

Gibraltar – EU domicile meeting the highest international standards

Gibraltar is a self-governing, economically successful and self-sufficient Overseas Territory of the United Kingdom within the European Union. It has its own Parliamentary system of Government and legislation, and is thus a distinct legal, executive and political jurisdiction.

In 2008 Gibraltar was ranked (by Jane's Country Risk) as the fifth most prosperous state measured by political stability, economy and security. As an integral part of the European Union Gibraltar's financial services licensing, regulatory and Investor and Depositor Compensation regimes are fully compliant with EU requirements and thus it 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 therefore have access to a market of close to 500 million people. Gibraltar's

financial services sector contributes approximately 30% to the GDP of Gibraltar.

Significant recent political developments include a new constitution which has modernised our political relationship with the UK to take it out of its historical colonial context and historic direct dialogue and co-operation agreements with Spain.

International initiatives

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 OECD member countries, is on the G20-instigated OECD 'white list', and is currently negotiating similar agreements with other countries.

The Government of Gibraltar has a long track record of proactive and constructive engagement with international standards-setting initiatives. In October 2000, for instance, Gibraltar was the first jurisdiction to volunteer to undergo the full range of Module 2 assessments by the International Monetary Fund on banking, insurance, investment services, and trust and company management.

In the resulting Report the IMF noted that Gibraltar was "at the forefront of the development of good practices". It further noted that Gibraltar was "one of the first jurisdictions to have introduced regulation and supervision of the company and trust services business," and highlighted the fact that "Gibraltar has been a pioneer in the supervision and regulation of Professional Trusteeship and Company Management services providers".

The IMF concluded that Gibraltar's regulator, the Financial Services Commission (FSC), "carries out its duties diligently and has an intimate knowledge of the institutions under its supervision.... The results of our assessments indicated that supervision is generally effective and thorough and that Gibraltar ranks as a well-developed supervisor. The regulatory regime across the industry meets most international standards and accords with best practice."

The IMF again endorsed Gibraltar's robust regulatory environment and anti-money laundering regime in a second round of assessments reported on in 2007. In all the areas of

banking, insurance and anti-money laundering / counter-terrorist financing Gibraltar was judged to have met the international standards demanded of any reputable finance centre and, indeed, to be ahead of many onshore, and much larger, finance centres.

The IMF concluded that "the Gibraltar authorities are concerned with protecting the reputation and integrity of Gibraltar as a financial centre, and are cognizant 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.

Significantly, Gibraltar was among the first wave of countries and territories to be granted Qualified Intermediary status by the United States Internal Revenue Service, signifying that Gibraltar's know-your-customer rules were regarded as acceptable.

The economy

Gibraltar has an extensive and diversified service-based economy, the principal contributors being tourism, financial services, port operations including bunkering and online gaming. It is a global or regional leader in every economic sector in which it operates.

Gibraltar's economy is entirely self-sufficient, its fiscal position is strong, and sustains a high standard of living and public services.

Although Gibraltar has not been totally exempted from the current global economic recession and financial crisis, these have not adversely affected its fiscal position or prevented continuing growth of our economy. In the year to 2009, the economy grew by 6% (to £850 million), the Government's budget remains in substantial surplus (c. 6%), net public debt is very low at just 15% of GDP and taxation rates, both corporate and personal, continue to fall very significantly.

The Government has announced that it will introduce an across-the-board, low corporate tax rate of ten per cent with effect from 1 January 2011, down from the current 22%. Gibraltar does NOT tax capital gains or investment or pensions income.

Employment levels continue to rise to record levels, and this is coupled with very low unemployment.



*The Hon Peter Caruana, QC
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