



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 9.20 a.m. – 10.05 a.m.

Gibraltar, Thursday, 29th March 2012

The Gibraltar Parliament

The Parliament met at 9.20 a.m.

[MR SPEAKER: Hon. H K Budhrani QC *in the Chair*]

[CLERK TO THE PARLIAMENT: M L Farrell Esq RD *in attendance*]

Orders of the Day

BILLS FOR FIRST AND SECOND READING

**A Bill for an Act to appropriate further sums of money to the service of the year ending on the 31st day
of March 2011
Second Reading carried**

1. The Hon. the Chief Minister to move:

The Second Reading of the Supplementary Appropriation (2010/2011) Bill 2012. (B01/12)

5 **Clerk:** The Second Reading of the Supplementary Appropriation (2010/2011) Bill 2012.
The Hon. the Chief Minister.

Hon. Chief Minister (Hon. F R Picardo): Mr Speaker, I have the honour to move that the Bill now be read a second time.

10 Hon. Members will note that this Supplementary Appropriation Bill seeks to provide retrospective appropriation cover for additional expenditure incurred in the financial year 31st March... year ended, sorry, 31st March 2011. It therefore represents additional expenditure incurred by the previous administration, which was over and above the £7 million of supplementary funding that was provided for in Head 15 of the approved estimates for that year.

15 Hon. Members will already have seen the statements tabled at the last meeting of Parliament on 15th March 2012, showing how this £7 million of supplementary funding provision was applied. The Supplementary Appropriation cover now being sought, under this Bill, is for further expenditure incurred during the year amounting to £8.5 million under the Consolidated Fund and further expenditure incurred under the Improvement and Development Fund of £9.3 million.

20 Mr Speaker, in view of the fact that this Bill is for retrospective appropriation cover for additional expenditure incurred by the previous administration, and a breakdown of this is included in the explanatory memorandum to the Bill itself, I do not propose to add anything further. However, I invite the Hon. the Leader of the Opposition to provide such further information to this House as he may wish, in support of the supplementary funding, as this relates to additional expenditure incurred during his own time as Chief Minister.

25 **Mr Speaker:** Before I put the question, does any hon. Member wish to speak on the general principles and merits of the Bill?

The Hon. the Leader of the Opposition.

30 **Hon. P R Caruana:** Well, Mr Speaker, first of all, as I rise, may I congratulate him for the first occasion on which he substantively moves a Bill in this Parliament, as Leader of the Government side.

As he rightly says, given that this House is approving expenditure that *we* incurred and that, indeed, relates entirely to the, not to the current financial year but, indeed, the financial year before that – the previous financial year – Mr Speaker, he is right in surmising that we would be supporting the Bill, which we are.

35 Mr Speaker, the information, as to the detail of the expenditure, does not need me from the Opposition benches to support, to provide him with information. The Financial Secretary will be able to give him, obviously, as much information as he wants. He is, of course, aware that there is a fair amount of wiggle room and margin available to the Government, as to what moneys from the Supplementary Funding Vote, and from virement, are used, and therefore what elements of expenditure are brought to this House on a Supplementary Appropriation Bill.

40 So, I presume that they have made those selections, in other words which items: I am sure the Financial Secretary has invited him, as he used to invite me, to consider how the existing Supplementary Funding Vote and the virement possibilities should be deployed (*Interjection by Hon. Chief Minister*) and how Department... to what – I'll give way to him in a moment – and to what Heads departmental savings, more particularly, can be deployed. Therefore, there will have been an element of discretion on their part, which matters not because I believe it has always worked that way, as to what items precisely are shown as requiring supplementary funds. But we will be supporting the Bill, the timing of which presumably responds to the fact that there was no meeting of Parliament after the summer last year in which the Supplementary Bill could have been taken, which is when it normally would have been taken – but, anyway, we support the Bill.

50 **Mr Speaker:** Does any other hon. Member wish to speak on the general principles and merit of the Bill?
The Hon. the Chief Minister.

55 **Hon. Chief Minister:** Mr Speaker, just to make *this* comment, first to acknowledge the congratulations of the hon. Gentleman, and, second, to say that what has happened in respect of this Bill is that we have caused to be re-published the Bill that was published during the time of *his* administration, which was not held over, so any discretions were therefore exercised by the hon. Members opposite at the time that those were available to them, with the Financial Secretary's guidance. And it is, as far as I'm concerned, as far as the

60 Government is concerned, exactly the same Bill that was published, which needs to be passed for the reasons that he is fully aware of.

Mr Speaker: I now put the question, which is that a Bill for an Act to appropriate further sums of money to the service of the year ending on the 31st day of March 2011 be read a second time.

65 Those in favour (**Members:** Aye.); those against. Carried.

Clerk: The Supplementary Appropriation (2010/2011) Act 2012.

A Bill for an Act to appropriate further sums of money to the service of the year ending on the 31st day of March 2011

Committee stage and Third Reading agreed

70 **Hon. Chief Minister:** Mr Speaker, I beg to give notice that the Committee stage and the Third Reading of the Bill be taken today, if all hon. Members agree.

Mr Speaker: Do all hon. Members agree that the Committee stage and Third Reading of the Bill be taken today? (**Members:** Aye.)

75 **Mr Speaker:** Committee stage and Third Reading will be taken today.

Bill for an Act to amend the Gibraltar Savings Bank Act
First Reading carried

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2. The Hon. the Chief Minister to move:

85 *A Bill for an Act to amend the Gibraltar Savings Bank Act. (B03/12)*

Clerk: A Bill for an Act to amend the Gibraltar Savings Bank Act.
The Hon. the Chief Minister.

90 **Hon. Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to move that the Bill for an Act to amend the Gibraltar Savings Bank Act be read a first time.

Mr Speaker: I now put the question, which is that a Bill for an Act to amend the Gibraltar Savings Bank Act be read a first time.

95 Those in favour (**Members:** Aye.); those against. Carried.

Clerk: The Gibraltar Savings Bank (Amendment) Act 2012.

100

Bill for an Act to amend the Gibraltar Savings Bank Act
Second Reading carried

Hon. Chief Minister: Mr Speaker, I have the honour to move that the Bill be now read a second time.

105 Mr Speaker, this Bill amends the Gibraltar Savings Bank Act in two ways. Firstly, it clarifies the position regarding the investment of deposits made in the Savings Bank, from the issue of bonds and debentures. And, secondly, it provides for the Financial Secretary to take account of the maturity profile of deposits in the Savings Bank when considering the maturity profile of corresponding investments.

Mr Speaker, as the Act currently stands, under section 7.(1), deposits in the Savings Bank may be made

110 either as ordinary deposits or as investment deposits. However, under section 7A of the Act, deposits can also
be made by investors through the purchase of bonds and debentures. As regards the corresponding investment
of these deposits, the Savings Bank Act, clearly sets out how deposits are to be invested, both in the case of
ordinary accounts, under section 11.(1) of the Act, and in the case of investment accounts, under section 11C
of the Act. However, there is no clear provision in the Act for the investment of deposits made in bonds and
debentures.

115 The new section 11D now being proposed in this Bill, corrects this anomaly by making a clear provision
for the investment of moneys from the issue of bonds and debentures.

120 Mr Speaker, under the existing provisions in section 13.(3) of the Act, all deposits in the Savings Bank
must be invested in cash, or near cash deposits, in terms of protection of their capital value. This restriction
has no longer – sorry, is no longer – considered to be appropriate, in the context of this Government’s
commitment to the expansion of the role of the Gibraltar Savings Bank. It is this Government’s view that, in
directing the investment of deposits in the Savings Bank, the Financial Secretary should take account of the
maturities of such deposits and, where considered appropriate, consider matching those against investments of
corresponding maturities, in order to take advantage of the relatively higher levels of interest that longer term
investments can attract.

125 The existing provision under section 13.(3) is, therefore, being replaced by a new section 13, which does
exactly that, Mr Speaker. It increases the scope available to the Financial Secretary, for the investment of
deposits in the Savings Bank, and provides for the matching of the maturity dates of investments against the
maturity dates of deposits.

130 Mr Speaker, hon. Members should also note that the Government intends to rebuild the reserves of the
Gibraltar Savings Bank and, in this respect, the annual surpluses will henceforth be retained within the
Savings Bank Fund, in order to increase the capital base of the Bank.

I commend the Bill to the House.

135 **Mr Speaker:** Before I put the question, does any hon. Member wish to speak on the general principles
and merits of the Bill?

The Hon. the Leader of the Opposition.

Hon. P R Caruana: Obligated, Mr Speaker.

140 Well, Mr Speaker, first of all, the hon. Member is wrong when he has just asserted that the present Act
makes no provision for the investment of moneys deriving from bonds and debentures. If he looks at the
existing Gibraltar Savings Bank Act, he will see that section 2 defines the term ‘Deposits in the Savings
Bank’, and that reads,

145 ‘means moneys placed in ordinary and investment deposits under section 7 and all moneys received by the Savings Banks from the
issues of bonds and debentures’.

150 So, moneys received from the issues of bonds and debentures are deemed to be deposits in the Savings
Bank, and therefore are covered by the existing Act, by that provision in it, which deals with how moneys it
deposits, how deposits in the Savings bank, need to be dealt with, particularly by section 13.(3), which is the
one that they are repealing today – one of the ones that they are repealing today, which provides for how those
should be invested. But, anyway Mr Speaker, the Bill purports to repeal section 13.(3) of the existing Act,
which *we* introduced by Act number 15 of 2008. And just for the purposes, if the House will indulge me, of
illustrating my points, I would just like to read, for the purposes of the debate, *Hansard*, what section 13.(3)
that we are repealing by this Bill if it was passed in this form, what that clause says. It says

155 ‘notwithstanding any other provision of this Act the deposits in the Savings Bank, which includes, as I have just illustrated, moneys
from bonds and debentures, and any other moneys of the Savings Bank shall be employed at interest in cash deposits or in such other
manner as the Financial Secretary is satisfied is equivalent thereto in terms of protection of their capital value’.

160 We are repealing that. Therefore, if that is repealed, cash deposits no longer need to be in cash or cash
equivalent. But we are not restoring – the hon. Members are not proposing to restore – the statutory
requirement that there should be a reserve buffer. In other words, we put in section 13.(3) as a counterweight
to the fact that we were removing the section that created the need for a statutory reserve. In other words,
there was a need for a statutory reserve, I think it was 10%. We wanted that statutory reserve to fall into the

165 general reserve of the Government and not sit in the Savings Bank. That reserve was there, principally, as a first buffer against loss of money.

170 Loss of money could only really come from loss of capital value of investment, and we said, right, in order to eliminate the possibility of the event occurring for which the reserve requirement existed – which we are removing – let us eliminate the possibility of the event happening. So we said, now you cannot invest in investments that might suffer a loss in the market, now you can only invest in cash or near cash and in a way where the capital value of it is not at risk.

175 If the hon. Members want to remove that section, which is section 13.(3) that they are repealing, then at the very least they should restore the position in the Act to what it was, when that section was put in and the previous one taken out, which was that they require, that the Bank requires a reserve of 10% of the value of deposits. In effect, what they have done is that they have removed our section providing, as it does, a safeguard for the fact that we removed the need for the reserve. So they have removed the safeguard, without restoring the need for the reserve, which is what we introduced the safeguard for, that they are now removing.

180 Furthermore, Mr Speaker... and, therefore, the hon. Members may wish to consider, if they want to restore, as a matter of policy, the position of the Act as it was before we did the changes in 2008, they should go the whole hog and restore the capital reserve requirement.

185 Further, Mr Speaker, the effect of the removal of section 13.(3) is that, when read with the new section 11D and the permissive nature of new section 13A, it results in several possibilities. We cannot say whether the hon. Members will do it, or not, but certainly it is open to them, in the future, to cause the Bank to make investments that will result in capital loss and it is all very well for the hon. Member to say that there is a section there that requires the financial sector to match maturity dates with deposits, but maturity timings and maturity synchronisation and co-ordination cannot be confused with risk of loss. In other words, you can match your assets and your liabilities as to time, in other words, if you have to pay back £15 million of deposits in December 2013, you want to make sure that you have got £15 million of cash available to do it. So you buy an investment that matures at the same time, or just before, and then you have got your money.

190 But that is maturity synchronisation. Quite separate is the question of whether, in the meantime, your £15 million investment has suffered a loss in the market, because interest rates have gone up and, therefore, the capital value of bonds has gone down and when you come to sell it, it is... unless you match to the redemption date. If you match to the redemption date, that is a different matter because it is redeemed at par, but if you do not, then you might have the.... It is true that most matchings are done against redemption dates. It is possible, by use of hedging and things, to try and match, other than at redemption date, but that would be an unusual transaction to perform. Most matching – conventional matching – is done to redemptions at par and therefore that is less likely to be an issue.

200 The other effect, Mr Speaker, that we think it opens the door to, as the Bill is drafted – and I have in mind the hon. Member's press release recently, which opened with the words – I think you were issuing an accumulator bond or something – and the opening words were something like: pursuant to... the Government's policy of extending the role of the Savings Bank, or words to that effect (*Interjection by Hon. Chief Minister*) – expanding the role... I have that in mind and, of course, one does not know... one does not know, on this side of the House, until the Government has made an announcement about that, what the expanded role of the Savings Bank is and how that will happen. For example, we do not know whether the expanded role of the Savings Bank that they have in mind will extend, or might extend, to actually making commercial or private loans to people. But given the removal of the need to invest the moneys of the Savings Bank in cash or near cash, and in a way that does not jeopardise its capital value, given the removal of that, in juxtaposition with all the other provisions of the Bill and the existing provisions of the Act, the other existing provisions of the existing Act, it leaves it open to the Savings Bank to lend its deposits to Government or Government companies or, indeed, to private-sector borrowers and we are certainly opposed to Savings Bank moneys being used in that way, without investors being very clear that that is what their money is being used for, even though we understand that, of course, the liabilities of the Savings Bank are guaranteed by the Government, because this would be a form of contingent liability.

210 We are in favour of Government participating in a private bank, or in a wider bank in Gibraltar, and we would hope that, at some point, the Government may bring forward a policy initiative of that sort, but we would wish to do it in a way that does *not* expose the Consolidated Fund to unlimited quantities of contingent financial liabilities because that is... in our view, might put at risk the fiscal stability of Gibraltar.

215 So, Mr Speaker, we are doubly surprised by the fact that they have repealed section 13.(2), which is the one that provides for the risk, without restoring the reserve, which was the risk that we are... not least because

220 they have been so heavily critical of that in the past. The hon. Member – I do not remember if he did it
himself, he may well have done, but certainly his erstwhile leader used to, when *he* was Leader of the
Opposition – was highly critical of the fact that we had removed the statutory reserve requirement and yet
225 here is a Bill in which they reverse us, but without going so far as to reversing... putting back what they were
so critical that we removed, which is a further reason why we think this Bill is objectionable, technically for
the reasons that I have expressed, but politically also for the reason that I am now expressing.

So, Mr Speaker, in summary, we will oppose this Bill, unless, of course, the hon. Members feel that there
is merit in anything that I have said, and may wish to reflect upon it prior to the Committee stage, in which
case, of course, we will rethink our position, depending on what they do: it reverses the safeguards that we put
230 in place to remove the reserve requirement, I will not repeat that, but the reversal of a safeguard point, without
restoring the safeguard, it exposes the Gibraltar Savings Bank to the possibility of business which could
reduce the financial stability, both of the Savings Bank and of the Government. It increases the Government's
exposure and it opens the door for Savings Bank money being lent or used by other than in simple investment
placing and, whilst that might not be inappropriate in certain circumstances, we do not believe that this Bill
235 creates with sufficient clarity and transparency the architecture, the statutory architecture, for a widening of
the role of the Savings Bank into any form of lender, other than in the form of simple investment, by placing
money on deposit, or by purchasing with savers' money market investments.

As I say, we are not opposed to the idea of a Gibraltar Savings Bank participation in a wider role. It will
not be the first state-owned bank that deals with business of that sort, but it would have to be much more
transparent and I think it would require more *specific* legislative provision, before this side of the House could
240 support the Savings Bank being used for that purpose, than is contained in this Act at present and even more
so in this Act, as it would remain after amendment in accordance with the terms of this Bill, if it is passed in
this form.

So we regret that we cannot support this Bill for those reasons.

245 **Mr Speaker:** Does any other hon. Member wish to speak on the general principles and merits of the Bill?
The Hon. the Chief Minister.

Hon. Chief Minister: Mr Speaker, I am grateful to the hon. Gentleman for the views that he has
expressed to the House.

250 The last thing I said before I sat down was that, as a matter of policy, the Government does intend to
rebuild the reserves of the Gibraltar Savings Bank and, in *that* respect, the annual surpluses will henceforth be
retained within the Savings Bank Fund, in order to increase the capital base of the Bank.

That, Mr Speaker, will have the effect of rebuilding what the hon. Gentleman has called a 'buffer' today,
which was the buffer provided by this requirement in law, before the Amendment Act 2008, that there should
255 be 10% of the capital of the Bank in reserve. The hon. Gentleman is right, this was one of the issues taken in
the debate in 2008, when it was the Leader of the Opposition then, now the Minister for Labour, who was
talking about this 10% buffer. He said at the time that there was no need for such a buffer in law, because of
the other issue that he has alluded to during the course of the debate this morning, namely that the liabilities of
the Bank are already guaranteed *wholly* under the provisions of the law.

260 Mr Speaker, we are taking the view that we do want there to be that buffer, we want it to be there as a
matter of policy but, of course, if we legislate for that buffer today, we would have to transfer funds *into* the
Savings Bank, so as a matter of policy there is agreement across the floor of the House, legislatively we do
not think it is something that can be done today.

265 The amendments that are proposed, in any event, are not intended to give power to the Government. The
hon. Gentleman will see that they are about giving power to the Financial Secretary and it is the Financial
Secretary's discretion that will be relevant, except, of course that, under section 11D, there is a double lock.
The Financial Secretary has to make a determination and there has to be approval from the Government of
what determination it is that the Financial Secretary has considered to be prudent.

270 Mr Speaker, for those reasons, although we hear what the hon. Gentleman says, we are satisfied that there
will not be *any* cause for concern in respect of these amendments, that they will assist –

Hon. P R Caruana: Will the hon. Member give way just before he sits?

Hon. Chief Minister: – in the expansion of the Savings Bank and, before I commend the Bill to the

275 House, I give way to the hon. Gentleman.

Hon. P R Caruana: I am grateful to the hon. Member.

280 So, in effect, what he is telling the House, that he is now relying on the arguments that I used to pass section 15, section 11.(3) which they were very critical of and did not then accept so, at the time, they did not accept it, they were heavily critical of it and now they rely on it to perpetuate the position which I introduced and which they were then very critical of. It is not an elegant position. I do, however, acknowledge that doing what I considered to be the right thing – if that is the view that they are of – which is restoring the position to what it was before I did what they disapproved of at the time... but they disapproved of both what I did and the reasons for doing it. So they cannot now rely on the reasons, whilst reversing what I did! I acknowledge that that would require an injection of capital to restore the capital, the 10% buffer.

285 Of course, they have got to bear in mind that a policy is not the same as a statutory requirement. They also have to bear in mind that, in the current market conditions, particularly when most investments are held in cash, or near cash, and even if they were held in bonds, the market volatility is now so reduced, because interest rates are so statically low, that the scope for capital growth, which is what the reserve... the Gibraltar Savings Bank makes a loss on its *ordinary* activities, because, basically, it pays out a higher rate of interest than it can earn in the market. So, it cannot make enough capital gain to restore that loss, unless it is going to lower the rate of interest very significantly that it pays to bond and account holders. Therefore, the scope for there being surpluses, which, as a matter of policy, they will leave to gradually restore the buffer, is the emperor's clothes – they are not going to materialise. It will be 20 or 30 years before – in current market conditions, anyway, and possibly never, if they do not reverse the high interest rates that it pays against the low... the high interest rate that it pays to depositors, as against the low interest rate that it receives on its investments – it might never return a profit that would build up a reserve.

290 Mr Speaker, I would much rather see the hon. Members... I acknowledge there are, as the hon. Member knows, the hon. Member could easily transfer from the reserves this sum of money but, in any event, if they are not willing to do that as a matter of policy, which is what I would recommend them to do, I would... this Bill is not politically contentious, unless it is for specific reason. We do believe there are specific reasons, Mr Speaker, and I believe that the hon. Members should at least write into this Bill a statutory requirement to restore the reserve to 10% within a certain period of time. In other words, I acknowledge that there may be reasons, particularly in the context of all the things that are going on on the capital projects front, and things of that sort, where the Government may now not want to return 50... I do not know what it would be. I have lost track of the figures of the Savings Bank. I do not know what the amount of the deposits are.

295 We had exempted the Government deposits from reckonability from the reserves, so it is not the Government... The Government and Government company deposits are not reckonable; it is only the external deposits, the savers' deposits. Anyway, it is a sum of money which may be significant. I acknowledge that they might not want to put it in place *overnight*, but I think it would send the correct signal if the Government were to amend this Bill so that it said that the deposit... there must be... by a certain date, which I would suggest should be no more than three years forward from now, the reserves should have been restored to the effect of the old section... I do not remember the old section number. Anyway, the section... I think it was 13... I think it was, in the old Act... No, I do not have a note of the number, but it was 10%. I am almost certain it was 10% by the end of December 2015 or whatever, three years from now is allowing yourselves a margin. Otherwise, Mr Speaker, it will never happen. It will never happen. No Government will have the financial discipline to do it, no Government will feel the need to do it and, in the end, what we are doing is we are operating a Savings Bank in the way we used to before when it would make losses or profits, but in market conditions without the possibility of profit and without a buffer.

300 I can justify that more easily than they can because, of course, I did it. They opposed the dismantlement of that very structure. But not even I was willing to do the position... Not even we were willing to bring about the position that this Bill brings around. (*Interjection*) Well, yes, because we were not concerned with there not being a reserve, provided the funds were not at risk and, provided the funds were not at risk was delivered by section 13.(3), which you are now repealing, so the funds *can* now be at risk, and yet you have not restored the reserve requirements. We said we were only willing to remove the reserve provided that the funds are not at risk.

305 So I just leave it to the hon. Members. If they leave it as it is, then we will not be able to support the Bill and they will have to carry it with their own majority, if they are content with that. Then that is entirely a matter for them.

330 **Hon. Chief Minister:** Mr Speaker, just dealing with those points before I commend the Bill, we do not
share that vision of what will happen in respect of the re-establishment of the reserves of the fund at 10%, or
perhaps even more than that, on the basis of our keeping annual surpluses. The hon. Gentleman knows that we
335 have a different vision of what the expansion of the Savings Bank should be. The effect today is that
transferring 10% might amount to a figure near £30 million. For the reasons that he has alluded to, having to
do that today in respect of capital projects ongoing etc would affect, of course, the net debt and gross debt
ratios and that is not something that we consider to be possible, given the economy that we have inherited.

Mr Speaker, sometimes he needs to understand that a challenge from him, saying that 'this will never
happen', is perhaps more binding on us than even a piece of legislation, so there is the gauntlet!

340 The policy will be to re-establish this reserve. It is not that we are accepting his argument at the time. It is
that part of his argument was always, of course, legally right – and that was never the issue – that there was a
reserve... Excuse me, there was a guarantee in respect of deposits in the Savings Bank – that is already
provided for in the law. His argument was that there was no need for a buffer because of that. He did not go
on to say 'and therefore, in particular, now that we are doing less risky business...' His argument was –
345 *(Interjection by Hon. P R Caruana)* and I have got the debates and I do not see him connecting it in what I
have read of the debates. *(Interjection by Hon. P R Caruana)* He was simply saying there was no need for
such a buffer in a bank which is already wholly guaranteed.

350 So, Mr Speaker, we take the view that this is not something that has to be written into law at this time. We
take the view that it is something that cannot be written into law at this time for the reasons of the amounts
involved. Even writing it into law with a future date, should we be wrong about how quickly it is possible to
re-establish the fund, or should the Bank grow so greatly that 10% might be an even larger figure, it is not
something that, at this stage, we are able to commit to in legislation. But let it be known, Mr Speaker, that him
having said it will never happen is a good reason for us making sure that it does, and I commend the Bill.

355 **Hon. P R Caruana:** Will the hon. Member give way for 30 seconds? I promise not to extend myself very
much further. Thank you. I am obliged to him.

Mr Speaker, of course, the wisdom of having a reserve of 10% and the need of having a reserve as large as
10% depends very much on the nature of the activities that the Bank is going to undertake. For example, if it
is going to lend money at risk, then the need for the reserve is clearly higher than if all it is going to do is buy
360 market investments. So I am not standing on the figure of 10%. The figure of 10% was there. I think it was
always excessive for the way that the Savings Bank used to deal with its money, anyway. There would have
to be a catastrophic market loss really.

365 We reserve judgement. We think the hon. Members are politically wrong in the view that they are taking
but, as for the quantum and the need for a reserve and the quantum of that need, we acknowledge that it
depends a little bit on what they do with the Bank and how they change the role of the Bank and the nature of
the riskiness, or how they deploy the money, either in private lending or in the speculative nature of
investments that they may make with it.

370 **Hon. Chief Minister:** Mr Speaker, in fact, in his speech and reply, the hon. Gentleman said this, which
shows why I think it was disconnected from the types of investments that would be made. He was answering
the then Leader of the Opposition, the Hon. Mr Bossano. There must have been something said across the
floor, because the hon. Gentleman says:

375 'Correct. That is why I told him, during the Budget speech, that actually the need for this reserve, except the fact that the law said it,
the need for it I could not understand. Perhaps it was never really necessary, given that, coupled with the Consolidated Fund, it did
not seem to me to be achieving very much. At least in the sort of times that we are living in now. Perhaps in the 1960s or 1970s,
perhaps in those days the economy of Gibraltar and the finances of Gibraltar were such that that measure might have had a certain
prudence or a certain significance. I think the Leader of the Opposition and I can at least agree, in the current socio-economic make-
up of Gibraltar, that is no longer a necessity. But to the extent that the buffer, as he called it, was there not to protect the depositors,
380 who did not need that buffer to be protected, but to protect the Consolidated Fund from perhaps having to be called upon under the
guarantee.'

385 So that is what he was saying, Mr Speaker. We think that, today, for the reasons I have already indicated,
there is no need for there to be, in legislation, that provision, for all the reasons I have already articulated, and
I therefore now, hopefully, am allowed to commend the Bill to the House.

Mr Speaker: I now put the question, which is that a Bill for an Act to amend the Gibraltar Savings Bank

Act be read a second time. Those in favour. (**Members:** Aye.) Those against. (**A Member:** Noe.) Carried.

390 **Clerk:** The Gibraltar Savings Bank (Amendment) Act 2012.

395 **Bill for an Act to amend the Gibraltar Savings Bank Act
Committee Stage and Third Reading agreed**

Hon. Chief Minister: Mr Speaker, I beg to give notice that the Committee Stage and Third Reading of the Bill be taken today, if all hon. Members agree.

400 **Mr Speaker:** Do all hon. Members agree that the Committee Stage and Third Reading of the Bill be taken today? (**Members:** Aye.) The Committee Stage and the Third Reading will be taken today.

405 **Bill for an Act to amend the Civil Aviation Act 2009
and the Aviation Security (EU Common Rules) Act 2011
First Reading carried**

3. The Hon. the Deputy Chief Minister to move:

410 *A Bill for an Act to amend the Civil Aviation Act 2009 and the Aviation Security (EU Common Rules) Act 2011 and related secondary legislation. (B02/12)*

415 **Clerk:** A Bill for an Act to amend the Civil Aviation Act 2009 and the Aviation Security (EU Common Rules) Act 2011 and related secondary legislation.
The hon. the Deputy Chief Minister.

420 **Hon. Deputy Chief Minister (Hon. Dr J J Garcia):** Mr Speaker, I have the honour to move that a Bill for an Act to amend the Civil Aviation Act 2009 and the Aviation Security (EU Common Rules) Act 2011, and related secondary legislation, be read a first time.

Mr Speaker: I now put the question, which is that a Bill for an Act to amend the Civil Aviation Act 2009 and the Aviation Security (EU Common Rules) Act 2011, and related secondary legislation, be read a first time.

425 Those in favour. (**Members:** Aye); those against. Carried.

Clerk: The Aviation (Amendment) Act 2012.

430 **Bill for an Act to amend the Civil Aviation Act 2009
and the Aviation Security (EU Common Rules) Act 2011
Second Reading carried**

435 **Hon. Deputy Chief Minister:** Mr Speaker, I have the honour to move that the Bill be now read a second time.

Mr Speaker, this is a short and straightforward Bill. It simply amends the Civil Aviation Act 2009 and the Aviation Security (EU Common Rules) Act 2011, as explained in the explanatory memorandum, and related secondary legislation, following the decision of the Government to separate ministerial responsibility for civil aviation from the Transport portfolio.

440 Mr Speaker, I commend the Bill to the House.

Mr Speaker: Before I put the question, does any hon. Member wish to speak on the general principles and merits of the Bill?

445 The Hon. the Leader of the Opposition.

Hon. P R Caruana: Mr Speaker, we shall be supporting the Bill.

Mr Speaker: I now put the question, which is that a Bill for an Act to amend the Civil Aviation Act 2009 and the Aviation Security (EU Common Rules) Act 2011 and related secondary legislation be read a second time.

450 Those in favour (**Members:** Aye.); those against. Carried.

Clerk: The Aviation (Amendment) Act 2012.

455

**Bill for an Act to amend the Civil Aviation Act 2009
and the Aviation Security (EU Common Rules) Act 2011
Committee Stage and Third Reading agreed**

460

Hon. Deputy Chief Minister: Mr Speaker, I beg to give notice that the Committee Stage and Third Reading of the Bill be taken today, if all Members agree.

465 **Mr Speaker:** Do all hon. Members agree that the Committee Stage and Third Reading of the Bill be taken today? (**Members:** Aye.) The Committee Stage and Third Reading will be taken today.

COMMITTEE STAGE

470

Clerk: Committee Stage and Third Reading, the Hon. the Chief Minister.

475 **Hon. Chief Minister:** Mr Speaker, I have the honour to move that the House should resolve itself into committee to consider the following Bills clause by clause. First, the Supplementary Appropriation (2010/2011) Bill 2012; second, the Gibraltar Savings Bank (Amendment) Bill 2012; and, finally, the Aviation (Amendment) Bill 2012.

480

A Bill for an Act to appropriate further sums of money to the service of the year ending on the 31st day of March 2011

Clerk: A Bill for an Act to appropriate further sums of money to the service of the year ending on the 31st day of March 2011.

485 Clause 1.

Mr Speaker: Clause 1 stands part of the Bill.

490

Clerk: Clause 2.

Mr Speaker: Clause 2 stands part of the Bill.

Clerk: Clause 3.

495

Mr Speaker: Clause 3 stands part of the Bill.

Clerk: Clause 4.

500 **Mr Speaker:** Clause 4 stands part of the Bill.

Clerk: The schedule.

Mr Speaker: The schedule stands part of the Bill.

505 **Clerk:** The long title.

Mr Speaker: And the long title stands part of the Bill.

510

Bill for an Act to amend the Gibraltar Savings Bank Act

Clerk: A Bill for an Act to amend the Gibraltar Savings Bank Act.
Clause 1.

515 **Mr Speaker:** Clause 1 stands part of the Bill.

Clerk: Clause 2.

520 **Mr Speaker:** Clause 2 stands part of the Bill.

Clerk: The long title.

525 **Mr Speaker:** And the long title stands part of the Bill.

**Bill for an Act to amend the Civil Aviation Act 2009
and the Aviation Security (EU Common Rules) Act 2011**

530 **Clerk:** A Bill for an Act to amend the Civil Aviation Act 2009 and the Aviation Security (EU Common Rules) Act 2011 and related secondary legislation.
Clause 1.

535 **Mr Speaker:** Clause 1 stands part of the Bill.

Clerk: Clause 2.

540 **Mr Speaker:** Clause 2 stands part of the Bill.

Clerk: Clause 3.

Mr Speaker: Clause 3 stands part of the Bill.

545 **Clerk:** Clause 4.

Mr Speaker: Clause 4 stands part of the Bill.

550 **Clerk:** The long title.

Mr Speaker: And the long title stands part of the Bill.

BILLS FOR THIRD READING

555 **Supplementary Appropriation (2010/2011) Bill 2012 passed**
 Gibraltar Savings Bank (Amendment) Bill 2012 passed
 Aviation (Amendment) Bill 2012 passed

Clerk: The Hon. the Chief Minister.

560 **Hon. Chief Minister:** Mr Speaker, I have the honour to report that the Supplementary Appropriation (2010/2011) Bill 2012, the Gibraltar Savings Bank (Amendment) Bill 2012 and the Aviation (Amendment) Bill 2012 have been considered in committee and agreed to without amendments and I now move that they be read a third time and passed.

565 **Mr Speaker:** I now put the question, which is that the Supplementary Appropriation (2010/2011) Bill 2012, the Gibraltar Savings Bank (Amendment) Bill 2012 and the Aviation (Amendment) Bill 2012 be read a third time and passed.

Those in favour of the Supplementary Appropriation (2010/2011) Bill 2012, (**Members:** Aye.); those against. Carried.

570 Those in favour of the Gibraltar Savings Bank (Amendment) Bill 2012, (**Members:** Aye.); those against. Carried. (*Interjections*) It was carried in any event! (*Interjections*)

Those in favour of the Aviation (Amendment) Bill 2012 (**Members:** Aye.); those against. Carried.

575 **Clerk:** The Hon. the Chief Minister.

Hon. Chief Minister: Mr Speaker, I have the honour to move that this House do now adjourn *sine die*.

Mr Speaker: I now propose a question, which is that this House do now adjourn *sine die*.

580 I now put the question, which is that this House do now adjourn *sine die*. Those in favour (**Members:** Aye.); those against. Passed. This House will now adjourn *sine die*.

The House adjourned at 10.05 a.m.