

## Gibraltar

by *Helen Gibbons*

With a population of just 30,000 people, Gibraltar is by all measures a small jurisdiction. It nevertheless has a vibrant financial sector, not least because of its favourable tax regime for the insurance and e-gaming industries. In fact, Gibraltar-registered insurers now provide cover for one in six UK motorists.

Gibraltar's legal system is distinct from but similar to that of the UK. The common-law basis is an obvious attraction for financial service providers from an Anglo-Saxon background.

Gibraltar is keen to shed its 'offshore' tax-haven image. It is now emphatically an onshore jurisdiction, white-listed by the OECD and compliant with EU regulations. Indeed, it has every reason to demonstrate full compliance; Spain would not be slow to highlight any violations. Formalities surrounding anti-money laundering, taxation, information sharing and beneficial ownership are stringent – in my experience sometimes more so than in the UK.

Despite its strong record as a financial centre, Gibraltar was the only EU jurisdiction without an exchange, and hence the only one unable to provide capital-market services.

That deficiency was remedied in November 2014 with the opening of the GSX, Gibraltar's stock exchange. Gibraltar already had extensive fund expertise, so it was logical to start by listing funds. A further catalyst was the EU's Alternative Investment Fund Managers' Directive (AIFMD), which will be fully in force by the end of 2018. This requires funds to have an EU presence in order to serve EU investors. Moreover, funds need to list because many institutions can now only invest in listed funds. A listing also meets the growing demand for transparency.

Competing fund jurisdictions such as the UK, Ireland and Luxembourg are well-established homes for larger funds. Gibraltar is therefore targeting the smaller-funds segment. 'Boutique' funds will be attracted by the market's small size, flexibility, fast time to market and close relationships with the regulator, the Financial Services Commission.



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The GSX currently has ten member firms. It lists sterling- and euro-denominated funds from three fund service providers, as well as two debt securities. At present all listed funds are open-ended, although the plans include closed-ended funds, debt, derivatives and asset-backed securities. There are no plans as yet for direct company listings. Gibraltar-based companies such as Bwin (since acquired by GVC

Holdings) have previously listed in London.

EU membership is a key advantage to Gibraltar, since it allows 'passporting', whereby firms authorised to provide financial services in one jurisdiction can provide them in another without the need for authorisation in that second jurisdiction. A firm is merely required to notify its home member-state supervisory authority that it wishes to provide these services in a named jurisdiction.

'Brexit' would cast doubt on this passporting facility, unless an alternative arrangement could rapidly be put in place. Gibraltar's financial services industry, like that of the UK, will have to contend with a few months of uncertainty.

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Great stuff, Helen. My attention was caught in particular by the mention of *GVC Holdings* which has been not only a great performer in its recent history but market collywobbles about the ability of the management to deliver, and keep delivering have allowed gyrations in the share price which allow the company's supporters to add to their holdings in attractive terms. Moreover, the strategic direction of the company has been handled in masterly form - no brutal over-priced share raids to give a greater canvas, but coming at the right time into imaginative break-up situations. The abovementioned capture of the business of the already successful *bwin* is the most recent such.



Yes, I am involved in the share register of GVC. Yes, I am declaring it. No, we do not make share recommendations and this is not a share recommendation. And if anyone thinks that I am being disingenuous in so saying, my word, you should see some of my other investments.

**Bill Johnston**