

A modern European finance hub

Gibraltar has in recent years repositioned itself to become a well regulated, mainstream and successful EU domicile for financial services business



**The Hon Peter R Caruana QC,
Chief Minister of Gibraltar**

Gibraltar is a British Overseas Territory which is self-governing in all matters – except defence, internal security and foreign affairs – and thus has its own government, parliament and judiciary. Elections to the Gibraltar parliament, in which all Gibraltar's laws are made, are held every four years.

Gibraltar has been part of the European Union since 1973, having joined as part of the United Kingdom's accession. EU law applies to Gibraltar except in three areas: Common Customs Territory (and therefore internal market rules on the free movement of goods), Common Agricultural Policy and harmonisation measures on turnover tax. All other EU measures apply to Gibraltar and are implemented through legislation passed in the Gibraltar parliament.

As an integral part of the EU, Gibraltar has financial services licensing, regulatory, and investor and depositor compensation regimes that are fully compliant with EU laws and requirements. The financial services sector thus enjoys passporting rights throughout the EU in all financial services matters, including banking, investment services, insurance, insurance mediation and reinsurance. Gibraltar-licensed financial services firms have access to a market of over 500 million people, and financial services contribute approximately 30 per cent of our gross domestic product.

During the past 15 years, our finance centre has successfully repositioned itself from tax haven to fully compliant, transparent and well regulated onshore EU finance centre, albeit one operating in an internationally competitive tax environment.

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Licensing regime

Financial services are licensed, supervised and regulated by Gibraltar's Financial Services Commission (FSC), which functions independently of the government in operational matters. The Commission is responsible for the authorisation and subsequent supervision of banks and building societies, investment businesses, insurance companies, investment services, company management, professional trusteeship, insurance management, insurance mediation, money transmitters, bureaux de change, occupational pensions schemes, auditors and collective investment schemes.

Gibraltar legislation charges the FSC to regulate the industry in Gibraltar to standards that comply with all EU laws and are, additionally, at least equivalent to UK standards.

The FSC website, www.fsc.gi, provides statistics on all relevant financial businesses including numbers of licensed firms in each sector and statistics such as deposits and total assets of banks as well as assets under management, and so on. The website also includes copies of all financial services legislation.

Gibraltar's regulatory environment thus reflects its status as part of the EU and also the Gibraltar government's policy in relation to the financial services industry, which is a policy of alignment with all international consensual initiatives, standards and international cooperation. In this way, Gibraltar remains at the forefront of reputable international financial services centres.

International cooperation

Gibraltar's successful finance centre is based on the government's conviction that it must remain squarely within the mainstream of international consensus. In line with its commitment to transparency and effective exchange of information (www.oecd.org) Gibraltar has to date negotiated and signed 18 tax information exchange agreements with Organisation for Economic Co-operation and Development (OECD) member countries, is on the G20-instigated OECD 'white list', and is currently negotiating similar agreements with many other countries.

The government of Gibraltar has a long track record of proactive and constructive engagement with international standard-setting initiatives such as, inter alia, the Financial Action Task Force (FATF) and International Monetary Fund (IMF). Resultant reports published by the IMF noted that Gibraltar was "at the forefront of the development of good practices".

The IMF also concluded that Gibraltar's regulator, the FSC, "carries out its duties diligently and has an intimate knowledge of the institutions under its supervision".

In addition, the IMF stated that "the Gibraltar authorities are concerned with protecting the reputation and integrity of Gibraltar as a financial centre, and are cognisant of the importance of adopting and applying international regulatory standards and best supervisory practices. Gibraltar has a good reputation internationally for co-operation and information sharing." The IMF reports on Gibraltar are available online at www.imf.org, www.gibraltar.gov.gi and www.fsc.gi



Diversified economy

Gibraltar's economy is successful and well diversified, with global or regional leadership positions in port services, tourism, financial services and online gaming, and sustains a high standard of living and of public services. The government's fiscal position is strong. The budget remains in surplus to the tune of more than three per cent of GDP, and net public debt is low at less than 30 per cent of GDP. The economy has tripled in size over the past 15 years, and the number of jobs has increased by 60 per cent over the same period.

As a result of the success of our economy, we have been able to invest extensively while at the same time lowering corporate and personal taxes very significantly. Our corporate tax rate has fallen from 35 per cent to 10 per cent, and the personal tax burden has fallen by up to 65 per cent. The highest effective rate of personal tax is now just 25 per cent.

Although Gibraltar has not escaped some of the effects of the current global economic recession and financial crisis, these

have not adversely affected its fiscal position or prevented continuing growth of our economy. Our economy – GDP now stands at £1 billion – grew by 6.5 per cent last year, and will grow by at least five per cent this year.

The success of our economy, and of our finance centre in particular, reflects the government's policy commitment to the highest standards of international cooperation, compliance and regulation. This is the only way in which credible and professional cross-border financial services business can be carried out sustainably. This commitment will remain at the very core of our approach.

In this way we can ensure that Gibraltar is attractive as a place to do business only to leading and reputable entities that share with us an understanding of, and commitment to, the importance of high standards and reputation.