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GIBRALTAR

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Editor's Note

Fastest launch time and many other benefits draw investment managers to Gibraltar

Gibraltar is a self-governing, self-financing U.K. Overseas Territory to which all E.U. treaties apply and where European law applies, except for agriculture, fishery and VAT, which is not applied in Gibraltar.

Gibraltar's main fund vehicle is the Experienced Investor Fund (EIF). The Experienced Investor Fund regulations came into force in 2005 in Gibraltar. The Gibraltar EIF is said to be the fund vehicle with the fastest launch time in the E.U: if the fund has completed the required documentation appropriately and met the requirements, the Financial Services Commission (FSC) would then register the fund within 10 days. The process integrates various risk control factors and in fact places the onus to a certain extent on service providers. Financial services firms establishing themselves in Gibraltar can also passport their services throughout the E.U. through a simple process of notification to the FSC.

Gibraltar is not only **sunny over 300 days a year**, but also has a very **favourable tax regime** and a diversified economy with an estimated **GDP growth of 10.2% in 2014/2015**. In Gibraltar there is no wealth tax, no capital gains tax, no tax on investment income, no value added tax and no inheritance tax. There is only personal income tax and corporation tax. Since 2010, the standard rate of corporate tax has been 10%. The effective personal rate of tax is 25%, but executives working in an industry such as financial services and possess specialist skills, as defined under certain regulations, and fulfil certain conditions, can **cap their personal level of taxation at just below £30,000**, based on earnings in excess of £120,000/annum. That is also an attraction for investment managers and professionals to relocate to Gibraltar.

However, **Gibraltar is not an island**, but connected to and part of mainland Europe which opens up Spain, Portugal and the rest of the world by car. A wide range of service providers operate in Gibraltar. For example, funds can choose from ten locally licensed fund administrators, and many international banks have operations there. That can be a stark contrast to some of the smaller international or European jurisdictions that often need to rely on just one or two banks, typically one local bank and maybe one foreign bank.

Financial services accounts for about 25% of the Gibraltar economy, Over the last few years, insurance business has grown substantially and Gibraltar has become a very significant player in the U.K. motor insurance market with approximately 17% of U.K. motor insurance premiums being written by Gibraltar-based insurance companies. Gibraltar is currently also looking to strategically build out solutions for insurance linked securities (ILS), and the newly authorised Gibraltar Stock Exchange (GSX) has big expansion plans and will also offer fund listings

Gaming success story built the base for investment and family office expansion

One of Gibraltar's recent success story is the very large e-commerce or e-gaming industry that now employs over 3,000 people within Gibraltar and is a large contributor to the GDP. Gibraltar was the first jurisdiction to create an adequate regulatory framework for that type of business that didn't exist anywhere else in the world, which has now even become the benchmark and template for other jurisdictions. By getting that right, and by being the first, Gibraltar was able to attract the biggest global players in that space, with a number of far reaching ripple effects. For example, Gibraltar has built out early a solid IT and internet infrastructure, from which other sectors are now profiting. The territory has also a growing family office sector which is partially also driven by the gaming sector where, as mentioned, a number of individuals and families have had great success.

The Opalesque Gibraltar Roundtable, sponsored by Gibraltar Finance and Eurex, took place September 26th at the local office of Gibraltar Finance with:

1. Joanne Beiso, Head of Funds Supervision, Gibraltar Financial Services Commission
2. Nicola Smith, Managing Director, Helvetic Fund Administration
3. Andrew McGrath, Founder and CIO, Burren Capital Advisors
4. Andrew Rochford, Founder, Calderon Fund PCC
5. Joey Garcia, Funds Partner, Isolas law firm
6. Philip Canessa, Senior Executive, Gibraltar Finance
7. Renaud Huck, Head of Buy-Side Relations, Deutsche Börse Group

The group also discussed:

- Platform solutions for AIFM for smaller managers
- Why "reverse solicitation" is like a unicorn: very pretty in concept but not really existing
- Why Burren Capital and Calderon Fund decided to set up in Gibraltar
- Avoiding the Russian Dolls: Why regulators are doing what they do
- Why Basel III, CRD IV will eventually drive smaller players from OTC to new listed derivatives like Eurex' swap futures and Euro secured funding (Repo) futures

Enjoy!

Matthias Knab
Knab@Opalesque.com

Participant Profiles

(LEFT TO RIGHT)

Matthias Knab, Philip Canessa, Joanne Beiso, Andrew Rochford, Renaud Huck, Joey Garcia, Andrew McGrath, Nicola Smith

Introduction

Nicola Smith
Helvetic Fund Administration Limited

Nicola Smith. I am CEO of Helvetic Fund Administration Limited. Helvetic was formed in 1998, when we were established as the first fund administration company in Gibraltar, operating even before the experienced investor fund legislation was in place. We continue to support different types of funds across varying jurisdictions including Cayman, BVI, Malta and of course Gibraltar and specialize in offering a bespoke service to growing funds.

I am a qualified accountant - I qualified in the UK and then moved to the Cayman Islands where I started working with funds, actually first by liquidating funds. 11 years ago I moved to Gibraltar and I have been working with Helvetic since then.

Andrew McGrath
Burren Capital Advisors

My name is Andrew McGrath and I founded Burren Capital Advisors at the end of 2009. I am also the CIO of the group. Previously to starting Burren I deployed event driven strategies at several large banks and institutions, most recently at BNP Paribas as the head of European event driven trading in London for several years.

At Burren we focus on one particular strategy - hard catalyst global event driven - so we are looking at all types of corporate change, any sort of corporate reorganization on a global basis within developed markets. We seek to take advantage of inefficiencies in the equity markets, isolating and profiting from mispricing associated with corporate change.

Joey Garcia
Isolas law

My name is Joey Garcia. I am a partner at Isolas law firm where I head up our financial services practice with a focus on funds and investment services. I am also the Chairman of the Gibraltar Funds and Investment Association (GFIA) which is the representative association of our industry in Gibraltar, dealing in large part with legal and regulatory changes affecting us, as well as developing the jurisdiction as a fund and financial services centre within Europe.

Joanne Beiso
Financial Services Commission

My name is Joanne Beiso. I have a degree in Economics and have been working at the Financial Services Commission, the local financial services regulator, for 11 years now. I have been involved in various different types of financial services firms from banks, investment firms, fund administrators, funds, insurance intermediaries, payment service and e-money institutions.

Most recently I have been focusing on funds, and last year I spent a lot of time on the implementation of AIFMD and working with the industry on the effective implementation of it locally.

The Financial Services Commission (FSC) is the regulator of an international financial services centre, regulating providers of financial services conducted in both Gibraltar and other jurisdictions, particularly the U.K. The FSC's mission statement is "to provide financial services regulation in an effective and efficient manner in order to promote good business, protect the public from financial loss and enhance Gibraltar's reputation as a quality financial centre".

Philip Canessa
Gibraltar Finance

Philip Canessa, I am a senior executive at Gibraltar Finance. We are a department within the Government of Gibraltar called the Finance Centre Department, and branded as "Gibraltar Finance". Gibraltar Finance aims to establish Gibraltar as the E.U. domicile of choice for financial services; including funds, traditional and alternative investment management, insurance companies and private clients. My main responsibility is the development of the funds, alternative investment management and asset management sectors in order for funds and asset managers to come to Gibraltar and establish themselves here.

I joined the Finance Centre Department about a year ago. Prior to that I worked for a fund of hedge funds firm in Gibraltar for 11 years as managing director. Our main office was in Switzerland, and we had a subsidiary here in Gibraltar. I also served as a board director of various group companies and in-house funds based in a number of different jurisdictions. Before that I spent about 15 years working in private banking.

Andrew Rochford
Calderon Fund

My name is Andrew Rochford, I am founder of the Calderon Fund. We set up our firm in Gibraltar in 2009 and launched our fund here in 2010.

Calderon Fund is based on an arbitrage strategy in derivative markets that I developed during my studies of mechanical engineering and economics in Germany. At that time, I dug into decision theory, and discovered a number of arbitrage opportunities in option markets and began to trade them. The success of my trading subsequently attracted professional investors for whom we then set up a fund structure.

At that time, I researched a number of fund jurisdictions like the Cayman Islands, Bahamas, and also Gibraltar. Gibraltar had the advantage that it is an E.U. jurisdiction, which gave me confidence in its credibility. Nowadays, other non E.U. jurisdictions are struggling to comply with AIFMD and distribution to E.U.

Renaud Huck
Eurex Group

My name is Renaud Huck. I am a Senior Vice President at Eurex Group, which operates the largest derivatives exchange and clearing house in Europe.

As the head of the buy-side team, my role is to engage with the buy-side: hedge funds, asset managers, pension funds, sovereign wealth funds, central banks, and to develop our relationship with them. I am also in charge of promoting our exchange-listed products and our services.

Previously, I held a similar role at a North American exchange, and before that I worked for about 15 years as an investment banker and trader in the fixed income and equity derivatives space.

Matthias Knab Let's examine the position of Gibraltar as a financial market and jurisdiction. What's special about Gibraltar?

Philip Canessa: Gibraltar is a self-governing, self-financing U.K. Overseas Territory to which all E.U. treaties apply and where European law applies. We are not however, part of the customs territory of the E.U. and E.U. legislation in respect of the common agricultural policy, the common fisheries policy, and the system of value added tax (VAT) does not apply to Gibraltar.

Financial services firms establishing themselves in Gibraltar can therefore passport their services throughout the E.U. through a simple process of notification to the Financial Services Commission, our financial services regulator.

The main vehicle which we have for funds is the Experienced Investor Fund. The Experienced Investor Fund regulations came into force in 2005 in Gibraltar. The Experienced Investor Fund structure is the one that we use mainly in Gibraltar. We also believe that it is the fund vehicle with the fastest launch time in the E.U.

We have a very favorable tax regime and a diversified economy with an estimated GDP growth of 10.2% for the coming year.

I will just tell you a bit about the Finance Centre Department which is inter-linked with the history of Gibraltar as a financial service jurisdiction. The Finance Centre Department was founded about 17 years ago, but about 18 months ago it was resourced with four new senior executives, me being one of them with responsibility for funds and asset management. The other senior executives focus on insurance and pensions, private clients and their needs, and the fourth is based in London. Over the last few years, insurance business has grown substantially and Gibraltar has become a very significant player in the U.K. motor insurance market with approximately 17% of U.K. motor insurance premiums being written by Gibraltar-based insurance companies.

Joey Garcia: Financial services accounts for about 25% of the Gibraltar economy, so within that there is a make-up and as Philip says, insurance and insurance services are big part of that. When we talk about growth within that sector I think it's relevant to mention the insurance linked securities (ILS) space where we have a very interesting story which is also a good working example of how quickly we can move as a jurisdiction to take advantage of opportunities that present themselves.

Around March this year a small delegation from Gibraltar traveled to New York to attend the main ILS event which takes place there. At present around 70% or more of the ILS business is written out of Bermuda and the New York event was attended by all of the main players in that sector. Gibraltar put its marker down at the event, and engaged with a number of the sponsors, law firms, and other players involved in the space. Flowing from that event we developed a working group which involved players from the finance center, from government, and private practitioners in Gibraltar, as well as from those larger institutions in the U.S., Bermuda and elsewhere. Within a matter of months we were able to fully engage with that sector and generate a set of guidelines that fit the requirements for what the industry wanted to see in terms of a European offering. That was to try to match as far as possible the Bermuda framework in terms of timelines, but within a European Solvency II compliant framework.

As a result we have been able to position ourselves in six months as a jurisdiction that is able to extend its already significant insurance sector to invite ILS business through the existing laws and regulations that we already have and which are totally fit for this purpose. Our success already has been to attract the largest independent insurance manager in that sector to establish a European operation in Gibraltar. I know we are getting sidetracked on where we are on the ILS space, but it is a very good and very recent example of being able to move quickly on certain things. We definitely see this as an advantage within Gibraltar.

From a fund and asset management perspective, Joanne mentioned earlier the implementation of AIFMD, which is no small feat for a small jurisdiction to do well and to do on time, but we were able to do that, and we are always pushing forward and looking to develop new areas.

Within AIFM, there are a number of Gibraltar specific advantages that we as a we are more boutique jurisdiction can offer. On the one hand, there are many managers that are looking for European distribution, but are not able to take the full weight of standalone AIFM compliance as single manager. Building solutions for these managers is another focus point for us. Access to the European market is a critical factor for a wide range of managers based in the U.S., Hong Kong, and Switzerland, and we are working on a series of solutions for these non-E.U. managers to gain European access through a Gibraltar platform.

Many times when speaking to non-E.U. managers, we hear about the potential reliance on concepts like reverse solicitation or existing private placement regimes etc., but our view is that these are very short-term solutions. Reverse solicitation in itself is something that I have heard as being described as a unicorn, very pretty in pictures but not really existing in reality.

Private placement is probably going to be phased out, and it has been proposed that this would happen by 2018. Post 2018, if you are a U.S.-based manager, a Hong Kong-based manager, or Geneva or Zurich-based manager and your clients are in London or Madrid, you need a solution. You need to have a way that enables you enter that market and engage with those clients.

We have seen the evolution in that space as being through what I loosely call platform providers. These are providers that they are able to offer you the full AIFM infrastructure. We are also looking at delegating functions like portfolio management and risk management, and that seems to be the trend that people are following. There are a number of such providers offering those services, but typically they tend to be larger institutional platforms that insist on keeping everything within that one platform. So they will offer you the AIFM solution, but only if they are also going to be doing your custody, administration and so on, while in Gibraltar a number of providers will be more flexible and offer you choices.

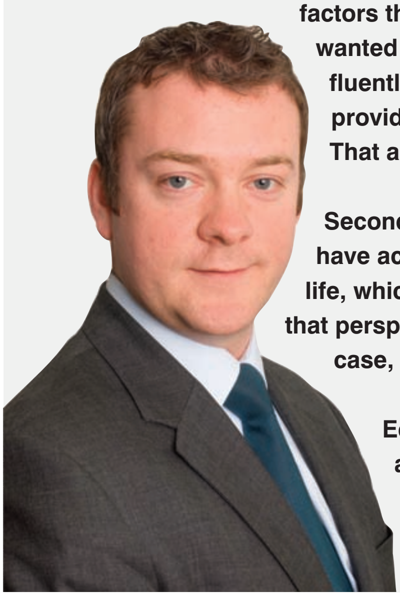
But the whole point of European regulation is that it’s standardized. That means a solution from Gibraltar works in the same way as a solution from Luxembourg, or from Malta or London. You get the same end results, and I think that’s something that people need to understand.

Andrew McGrath: Let me address this discussion from the angle of why firms like ours decided to actually come to Gibraltar in the first place. I think we were quite unusual in the fact that we actually established ourselves here from the very start, so we didn’t actually redomicile the management company from London, which is typically the case when a European manager changes its domicile to places like Switzerland, for example.

Members of Burren's investment team were originally based in London, so when we decided to start the firm we initiated a process to look at where we could actually establish the investment manager. What's interesting in our case is that early on, or in fact immediately, we knew that we didn’t want to be based in London. While there are certain advantages of being based in a financial capital together with the larger banking institutions and so forth, there is really no benefit to our investment strategy from being based there.

After having examined other jurisdictions outside Europe it also became clear to us that we had to be based onshore, within the E.U. This was particularly important as many European investors who were looking at us required us to be based within the European regulatory environment. So next, we looked at all of the European jurisdictions – everywhere from Ireland to Luxembourg, islands like Jersey, Guernsey or Malta, even Monaco, which of course would have been non-E.U. as well.

But as Joey just pointed out, regulations are standardized across the whole E.U., so from a regulatory perspective it doesn't make a difference where you are, as long as it's part of the E.U. That means that it comes down to other, soft factors that in our case were the driving factors in our decision-making process. First of all, we wanted to be in an English speaking jurisdiction. That was very important to us – being able to fluently deal with local regulators, service providers, even down to operational infrastructure providers, for example, and being able to hire people with English as their first language. That already removed a couple of jurisdictions.



Secondly, we wanted accessibility in the sense that you can get in and out quite quickly and have access to other jurisdictions like London, the U.S., etc. as well. And thirdly the quality of life, which is also a core consideration when you are moving to another jurisdiction. Also from that perspective, you want to be able to attract people to either work with or visit you. In our case, those three things drew us to Gibraltar, so it was a relatively easy decision in the end.

Equally important, when we actually arrived, operating from within the jurisdiction was also relatively easy. The relationship with the regulators were very strong and very open, and on the operational side of our business, Gibraltar met all of our expectations.

Joey Garcia: To add to that, also in terms of tax, Gibraltar is a very competitive environment. Corporate tax is at 10%, although funds will remain tax neutral. There are tax packages available for higher executives within these businesses that caps the maximum taxable income for any individual, which also can be attractive.

I read in the last Opalesque Cayman Roundtable that amongst other things the participants dealt with, there was some focus on the CIMA Guidance Corporate Governance guidelines and how to deal with best practices relating to independent directors. That report talked about a move away from jumbo providers to smaller, boutique service providers. And that's really what we are here in Gibraltar. If you compare us against say a large jurisdiction, we are a small boutique, niche provider. For example, you won't find independent directors here that would be servicing 500 funds at the same time, that doesn't exist here.

We have approached that question completely differently as far as even at the beginning of the regime in 2005, we already had a licensing regime for Directors of funds from which we developed our own corporate governance framework for Collective Investment Schemes' Directors, and that is a work in progress which continues to evolve in a diligent and controlled way with the participation of the fund sector and our regulator.

So again, this is how I would see Gibraltar – not as a "jumbo provider", but as sort of a niche, smaller boutique player where tax is low, cost of business is certainly lower than in many of the large finance centres. There is no capital gains tax and no VAT, which is a completely unique position to be in within the E.U. For some services this in itself can produce an immediate 20% savings.

For the Swiss market this is particularly interesting. In the recent Coutts sponsored research report on the Swiss Independent Wealth Managers ("Challenges and Opportunities"), Swiss managers identify something like 30% of their growth coming from the European market. So Europe is clearly one of the main areas for Swiss managers for their asset raising and development of their businesses. I believe there is a general sense that Asia is a more difficult market to break into for smaller firms.

Another very interesting report from PWC said something like 44% of managers polled in Switzerland would also consider re-domiciling their manager and their fund to benefit from a passporting regime within Europe.

When they were asked to highlight the main reasons they might choose a domicile for re-domiciling, they set out priorities such as strategies being able to be executed without limitations. I think we definitely tick that box, there are no investment restrictions that are attached to our fund regime. Secondly they talked about the acceptance of the fund jurisdiction by the investors and we are confident in being a fully compliant, OECD white listed jurisdiction that should meet those requirements. The managers also identified the possibility for the migration of offshore vehicles without losing track record.

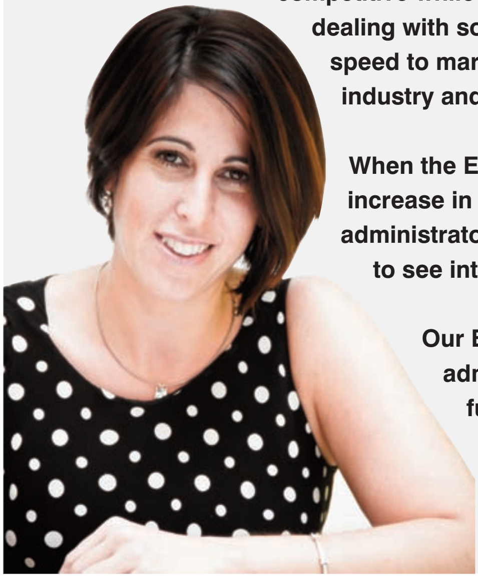
In Gibraltar, we have re-domiciliation regulations that have been in place to deal with companies for many years. The managers also identified the question of whether the vehicles required would be available, and clearly they are. They also required a high level of understanding by the service providers, and also here this is a requirement I am very confident we'll meet. So I see Gibraltar as really ticking all boxes for the Swiss market.

Joanne Beiso: The regulator hears the same messages from applicants and potential applicants, and not just because it is sunny over 300 days a year. For example, the ease to do business is hard to beat. Working in a smaller country, when you need to access the various service providers, your lawyer, your auditor, etc. - people find it is very easy to get together, deal with issues and get things done.

I also believe that the jurisdiction has worked very well in the past to deal with new challenges, new initiatives, new E.U. Directives, to ensure that we are able to react as efficiently as possible, understand the issues most affecting the industry, and being proactive.

As Joey was saying, I also believe that being a small jurisdiction works in our favor, as we provide niche services, and our speed to market is assisted by being able to quickly get the necessary people together.

We have done a lot of work on AIFMD, on understanding how it affects different types of entities, how to remain competitive while at the same time meeting E.U. requirements. We created a tailored approach on dealing with some important aspects such as delegation and remuneration and maintaining speed to market for our funds regime. This involved collaboration between the regulator, industry and the Government of Gibraltar.



When the Experienced Investor Fund (EIF) regime was introduced in 2005, we saw an increase in fund administrators. Nicola mentioned earlier that she was one of the first fund administrators and we now have approximately ten operating here, and we are now starting to see interest from fund managers as a result of AIFMD.

Our EIF regime relies heavily on having two experienced directors, a fund administrator, and an auditor. The EIF directors are responsible for running the fund and ensuring it complies with the requirements. They are assisted by the fund administrators who tend to be the first point of contact for subscribers. The regime is reliant on EIF directors and their oversight of the fund to run effectively.

A fund has two routes for registration, the most popular being establishing itself and notifying the regulator within 20 days of establishment. If the fund has completed the required documentation appropriately and met the requirements, the FSC would then register the fund within 10 days. This process integrates various risk control factors and places the onus of this to an extent on service providers.

Turning to AIFMD, an authorized In-Scope AIFM – which has already proved that it can meet requirements on risk management and has adequate controls in place – will be able to establish a new EIF and provide the requisite EIF and AIFM notification forms. Assuming that the requirements have been met, it would be registered as an EIF on the 10th day and passported to the relevant EU jurisdiction on Day 20.

For some clients speed to market is important, and that is I think one of the unique selling points, but it can only be possible because of the size and nature of the jurisdiction and the way the product is set up, and that we keep on working on it to improve it and to ensure we mitigate risks.

Nicola Smith: Just to emphasize what you were saying – we work with Cayman, BVI, Gibraltar and Malta funds, and I have experienced the differences in how the process works in different jurisdictions, including the setup of funds. This process is essentially the same irrespective of where you are: you work with your service providers, you prepare the necessary documentation, and then the documentation goes to the regulator. This is where in practice the difference lies.

In Gibraltar the regulator has, as Joanne said, established a regime where they regulate the service providers and they place reliance on the lawyer signing off that the documents provided to the FSC to support an application are correct, that the administrator has checked and approved it, and that the EIF directors are in place and have agreed the documentation. So the responsibility is with the regulated parties to ensure that this process works, and we are able to launch funds this way with a very fast time to market.

In other jurisdictions, the documentation goes to the regulator and we have seen it can take up to six months to a year to get a fund launched from the point where the documentation has been submitted to the regulator. So the advantage in Gibraltar is very, very real.

For clients looking for proposals in different jurisdictions, the estimation of lead time before launch can be very misleading. The point here is that in reality it is a very different process in different jurisdictions. However, in Gibraltar the speed to market is a proven fact, and I think that will be our biggest advantage over other jurisdictions.

Having worked within different jurisdictions, I can echo that Gibraltar works, because, as Joey said, we are small enough that we can guide clients through the entire process.

For a lot of our clients, it's the first time they will be launching a fund, so they want someone there to support them through the entire process. We have seen the pitfalls that can happen without good support over the last two decades, and therefore we guide our clients to make sure they have everything in place that they need. To give you a specific example, we coordinate our time and efforts right at the beginning of the process on all aspects that will be required, rather than wait until the fund documentation is drafted and say, "ok, now next we need a bank account..."

Whereas in other jurisdictions I have found service providers can have the attitude of, *"my responsibility is just doing fund administration therefore I'll just helping with the NAV"*, or "*my responsibility is custody so I only get involved at that stage*". What we offer is that we will work together right from the beginning and really drive forward with the client to have the most efficient way.

In Ireland and Luxembourg, unless you have got hundreds of millions under management, you are not going to get that service. So we are offering a really unique, very exclusive service at a fraction of the cost that you would get in other jurisdictions, and it's just not possible when you are dealing with larger jurisdictions and service providers to offer that service level anymore. This is a unique benefit of being small that we can offer this service.

The biggest complaint I hear about other fund administrators is that when a client telephones for information, they are passed from person to person, because no one person can answer all of their questions; and they are passed from department to department. In Gibraltar, because we are smaller, service providers will mostly have dedicated staff to each client, one person can answer all of your questions. They are familiar with all aspects of your fund, and that really helps on the managers' side. The client has the security of having someone knowing their structure.

We have really focused on an excellent client service, and that is our most unique benefit.

Andrew Rochford

As a manager with a domestic fund operating out of Gibraltar, I can confirm what Nicola is saying, this is exactly what we have experienced. Our administrator here in Gibraltar is able to offer us a very bespoke service. For all back office tasks we rely on our administrator and on the network of the other service providers here in Gibraltar.

I also want to mention GFIA (Gibraltar Fund and Investments Association), an Association that represents the fund and investments sector and undertakes industrywide roundtables on at least a monthly basis, where current topics that affect the industry are discussed. This gives us the opportunity to discuss how to react to upcoming legislation, for example.

From my point of view as a manager, the biggest benefit compared to other jurisdictions that are a lot bigger, is that in Gibraltar we have very good working relationships between the industry and the regulator, which enables the industry to progress fast and efficiently.

Renaud Huck

Our exchange is servicing a number of clients here in Gibraltar, and from our experience I can confirm what Andrew and Joey were saying about Gibraltar being an interesting niche market, and also about the ease of setting up a business.

What we, as a regulated exchange, have seen over the course of the past 15 years is the emergence of ex London City traders who wanted to trade the same instruments - but under the sun, and in a regulated EU environment, with good services and infrastructure.

Andrew McGrath: From my view and experience, when establishing any sort of financial product, whether it be on the product side or on the manager side, nobody looks for the cheap option. There is no real relevant cost saving in being based here, yes maybe some items come a little bit cheaper, but the reality is that nobody wants the cheap, low cost option. Rather, people are looking for quality and from a regulatory perspective being able to access European markets.

So we never looked at the question of domiciliation from a cost perspective in the sense of "how much cheaper will it be", and I also have to point out that Gibraltar is certainly not a "light" regulatory environment. It is a standardized regulatory environment, where, for example, we have passported our license in Gibraltar to the U.K., and additionally we are regulated by U.S. authorities with the SEC and by the National Futures Association at the same time.

So when it comes to the regulatory oversight, we find it exactly the same wherever we actually set foot, be it in Gibraltar, the U.K. or the U.S. For our firm, Gibraltar offers that standardized platform from which we can grow and expand our business.

Joey Garcia: I want to come back briefly about the aspect of being niche or boutique here in Gibraltar. What many fund managers face in many of the large and established jurisdictions is that there are almost sort of minimum size requirements for entry into that market. This is not directly related to cost, but if a manager does not have $100m on day one, he may have difficulties in finding service providers who take him on in certain jurisdictions, and if they do, then he may be a less important client in that particular set up.

There are a lots viable businesses that work at 20 million and 50 million of assets, and I personally expect to see real innovation happening at that level of assets. Managers do not innovate with a billion dollars of assets under management. Of course it is a certain challenge for a jurisdiction or a financial market to provide the sort of framework and infrastructure that allows those type of smaller companies to do business. But it is within exactly that category of companies, and maybe even smaller, where you find the term "entrepreneurship" coming to life, where new ideas, strategies and concepts are born. I see ourselves as being able to provide a regulated framework and infrastructure to people who otherwise may not be able to operate in a fully regulated environment in some of the other jurisdictions because of cost limitations and other factors.

Philip Canessa: I would like to add something else about our jurisdiction which is coming on stream shortly and which is the Gibraltar stock exchange. It is known as GSX and recently received an "in principle" licence from the Financial Services Commission and will very soon be granted authorization as Gibraltar's first ever regulated stock exchange. Initially the exchange will serve as a listing exchange for funds and Insurance Linked Securities or ILSs.

The aim will be to list funds on the stock exchange and therefore promote investor awareness of the financial standing and credibility of the issuer due to their obligations to meet the standards of the listing rules. This will enable greater transparency and due diligence on the funds listed. The exchange will use a unique IT platform where investors searching for funds will be able to obtain comprehensive information about a fund and its manager via the stock exchange portal. We are very excited about the new Gibraltar stock exchange.

Matthias Knab When I look up Gibraltar on a map, it has an area of 2.3 square miles (or 6.0 square km), and most of that is taken by the massive Rock of Gibraltar. So it is a limited territory. I am wondering about the range of offices and houses available to rent or buy, so tell me more about that, and any relevant construction projects that may be going on. I think for any one who wants to set up a larger type of firm or redomicile a fund management company here, these will be important pieces of information.

Philip Canessa: It may be a challenge to relocate, say 500 people in one go, but there are a number of commercial real estate developments which are ongoing or planned, such as Victory Place, MidTown and NW1 that will offer more space and amenities.

One recent success story is the very large e-commerce or e-gaming industry in Gibraltar that now employs over 3,000 people within Gibraltar and is a large contributor to our GDP. This sector has developed here over several years, and Gibraltar has been able to house them, providing office space and accommodation as well.

Andrew McGrath: There is spare capacity in Gibraltar, and additional capacity is being built.

Just sharing our own experience in setting up Burren Capital in Gibraltar, we found it relatively easy to identify and rent appropriate office space and the appropriate required services as far as operational infrastructure, redundancy, as well as backups, and so forth.

If you'd be talking about 3,000 people coming in one go, that would be a different story, but the typical sort of medium to large hedge fund management operation would have capacity to establish themselves here.

Joey Garcia: The fist bricks have been laid for the new World Trade Center in Gibraltar. Philip referred to the e-gaming sector, and had you asked this capacity question 10 years ago, we would have given the same answer.

That means we have built an entire e-gaming industry which employees 3,000 people, and we did that very successfully and I think also quite intelligently by creating the right regulatory framework for that type of business that didn't exist anywhere else in the world. By getting that right, and by being the first, we were able to attract the biggest global players in that space.

We believe we can repeat this exercise with ILS and with other sectors. The capacity is there, and also you need to remember that we are not a landlocked territory, and that Gibraltar is not an island either. We are connected to and are part of mainland Europe which opens up Spain, Portugal and the rest of the world by car. If we were an island, that might be a different story, but here you have free flowing movement of goods and people.

Andrew Rochford: Joey just mentioned it. The World Trade Center will kick in with 15.000 sqm of office space in the nearer future. That will have a favorable impact on the local market. From the perspective of a Swiss hedge fund or asset manager that wants to access the EU Market via a Gibraltar entity, they would only need to relocate just part of their business here.

Nicola Smith: That is correct, Joey had also referred to some of the service providers in Gibraltar looking to offer a platform style solution. This is a solution for clients whereby they wouldn't necessarily have to re-domicile their own operation into Gibraltar but the AIFM service providers in Gibraltar are offering a solution that allows pass-porting right in to Europe and then delegates back to the portfolio manager in their jurisdiction what they are already doing, and we oversee and control it in Gibraltar.

We carry out the AIFM license activities in Gibraltar with qualified staff that meet the regulatory requirements and oversee what the delegates are doing, and therefore our clients don't necessarily need to move their operation unless they want to, so relocation does not have to happen physically. It can be just that the AIFM licensable activity is performed here by a company such as Helvetic.

Matthias Knab We have two fund managers participating at this Roundtable, I wanted to give you the opportunity to talk a bit about your strategy and how your fund is doing.

Andrew McGrath: We run a global event driven fund, so we focus on corporate activity which has picked up very dramatically over the past few months. When you look at what drives corporate activity, recently it is everything from stable equity markets, low volatility, cash on balance sheet, access to credit, and finally confidence at a boardroom level to take corporate decisions, which was probably the factor which was missing over the past six years. There has been a lot of pent up demand over the past six years post crisis.

In general, since the financial crisis corporates have not really taken any sort of significant decisions, were sitting on and kept accumulating cash, waiting for the right time to deploy it. What we have probably seen over the last six months was a combination of all this pent up demand, the access to easy credit together with the ability to make those decisions, coming all together, so we at our fund have been quite busy over the past three months deploying our investments strategy.

Andrew Rochford: At the start of the Roundtable, I mentioned that we manage a derivative arbitrage fund. This fund has gained more than 60% since its inception in 2010. What makes our strategy truly exceptional is the fact that the fund did not experience a single-monthly drawdown during this time.

It is really an absolute return strategy which focuses only on arbitrage opportunities. The strategy could be named long volatility due to the fact that high volatility has a very positive impact on our performance. However, we are also able to achive positive monthly returns even in lower volatility markets. This is quite unique. Our Track Record demonstrates this.

The fund's strategy has a lot to do with my experience as a mechanical engineer which helped me get a different view, specifically when it comes to mathematics in the financial markets.

Using a different perspective and skill-set, I found arbitrage opportunities and slowly developed things from there, initially just trading my own capital and then attracting more outside investors. Gibraltar provided the right framework to transform a private investment idea into a proper fund. During 2012/13 my team and I were consistently on “Hedge Fund Review´s” Publication Top List and are currently on Barclays Hedge Top Ten list for our three-year track record.

Matthias Knab Anyone wants to comment on any trend or changes you have been observing in the financial industry?

Andrew McGrath The biggest change we have seen is probably on the regulatory side of things. Along with that, the amount of due diligence that needs to be undertaken, not only on the investor's side but also on the investment manager's side and also on the fund side has significantly increased.

The time from initial meeting to successful conclusion is much more elongated in comparison to previous years, and that is not only just on the regulatory side of things, but also on operational due diligence. The amount of work that has to go in on both sides has significantly increased and really sets the bar much higher in terms of time, effort and cost as well.

Renaud Huck: I can elaborate on the regulatory side, obviously being the largest listed derivatives exchange in Europe and the largest clearing house in Europe. Following the Lehman incident and the subsequent G-20 Pittsburgh meeting, the decision was taken to set up a global regulatory framework - in the United States this was the Dodd-Frank Act and in Europe the European Market Infrastructure Regulation (EMIR). The newly-created European regulator, ESMA, has been charged with the implementation and the writing of all the technical details.

Our organization has been at the center of this implementation. We were reauthorized as a qualified CCP earlier this year like other European CCPs and in order to prepare the framework for the implementation of EMIR, we have been waiting for clarification on ESMA's technical standards – which will signal the kick-off of the new regulation.

This is definitely a space to watch on both sides of the Atlantic, everybody is anxious about potential disagreements (between the E.U. and U.S. regulators over the issue of recognition of each others' derivatives and clearing house regulations) because if this is the case, there will be a massive knock-on effect on the financial markets. I do believe that once EMIR starts, the financial market – specifically its core function and the rules of engagement - will be changed forever.

The way that the OTC and listed markets have always worked will no longer exist going forward – it will be a new world, a new chapter in the evolution of markets.

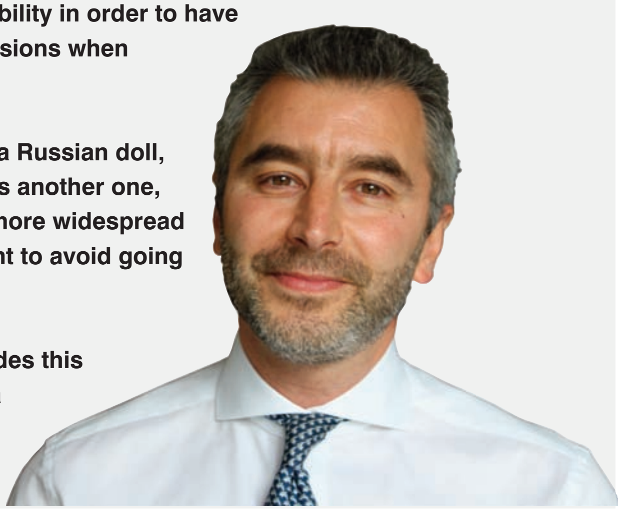
This is a hugely significant development and is possibly the reason why it has taken the regulators so long to finalize the regulation. This is an ongoing process, Dodd-Frank is being implemented in phases in the U.S. and this will be the same with EMIR in Europe.

The initial impact will affect the financial entities i.e. investment banks and will then progressively reach the institutional investors and finally the pension funds and corporate world. I cannot judge whether markets will operate more efficiently as a result of the regulation or whether any new Lehman- or MF Global-like situations will ever happen again in the future, but nevertheless, I think the impact will be dramatic.

In parallel with the clearing obligation there was also the depository and of course the trade reporting obligations that were key parts within the framework of EMIR.

So similarly, ESMA reauthorized some CSDs in order to ensure that the process of collecting and storing data was done correctly. I think something that people often forget about listed derivatives, the ETD space, is that an exchange like us is the gold standard, so at any given time we have the two sides of the trade. So in the event of a regulator wishing to audit, we would be in a position to provide the entire audit trail of all the trades which took place, very quickly.

It is clear that it is the regulators' intention to simply have better visibility in order to have the tools and understanding to make better and more educated decisions when necessary.



I think that is perhaps what they found out from Lehman: it was like a Russian doll, where the doll that you're opening was not the last one but there was another one, and another one and another one. It was never-ending and was far more widespread than initially thought. That is the critical crisis scenario that they want to avoid going forward.

We are lucky that within our structure we have an entity which provides this service, Clearstream, which operates the largest German CSD and a leading global ICSD and provides those services to the clients of Deutsche Börse Group.

Renaud Huck However, this is not necessarily the case for all entities and hence the requirement to make it compulsory as of 12th February this year, which I think was challenging because the banks did not have a pre-existing data center provision for their clients.

It was something that the banks would only really have done for their own in-house trades, and they expected that the majority of clients would choose not to delegate the mandate. Whereas in fact most clients wanted to delegate the mandate because a lot of small buy side entities do not have the internal capacity to deal with this, it is really only the top tier buy side entities that often have similar processes and technology to the banks.

If you look at second tier buy side entities or even pension firms, they still use spreadsheets to record their trades. They are far from being technology savvy and experts in that space and it's going to take time for them to adjust to the new trade reporting requirements.

Andrew Rochford There is a certain angle around FATCA we have not mentioned yet. If you apply for FATCA, you should have a responsible officer in your company, which may expose you to U.S. jurisdiction and potential associated liabilities.

Nicola Smith If you are directly reporting to the U.S....

Andrew Rochford Exactly! Gibraltar is different to other jurisdictions because Gibraltar, together with the U.K. entered into an agreement with the U.S. Therefore a Gibraltar Manager is liable under Gibraltarian and not U.S. law.

Nicola Smith: As Gibraltar is a model-1 jurisdiction, the Responsible Officer role is not enshrined in the IGA, Cayman has announced in its guidance notes that they don't recognize the concept of responsible officer as defined under FATCA; so all you need to do is have a person be named as the responsible officer as you cannot register on the portal without having a named responsible officer but without the full U.S. reporting implications.

The role of a responsible officer in a model-1 jurisdiction is to agree that the company will comply with its FATCA obligations in accordance with the terms and conditions reflected in regulations, IGA's, and other administrative guidance to the extent applicable to that Company based on its status in each jurisdiction in which it operates. Model-2 jurisdictions on the other hand report directly to the U.S.A and the responsible officer is bound by the full requirements as noted under FATCA and the responsible officer signs up to the FFI Agreement.

So this is a real question to look into, who is responsible for FATCA reporting? The directors of an entity are obviously always ultimately responsible, but for a fund this role is usually delegated to the fund administrator who is best placed to analyze the shareholders. However to be the responsible officer a person should be an officer of the fund already, so you could appoint the administrator, but they are going to charge for it because it has to be an individual, it can't be a company.

Matthias Knab Ultimately, it is the administrator's responsibility to perform the due diligence with the investors in the majority of the cases anyway, so they are obviously the best person or place for FATCA reporting.

Nicola Smith: True, but the directors are responsible for performing due diligence, but they usually delegate this to the transfer agent as the one who accepts subscription and redemptions requests and receives the due diligence and therefore is best placed to do the work. The Transfer Agent is usually the fund administrator too.

When it comes to FATCA, we at Helvetic have been discussing the issues with our funds for two years now, telling them they need to register. A year ago everybody was saying, "but I don't have U.S. investments, but I don't have U.S. shareholders", and each time I had to tell them, "still, you have to register because it is a compliance issue. It is not a U.S. issue, rather it is an about compliance where by signing up you are saying that you will comply and report if you need to."

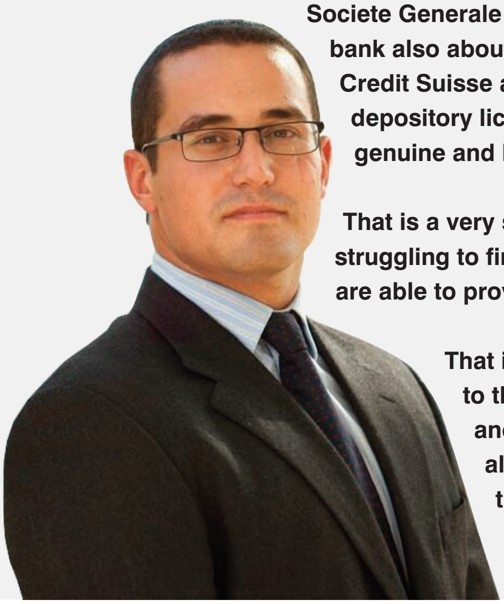
But still, some funds think they can avoid registration, but now the thing they are being confronted with is that bank account opening forms now require a GIIN, the Global Intermediary Identification Number. That means you cannot do anything now without a GIIN, without telling someone where your tax residence is. I think soon it will be impossible for a fund to open a bank account without having a GIIN.

Joey Garcia: Gibraltar is a model 1 jurisdiction for the purpose of US FATCA. We are also UK FATCA compliant and we are going to be on the front end of the early adopters for the European level FATCA.

My point here is that we position ourselves as fully onshore in every sense of the word, and that's a very conscious decision. We are not trying to remove ourselves from any of those obligations, quite the opposite. We often use the example of introducing European level directives that relate to the quality of river water in Gibraltar. We don't have any rivers here but we still have the law that governs the quality of river water.

While you could be critical of that, in our view we are sticking to an absolute culture of compliance, and we maintain that framework also in terms of new products when we are diversifying our financial services space. So within the insurance sector where we deal with ILS or within the fund management sector I am part of a group that is constantly traveling around the world and getting the message out there as to what we can do in terms of European solutions for people in places like New York, Hong Kong as well as Zurich and Geneva, which historically have been our main markets.

We can offer a good and diversified group of service providers in Gibraltar, and that also includes the banking sector. You need to be aware that some other small jurisdictions often need to rely on one or two banks, typically one local bank and maybe one foreign bank. But here, we have many international banks like Credit Suisse, Lombard Odier, Societe Generale are in Gibraltar, Jyske Bank from Denmark, and also RBS, with the Gibraltar bank also about to come online. A good number of those banks including Societe Generale, Credit Suisse and one of the smaller banks Turicum Private Bank are applying for AIFM depository licenses in Gibraltar, and this is a great position to be in as we can offer a genuine and long term AIFM solution from within Gibraltar.



That is a very strong message when you know that there are definitely jurisdictions struggling to find AIFM depositories. That means although we are a very small territory, we are able to provide the full suite of services from Gibraltar.

That includes the technological infrastructure, where I need to go back once more to the gaming industry. Although we certainly draw a line between what's gaming and what's financial services, in terms of the technology infrastructure that is already in place here to service the e-gaming companies, that is an asset that transfers directly to the financial service universe in Gibraltar.

And then just a last point on the Gibraltar Stock Exchange – GSX. Also here we make the point that it is a European solution, a European exchange that provides a listing function for a non European fund with all sorts of potential advantages. I believe the GSX is quite an exciting next step. GSX is commencing its operations as a listing exchange for open ended investment schemes, but hopefully we can watch it grow into something larger, given that the exchange is having lots of plans on the horizon.

Joanne Beiso: Joey mentioned the culture of compliance in Gibraltar in relation to implementation of EU directives, this is a major accomplishment for everyone involved – the jurisdiction, the individual entities affected for the regulators etc.

To help put it into context, in 2006 there were approximately 35 regulations/acts in relation to Financial Services, mainly stemming from the EU. In 2008 it went up to 45 and by October 2014 we have 70 different pieces of legislation directed at financial services coming from the E.U.

Renaud Huck: Joey also elaborated on the procedures and regulatory framework in relation to launching new products. At Eurex, we realized from being at the center of new regulation that the direct consequences were going to change not purely the buy side or the sell side, but the entire industry, meaning that those top tier entities would not find issues continuing trading in the OTC space going forward.

However, the smaller entities in the buy side, sell side (so the second tier, third tier) are most likely going to abandon the OTC space and move towards the listed derivative contracts, which will obviously prove difficult when the infrastructure or relationship is not already in place. Consequently, we realized that there was a market demand for financial instruments that did not exist before. Previously, if you were active in interest rate swaps, you would do it OTC and it would be a question of a bilateral relationship supported by legal documents, ISDA documents and CSA documents between counter parties.

If the wish of the regulator is firstly to push OTC trades within a cleared environment, it is going to impose an operational bottleneck on the banks, which is significant, because the banks are already swamped with regulation that will impact them heavily, namely Basel III, CRD IV. These will all result in shrinking their balance sheet and consequently, they will no longer be in a position to extend credit lines in the same way that they were once able to in the past.

As a result, the banks are going to select the larger, top tier of their clients to continue working with. So, if you are of a much smaller size, you might find yourself in the unfortunate position of not being able to find a bank to service you in good time. Consequently, you will have to exit the OTC space and instead look at doing the same thing in a listed environment.

The only issue is that exchanges had never explored this universe before, purely because it was the domain of the banks. Now the tables are turning and there is a necessity and the market needs similar products as an alternative to the OTC world, and this is exactly what we at Eurex are doing.

Eurex recently launched swap futures in September; and in November we are launching Euro secured funding futures because we know that refinancing is going to be an issue for some of the entities for this very reason. It will be difficult for them to find credit lines with the banks equally on a balance sheet level. And, with new accounting rules, repo trades are going to be the most capital- intensive trade for a bank, so once again, they will only be in a position to service their big clients.

There will be a new range of financial products which yesterday were defined purely in an OTC format. Tomorrow, these will also be found in a listed format.

This theme of the futurization of the financial industry is a direct result of the current regulation. A listed derivative product brings the benefits of a transparent order book and clearing house process.

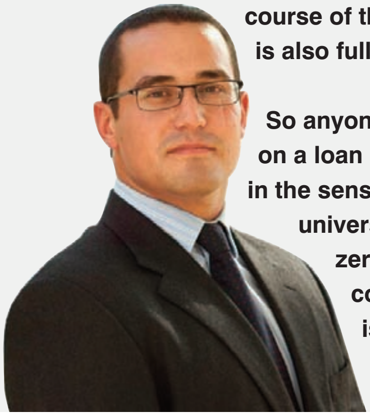
Matthias Knab We examined Gibraltar's capacity and infrastructure to service local business. What about its talent base, access to universities etc?

Philip Canessa: All, or the vast majority of professionals within the local service providers in Gibraltar are educated and have qualified in the United Kingdom. The majority of lawyers are U.K. qualified. We have the big four accountancy firms represented in Gibraltar, and they run relatively large operations here given the size of the jurisdiction of Gibraltar. So, in respect of lawyers and accountants, we are perfectly well catered for.

We have ten fund administrators licensed and based in Gibraltar, with a further six, based outside of Gibraltar, which are approved by the Financial Services Commission to provide fund administration services to Experienced Investor Funds. We do not have the big fund administrator names in Gibraltar like say Citco, but the firms here are perfectly capable of coping with, and expanding on, the level of business they have here.

So I don't think we have an issue with talent, the education system in Gibraltar is the same as the U.K. system of education. The Gibraltar government actually pays for scholarships to universities in United Kingdom and many students go on to be educated at United Kingdom universities every year.

Joey Garcia: Any Gibraltarian who gets a place at any university to study any degree has the cost of that university paid for by the Government of Gibraltar and also receives a grant towards the day-to-day living expenses during the course of their time in university. Any post-graduate degree that relates to the undergraduate degree is also fully funded by the Government of Gibraltar.



So anyone's decision to take a higher level of education is underwritten 100% by Government, not on a loan basis but it's actually funded by the government. That means the talent pool is significant in the sense that the percentage of people who go on to do higher education and end up in university is extremely high, because everyone is fully funded and comes out of university with zero debt, which is a stark contrast to what's happening in the rest of the world. That of course lays the ground for a highly educated workforce. And remember, we are not an island or cut off from the rest of the world, but a part of mainland Europe.

Matthias Knab Any further comments on tax in Gibraltar?

Philip Canessa: **In Gibraltar there is no wealth tax, no capital gains tax, no tax on investment income, no value added tax and no inheritance tax. There is only personal income tax and corporation tax. Since 2010, the standard rate of corporate tax has been 10%.**

The effective personal rate of tax is 25%, but if you are working in an industry such as financial services and possess specialist skills, as defined under certain regulations, and fulfill certain conditions, then your personal level of taxation is capped at just below £30,000, assuming that you are earning in excess of £120,000/annum. That is also an attraction for investment managers and professionals to relocate to Gibraltar.

Andrew Rochford The gaming industry in particular attracts a lot of foreign educated young people, many who decide to stay long term and become resident in Gibraltar, benefiting from the HEPSS status

Nicola Smith What percentage of the Gibraltar work force crosses the border every day? Do you think it's 50% of the working population of Gibraltar crossing the boarder everyday?

Philip Canessa Well, there was an estimate of about 10,000 people coming across, so that's less than 50%. In approximate numbers, Gibraltar's population is 33,000 and we have 23,000 employee jobs of which 7,500 are frontier workers who cross the border every day to work. There could however, be an additional number of unregistered frontier workers as we have over ten million visitors entering Gibraltar via the land frontier annually.

Andrew Rochford: **Gibraltar gives you access to Spain or Portugal where you can experience fine food, culture, and varied outdoor activities, all just minutes away. For many people, including me, Gibraltar ticks the box when it comes to quality of life.**

Joey Garcia: **We spoke a lot about funds and asset managers in Gibraltar, but also the family office space is evolving here as well. One source of the wealth is again the gaming sector where a number of individuals and families have had great success.**

There are a number of successful family offices in Gibraltar, and it has been interesting to see how those family offices have developed. Already some of them have tied into the fund space, engaging with local fund service providers and managers because of that natural proximity, taking advantage of the various Gibraltar structures that exist, whether that be of the partnership or even private fund structuring.

Private funds are unregulated collective investment schemes, and we have certainly seen a few family offices which have seen a benefit in such simple vehicles that allow for the pooling of the investments of a number of family entities. This provides cost savings as well as simplicity of oversight for the family office.

Another interesting area is the philanthropy sector where a number of charities and philanthropic initiatives have been developed by principals of successful businesses in Gibraltar. The Gibraltar philanthropy forum was established in 2013 and is a working group that seeks to explore the way that Gibraltar can position itself as a center for philanthropic activities.

From the family office, the philanthropy, and the charity sectors' perspective, basing yourself in a territory that is politically stable, financially secure, and a very safe environment in the practical perspective as well, represents a real benefit. Again, when you tie this into the elements of VAT and corporate tax, personal tax, and a good quality of life, it actually ticks a lot of boxes for those family office and multi family office set ups.