



GOVERNMENT
PRINCIPALITY OF LIECHTENSTEIN

MINISTRY FOR
GENERAL GOVERNMENT AFFAIRS AND FINANCE

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Statements held by **H.E. Mr Adrian Hasler**
Prime Minister and Minister of Finance

-CHECK AGAINST DELIVERY-

Mr Chairman
Dear colleagues,

On behalf of the EFTA States, I thank you for this opportunity to discuss the economic and financial situation in the EU and EFTA countries.

Since our meeting last year we have witnessed positive economic developments, with employment picking up and unemployment continuing to fall gradually. The labour market and consumer spending have remained strong at the beginning of 2018.

The expansion of the European economy has been strong and broad-based in recent years, although some weakening signs seem to have occurred lately. On the EFTA side, economic developments are generally positive, with estimated GDP growth rates between 2 ¼ and 4 percent for this year. The outlook suggests relative good growth also next year. Labour markets are becoming tighter, with unemployment rates currently at 4 ¼ percent and below.

EU and EFTA countries share several important economic challenges. Globalisation and new technologies are changing the nature of work. Digitalisation and automation are seen as key influences on future labour markets. FinTech is expected to create a major impact in financial sectors from leveraging some of the latest innovations.

The EFTA States are convinced that technological development will continue to be important for the development of financial services and the financial sector worldwide. It is therefore important to prepare that change in a timely manner and set the framework conditions allowing a positive development of this new technology.

The EFTA/EEA States support the European FinTech Action plan: For a more competitive and innovative European financial sector. Furthermore, they would encourage taking a global approach taking into consideration the international developments in order to guarantee a level playing field.

While sharing important values, the EU and the EFTA States also face common regulatory and supervisory challenges:

For FinTech companies using innovative technologies, it can be a challenge that regulations - relevant to their business - pre-date the emergence of such technologies. This could indeed lead to uncertainty considering the legal status of their business model. It is therefore important to clarify the applicable EU legislative framework for services and to provide guidance to national supervisors, to ensure more convergence between national regulatory regimes.

The regulatory challenge is to establish a healthy balance between maintaining stability in the market and protecting consumers, while at the same time providing a framework allowing FinTech companies to develop and implement the latest innovations. The aim should be a regulatory regime that is technology neutral, and that the provision of a service or product is subject to the same rules, regardless of the technology used to provide that service. The principle of "same business, same risks, same rules" should thus be retained.

Regarding Cybersecurity, the EFTA states stress the importance of a minimum standard for the security level of FinTech companies and data aggregators. The different initiatives at the European and international level should be coordinated.

On the one hand, the aim should be to ensure a level playing field for FinTech providers and make sure that EFTA firms, investors and consumers can take advantage of technical innovations within a transparent framework, also to make Europe a leading player in developing new funding possibilities for rapidly growing businesses. On the other hand, potential risks regarding financial stability, market integrity, investor and consumer protection, personal data protection, money laundering and terrorist financing should be appropriately addressed.

Before turning to some final remarks as a representative of Liechtenstein, let me briefly mention financial market policies.

The EFTA States have long supported international efforts to strengthen regulation and supervision of financial markets and financial institutions. Legal homogeneity and a level playing field for market participants are major objectives of the EEA Agreement.

Switzerland, too, is continuously aligning its regulatory framework in line with European standards. The close Swiss-EU cooperation in various areas and the general commitment to openness should also apply to financial markets regulation and mutual market access, ideally through recognition of each other's regulatory and supervisory regime. However, there is uncertainty regarding some equivalence procedures and how it is applied to Switzerland. In particular, the renewal of the decision on equivalence of Swiss stock exchanges is awaiting a decision.

In this meeting four years ago, the EU and EEA/EFTA ministers agreed in principle on EEA adaptations to the EU system of Financial Supervision. In September 2016, the EEA Joint Committee took the formal decisions on inclusion and adaptations.

We have afterwards included a large number of acts. However, since the EU has also adopted a number of new acts, the backlog of financial services *acquis* adopted in the EU, but not yet included in the EEA, remains at approximately 300 acts. We are still working intensively together with the Commission on the incorporation of the remaining acts. We are aware that there is still a lot to do, but we are determined to invest all time and energy necessary in the joint EU and EFTA task to absorb as soon as possible that backlog.

The main purpose of the EEA Agreement is to provide a well-functioning EEA-wide internal market. For the internal market to function well, it is essential that the *acquis* is included in the EEA Agreement as swiftly as possible. To achieve this, all parties involved need to work intensively together, find pragmatic solutions and speed up the processing of the necessary EEA Joint Committee Decisions.

In this context, I would also like to underline two points: When drafting new EU legislation, it is of utmost importance to take into account how these acts may be included in the EEA Agreement with its two-pillar structure. In this respect I would like to mention the ongoing discussions on the ESAs review, which we are following closely. And, if inclusion of new *acquis* should be delayed because it is complicated to find the necessary adaptations, we should find pragmatic solutions for the interim, so as not to harm the European market and market participants.

Let me now add a few remarks from a Liechtenstein perspective.

Liechtenstein's economy remains strong due to a solid and steadily growing industrial and financial sector. Unemployment is under 2% with youth employment slightly higher. Today, we are in the comfortable situation that there are more jobs in Liechtenstein than inhabitants. By having more than 50% of the workforce employed from neighbouring countries, Liechtenstein is mainly also an employer for the whole region. The Government is determined to keep its budget in order with the result that we have no public debt and financial reserves exceeding 25% of GDP. These efforts have been recognised lately by another triple A rating for my country by Standard & Poor's.

As I have already stressed before, globalisation and new technologies are changing the nature of work. I am convinced that the new emerging diversity of providers in that field will generate more specified and adapted products. It will also improve the national and the cross-border flow of goods, services, payments and information. These developments will lead to restructuring, globalisation and personalisation of financial services.

I will mention first briefly the national measures Liechtenstein has taken in that regard:

Liechtenstein implemented in 2016 a so called "Regulatory Lab", which provides a contact point for all FinTech-Companies. The main objective is to support entrepreneurs concerning questions of regulation.

It is also to give them legal certainty whether the activity may be subject to licensing requirements under financial market laws. The "Regulatory Lab" is not a regulatory sandbox that provides separate rules for FinTech-Companies. The financial service legislation is fully applicable to regulated FinTech-Companies under the principle "same business, same risks, same rules".

By offering direct contact to answer practical questions in fast and efficient manner, the "Regulatory Lab" can give direct input on legislative issues, for example if new business models are established, that are relevant to the overall goals of the government, but not yet covered by the current legislation.

Further the government of Liechtenstein decided to start a legislative project in order to create a stable legal framework for upcoming blockchain-based innovations. Because of the enormous potential that blockchain represents as a basic technology, the Liechtenstein government has decided not only to regulate current applications – in particular, crypto-currencies and ICOs – but also to create a legal basis for a much broader scope of application presented by the token economy.

The purpose of the Law is to protect users on Trustworthy Technologies Systems and to secure their trust in digital rights. With this Law, the Government is seeking to strengthen legal certainty relating to transactions with digital rights on Trustworthy Technologies Systems.

Another aspect of user protection pertains to ensuring a minimum level of quality of Trustworthy Technologies Service Providers. This Law governs therefore also the registration and supervision of service providers, that provide services on Trustworthy Technologies Systems. The rights and obligations of service providers are also established. This Law is currently under public consultation.

I am convinced that with the new legal framework we can further improve our business environment, especially for start-ups, and pave the way for the next generation of jobs. We are certainly aware of similar discussions in the European Union and are ready to contribute with our expertise.

Before turning to some final remarks let me briefly mention the decision of October 2nd, 2018 of the

ECOFIN.

On 5 December 2017 the ECOFIN listed several countries and territories on the EU-list of non-cooperative jurisdictions. Liechtenstein was not on that EU-list. The EU Code of Conduct Group had however identified the need for amendments in few areas of the Liechtenstein corporate income tax system. Therefore, Liechtenstein was together with around 60 other countries and territories, considered as country that has made a political commitment to correct identified deficiencies before the end of 2018.

Within a very short period of time, the Liechtenstein Government drafted a bill for amending the Tax Act, which entered into force mid-July after our Parliament's approval. The prompt domestic implementation shows the strong commitment of Liechtenstein in relation to the EU criteria on fair business taxation.

Consequently, on 2 October 2018 the ECOFIN removed Liechtenstein from the so called grey or monitoring list. We consider this decision as a confirmation that Liechtenstein now complies with all EU tax good governance principles including tax cooperation and transparency, fair business taxation and BEPS.

We appreciate the good and constructive cooperation with the EU Commission, the Code of Conduct Group and the ECOFIN, which we were able to establish in the course of the last years. After having fulfilled all our commitments, the Liechtenstein Government trusts that the EU and its Member States will safeguard a comprehensive level-playing field. In particular, we expect that the recent developments will now lead to the immediate removal of tax-related barriers or discriminations, which our undertakings still have to face in some EU Member States, including blacklisting. Those measures are no longer justified and are in violation of the EEA Agreement.

As I have stated several times in our common meetings, Liechtenstein attaches great importance to the swift incorporation of the remaining EU financial services acquis into the EEA Agreement. We particularly appreciate the clear commitment of Vice-President Dombrovskis to give priority to the matter.

Subsequently, we have seen important improvements in the dialogue between the EEA EFTA experts and the Commission services. I would like to underline the progress we have made since the ECOFIN meeting in 2016. However, with still 300 acts out-standing the task remains enormous and requires constant efforts from both sides.

Liechtenstein is ready to further contribute to the process on a political and technical level and has already transposed in advance European regulations in order to meet the benchmark. A discrepancy of financial standards is not only harmful for the financial stakeholders located in the EEA EFTA States but for the EEA financial market as a whole.

We should therefore cooperate in order to minimize negative consequences for our market operators from such delays. This calls for pragmatic solutions for the interim periods which may occur, when new acts have entered into force in the EU, but are not yet included in the EEA Agreement.

Furthermore, I would like to point out once again that when drafting new EU legislation, it is important to take into account, that the EEA-EFTA States are not third countries, but are members of the internal market. The status of the EEA-EFTA States should be borne in mind especially in the context of the current discussion regarding the review of the European System of Financial Supervision.

Thank you.