

FOCUS ON

# GIBRALTAR

Growing regulatory requirements have put increased pressure on established EU fund centres, such as Malta, Dublin and Luxembourg, creating opportunities for other jurisdictions. Joey Garcia of ISOLAS tells *HFMWeek* what makes Gibraltar an attractive alternative fund location within the EU, particularly in terms of Ucits-compliant hedge funds



## Joey Garcia

is a senior associate at ISOLAS, and has built up a strong funds practice at the firm, advising on varied structures and solutions to an international client base, which includes investment managers and banks as well as family offices and larger private clients

**Q** HFMWEEK (HFM): WHAT, IN YOUR OPINION, ARE THE MAIN ADVANTAGES OF SETTING UP A HEDGE FUND IN GIBRALTAR?

**A** JOEY GARCIA (JC): Managers and investors need to consider Gibraltar in a wider context as a jurisdiction providing a platform for financial services. It is not widely reported, but there is a huge insurance sector (around 10% of UK car insurance is booked through Gibraltar insurance companies). Additionally, being home to leading online gaming players brings with it an IT infrastructure and pool of employment which is highly relevant. The jurisdiction is also one of the largest bunkering ports in the Mediterranean. This is before considering the finance centre itself, which has gone from strength to strength – in particular, the funds sector.

**Q** HFM: WHAT ROLE DOES THE GIBRALTAR GOVERNMENT PLAY IN ATTRACTING FUND MANAGERS TO THE REGION?

**A** JC: To put the strengths of the jurisdiction in context, we need only consider the recent budget delivered by the UK Chancellor George Osborne. Much has been made of the attraction in a reduction in UK corporate tax to 26% with a further reduction to 23% by 2014. A full 13% lower than the US corporate tax rate currently in force. However, this would still be a full 13% higher than the Gibraltar corporate tax rate of 10% implemented following the introduction of new Gibraltar Income Tax Act (1 January 2011). This is also 2.5% lower than the Irish corporate tax rate, currently under pressure from Germany and France for obvious reasons.

The position of an investment manager in Gibraltar is therefore increasingly attractive, given access to full passporting rights of his investment management licence throughout the EU. However, the Gibraltar manager will be subject to a 10% corporate tax rate, and managers, traders or potentially high-level employees should be able to apply (subject to certain conditions being met) for specific, and tax-efficient residency status as Higher Executives, generally capping income tax at £32,550 (\$52,540).

**Q** HFM: HOW EASY IS IT TO REDOMICILE A FUND TO GIBRALTAR, COMPARED WITH REDOMICILIATION TO OTHER JURISDICTIONS?

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**A** JC: Gibraltar doesn’t pretend to be a Ucits domicile to the same extent as Luxembourg, but there are instances where Luxembourg is not the best choice. The drive in Gibraltar is now towards Ucits IV and the industry has been working hard to ensure a smooth implementation of the directive. Arguably, Ucits IV is even more prescriptive than Ucits III and as such Gibraltar should benefit from a level playing field in terms of the product itself. The buzz -words that we hear are ‘regulatory backlog’, which we think will make managers consider EU domiciles outside of the ‘big two.’

**Q** HFM: TO WHAT EXTENT HAS THE INTRODUCTION OF EUROPEAN INVESTMENT FUNDS (EIF) CONTRIBUTED TO GIBRALTAR’S APPEAL?

**A** JC: In terms of the product offering from Gibraltar, there is less and less ‘regulatory arbitrage’ between jurisdictions and my own view is that the direction is more one of EU versus non-EU. Gibraltar is in the EU and is well regulated. The Gibraltar EIF has been critical to the island’s growth, but the constantly growing expertise in the sector, high quality of counterparties available from within the jurisdiction, cost and time to market are also critical factors in Gibraltar’s success.

**Q** HFM: HOW CAN GIBRALTAR COMPETE WITH JURISDICTIONS LIKE MALTA, LUXEMBOURG AND DUBLIN IN TERMS OF CAPITALISING ON THE GROWING POPULARITY OF UCITS-COMPLIANT HEDGE FUNDS?

**A** JC: Ucits-compliant hedge fund strategies are an important driver for the Ucits market, but not the only driver. The advantage should be in being able to offer a range of products to suit the needs of managers and investors. Danske Invest recently announced plans to launch the first Ucits-compliant hedge fund from Denmark, which serves as a reminder of the importance of being a player in an EU single market.

**Q** HFM: HOW DO YOU EXPECT GIBRALTAR TO EVOLVE AS A HEDGE FUND CENTRE?

**A** JC: With the introduction of the management company passport, managers will look for the best jurisdiction for a particular project and a particular market, with the role and timescale of the appropriate regulator becoming increasingly important. My own feeling is that there are some real opportunities for us in this space. ■