgin Islands, Channel Islands or the Isle of Man cannot.

Those of us working in financial services are experiencing challenging times given the raft of new initiatives such as the OECD’s new Common Reporting Standard, which is now a reality. Our focus is on Europe but, of course, much of what follows could also apply to other international relationships – and, depending on the referendum result, those non-EU links might become much more significant overnight.

What then does Gibraltar offer as one of the leading “international UK” jurisdictions? First, we benefit from a legal system based on English law. In the trust and corporate services sector, this means that clients and their advisors can be assured that the relevant legislation is very familiar – and won’t lead to any nasty surprises. The sector is extremely well regulated locally; the Gibraltar Financial Services Commission maintains close links with its UK counterpart and the results speak for themselves.

Companies in Gibraltar benefit from a benign corporate tax regime that is the envy of other jurisdictions across Europe. They are properly controlled and must, for example, file accounts regardless of size. New reporting rules mean that owners will no longer be able to hide behind the “corporate veil”, which has to be a welcome development. There is also no withholding tax or VAT. When combined with other benefits, this means that the Gibraltar company – and its various derivatives – offers huge potential for years to come.



Retirement planning services is another area that has demonstrated its potential for huge growth in the future. Gibraltar benefits from having drafted possibly the best legislation around, inviting favourable comparison with other top jurisdictions such as Malta and the Isle of Man. The best example is QROPS (Qualifying Recognised Overseas Pension Schemes) where the government worked very closely with the industry as the legislation was developed.

We have considerable expertise locally and when challenges presented themselves in other jurisdictions, the “can do” approach shown by Gibraltar has resulted not just in new business but also high standards – as demanded by international authorities, not least HMRC. This is not just good for business but also for the local employment market. We are developing skills in our young people that will stand them, and the Rock, in very good stead for the future.

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In a similar vein, the insurance, investment management and fund industries are well represented locally. Gibraltar-based firms are able to cater for sophisticated international demand as intermediaries are starting to look outside the traditional offshore venues of the Bahamas, Bermuda, British Virgin Islands and Cayman Islands. Once again, local legislation is robust and where necessary, government has demonstrated an open approach where changes to the law are required.

We are all aware that Gibraltar could do with more players in the banking industry but even in the last month, as one bank announced plans to withdraw finally from the jurisdiction, another has obtained its licence. It is to be hoped that it will be the first of many.

As I have written in the past, one of the major incentives to regulated firms setting up here is the ability for EU “passporting” of services. Simply put, this means that firms regulated in Gibraltar may adopt a fairly straightforward process that will allow them to operate in the other 27 EU member states without the need to go through the regulation process all over again. This is of course a major advantage for Gibraltar and it is one that is exploited widely in the local financial sector.

The referendum will be held just a couple of weeks after this piece appears. The turnout locally is expected to be high and I, and all my colleagues in the financial sector, will await the result with great interest. The local financial services industry is very much based on Gibraltar’s relationship with the wider EU. If this relationship changes as a result of the forthcoming vote, we will need to consider very carefully how to tackle the challenges that would inevitably arise.

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