



Gibraltar offers the foundations for building a strong fund industry

Gibraltar Finance's Philip Canessa shares his views on the benefits of Gibraltar as a European Union jurisdiction, as well as the attractions of the territory's fund regime, tax incentives and regulatory framework for the funds industry



Philip Canessa

HEDGE FUNDS REVIEW: How will Gibraltar-based funds benefit from all aspects of the Alternative Investment Fund Managers Directive (AIFMD)?

Philip Canessa: Gibraltar's fund regime is largely based on its Experienced Investor Fund (EIF) regime. This regime will remain in place for funds and managers that are out of scope of the AIFMD, but will allow those that wish to avail themselves of the European Union (EU) marketing passport, to opt in to the alternative investment fund manager (AIFM) regime. EIFs can therefore be used as 'in scope' alternative investment funds and, as they will have to comply with the AIFMD, could be called 'super EIFs'. AIFMs wishing to set up Gibraltar funds will be able to do so by establishing super EIFs, utilising the existing pre-authorisation launch process available to out-of-scope EIFs.

HEDGE FUNDS REVIEW: What tax and other incentives does Gibraltar offer fund management companies and fund managers?

Philip Canessa: The tax laws in Gibraltar – though very favourable to funds and professionals – are not fundamental to Gibraltar's success as a jurisdiction, but form part of the overall package of making Gibraltar attractive as a jurisdiction for funds and asset management. Of major

importance to us in Gibraltar is regulation and reputation. Notwithstanding this, an attractive tax regime exists for funds as they are tax-neutral.

A fund manager in Gibraltar would only be subject to 10% corporation tax. Employees of the asset manager who meet certain criteria can avail themselves of the High Executive Possessing Specialist Skills (HEPSS) status and will only be taxed on the first £120,000 of earned income, which at the current rate of income tax caps their tax at around £30,000. Gibraltar does not tax investment income, there is no capital gains tax, no wealth tax, no inheritance tax and is excluded from the requirement to levy VAT.

HEDGE FUNDS REVIEW: What is the Corporate Governance Code and how will this help to build a strong fund industry in Gibraltar?

Philip Canessa: The Corporate Governance Code for Gibraltar Collective Investment Schemes was produced by the Gibraltar Funds & Investment Association (GFIA) as a voluntary code that GFIA recommended all Gibraltar Collective Investment Schemes (CIS) and their directors should meet in the interest of promoting strong and effective governance. The Code will ensure that CIS are organised and operated efficiently and exclusively in the interest of their investors.

HEDGE FUNDS REVIEW: The legal framework in Gibraltar is based on common law. What does this mean for its funds industry and what benefits does this offer over other jurisdictions?

Philip Canessa: Gibraltar is the only common-law jurisdiction in continental Europe and its courts, statutes and principles of equity are based on English law. This makes business transactions for legal professionals much easier, as most international financial transactions are based on common law. Gibraltar, however, is a separate and distinct jurisdiction to the UK within the EU. The regulatory framework will also be familiar to professionals who are used dealing with the regulator in the UK.

HEDGE FUNDS REVIEW: There are several benefits to Gibraltar being an EU jurisdiction, but what advantages does it offer compared to EU counterparts?

Philip Canessa: Gibraltar is a fully self-funding and self-governing parliamentary democracy within the EU, with a prosperous and diversified economy. I think the main benefit is our size, which brings many advantages. We will look favourably at smaller funds wishing to set up in Gibraltar, whereas larger jurisdictions may only want to look at funds with assets in excess of \$500 million. Our EIF vehicle, with its pre-launch approval regime – where an EIF can be launched in 10 working days – makes it the fastest 'time-to-market' fund vehicle in the EU. Our regulator, the Financial Services Commission, is very accessible and conducts a robust but sensible regulatory regime. Gibraltar's area is 6.8km², and all service providers are situated within a short distance of each other.

Philip Canessa
Senior Executive

Gibraltar Finance
philip.canessa@financecentre.gov.gi
www.gibraltarfinance.gi