



REGIERUNG
DES FÜRSTENTUMS LIECHTENSTEIN

Strategy to combat money laundering, predicate offences to money laundering, organised crime and the financing of terrorism

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1. INTRODUCTION

Liechtenstein has an open, internationally focussed financial centre with a clear strategy, an essential component of which is the strict implementation of international standards. This applies especially in combating money laundering and terrorist financing. Liechtenstein is consistently committed to close cooperation between all of the national authorities responsible to combat money laundering and the financing of terrorism ("whole of government approach").

Liechtenstein has been a member of MONEYVAL¹ since 1999. This is the Council of Europe's Committee of Experts, established in 1997 to assess national measures against money laundering and terrorist financing. Liechtenstein has since committed itself to implementing the recommendations of the Financial Action Task Force (FATF). In addition, Liechtenstein, as a member of the European Economic Area (EEA), is also required to implement EU anti-money laundering and terrorist financing legal acts once it is incorporated into the EEA Agreement.

As part of the integrated financial centre strategy, the Government, business associations and individual market representatives have been working very intensively on the orientation of the financial centre since 2009 and adopted a clear strategy for transparency and tax cooperation with the Liechtenstein Declaration of 2009. In the updated financial centre strategy published in February 2019 the Government has further fleshed out the strategic objectives and the implementation of strategic measures. The effective fight against money laundering, the predicate offences for money laundering, organised crime and terrorist financing is part of the financial centre strategy and follows a comprehensive strategic approach in accordance with the following principles:

- The Government and the authorities are taking effective and consistent action against the misuse of the financial centre for the purpose of money laundering and terrorist financing;
- The financial centre and its clients are protected by effective supervision and prevention, the rigorous punishment of violations, and active cooperation between domestic and international authorities;
- Confidence in the integrity of the financial centre, cooperation and integration, as well as the high quality of the services offered, are important features of the financial centre.

The Liechtenstein approach is based not only on the implementation of international requirements, but primarily on the certainty that the effective fight against abuse is a locational advantage for the financial centre, in addition to the quality of services and the general conditions.

The present strategy to combat money laundering, predicate offences to money laundering, organised crime and the financing of terrorism (AML/CFT strategy) follows these principles and is, therefore, part of the financial centre strategy. The State of Liechtenstein or its authorities and financial market participants are aware of their respective central roles in the

¹ MONEYVAL – Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

effective fight against money laundering and terrorist financing. Only those who are aware of the risks can deal with them effectively.

The AML/CFT strategy is consistently based on the findings of the National Risk Assessments (NRA)² on the specific risks identified for Liechtenstein in the areas of money laundering and terrorist financing. The strategy is also based on the expertise of the competent authorities.

The Liechtenstein financial centre has a global client base. Clients benefit in particular from the fact that all of the essential financial products, as well as services, are offered in the smallest geographical area. However, this locational advantage is also a challenge from a risk perspective. Criminals could try to use these very advantages of diversification, quality and stability for their purposes in their search for ways to transfer illegally generated or incriminated funds into the legal financial and economic cycle. Criminals are always looking for new ways to do so. The identification of risks and, on the basis of this, the implementation of appropriate measures must always keep pace with these developments.

A wide range of services offered in the financial centre, such as private banking, wealth management and cross-border transactions, are classified as being associated with an increased risk of money laundering and terrorist financing. The financial services offered also includes the provision of various legal forms, in particular for asset management, asset structuring and asset protection. Accordingly, knowledge of the financial services offered provides an essential basis for risk assessment.

It is clear from the NRA ML that the risk situation with regard to the potential misuse of the financial centre in relation to money laundering is, for the most part, related to predicate offences committed abroad. Incriminated assets generally do not come from predicate offences committed in Liechtenstein. With regard to terrorist financing, it should be noted that no terrorists or terrorist organisations are known in Liechtenstein and that the practice of terrorist acts is considered to be very unlikely. However, Liechtenstein's qualification as an International Financial Centre (IFC) poses the threat of terrorist financing because of its typical cross-border business and related financial transactions. An increased potential for abuse is seen in the fact that assets could be transferred via Liechtenstein for terrorist purposes.

A purely national approach, therefore, will fall short. Rather, risks must also be viewed, assessed and mitigated from a global perspective. A uniform and comprehensive approach is central not only for the authorities but also for the service providers themselves, who are persons subject to due diligence. The effective combat against money laundering and terrorist financing requires a holistic compliance approach, starting with know-your-customer audits when the business relationship starts, clarification of origin of deposited assets (source of funds) and the background of the total asset (source of wealth), through to risk-appropriate monitoring of the transactions performed.

The NRA, the present AML/CFT strategy and the resulting action plan form the core of Liechtenstein's national, inter-agency defence measures. All of this contains a clear message:

² Includes the following national risk assessments: NRA Money Laundering (NRA ML), NRA Terrorist Financing (NRA TF) and NRA Virtual Assets (NRA VA)

Liechtenstein is acting decisively and comprehensively against money laundering and terrorist financing.

2. STRATEGY TO COMBAT MONEY LAUNDERING, THE PREDICATE OFFENCES FOR MONEY LAUNDERING, ORGANISED CRIME AND TERRORIST FINANCING

For the implementation of the strategy to combat money laundering, money laundering predicate offences, organised crime and terrorist financing, four strategic objectives have been defined:

- Effective implementation of international obligations and standards to combat money laundering and terrorist financing, taking into account the specific risks identified for Liechtenstein in the areas of money laundering and terrorist financing;
- A risk-based focus to increase the effectiveness in combating money laundering and terrorist financing and improve the risk management by persons subject to due diligence;
- Ensuring effective prosecution in money laundering and terrorist financing;
- Further intensification of national and international cooperation, coordination and exchange of information between the authorities of the PROTEGE³ Working Group.

2.1 GOAL 1: Effective implementation of international obligations and standards to combat money laundering and terrorist financing, taking into account the specific risks identified for Liechtenstein in the areas of money laundering and terrorist financing.

The first step in the fight against money laundering and terrorist financing is compliance with international requirements and standards. Without a timely and complete transposition of these requirements into national law, cross-border action against international money laundering and terrorist financing is not possible.

The Government is convinced that a consistently high level of compliance, in the area of the fight against money laundering and terrorist financing in particular, increases legal certainty for clients and financial centre stakeholders and strengthens the financial centre as a whole. For this reason, international political and regulatory developments are being continuously monitored, evaluated and implemented by the competent ministries, authorities, offices and courts.

In addition to the active monitoring and implementation of the standards, the Government also considers the timely implementation of recommendations from the relevant country

³ The PROTEGE Inter-Office Working Group consisting of the Ministry for General Government Affairs and Finance (Chair), the Financial Market Authority, the Financial Intelligence Unit, the Office of the Public Prosecutor, the Court of Justice, the National Police, the Fiscal Authority, the Office of Justice and the Office for Foreign Affairs is a permanent national working group on combating money laundering, terrorist financing and proliferation financing.

evaluations and the safeguarding of the effectiveness of the measures taken to be essential. These measures must take into account the specific risks identified for Liechtenstein in the areas of money laundering and terrorist financing. Only in this way can Liechtenstein fulfil its role in the effective fight against money laundering and terrorist financing in the international context.

2.2 GOAL 2: A risk-based focus to increase the effectiveness in combating money laundering and terrorist financing and improve the risk management by persons subject to due diligence.

Liechtenstein has carried out comprehensive assessments of the risks in the areas of money laundering and terrorist financing, as well as for new technologies (virtual assets), in order to identify and mitigate existing and future risks. It is essential to communicate the results of these national risk assessments to persons subject to due diligence so that they can further develop and improve their understanding of risk accordingly. The FMA shall continue and/or further develop its risk-based supervisory activities, largely based on the results of its own risk analysis, as well as on those of the NRA assessment.

Only the continuous development of the competent supervisory authorities and the intensification of exchanges between the authorities and the financial market stakeholders concerned can effectively prevent abuse of the financial centre for money laundering and terrorist financing purposes.

2.3 GOAL 3: Ensuring effective prosecution in money laundering and terrorist financing.

In addition to compliance with international standards and comprehensive and effective oversight, effective prosecution is also crucial. Liechtenstein has an important and specific role to play in this by investigating more financial flows or making their investigation possible in order to identify the perpetrators and their networks ("follow the money"). Liechtenstein, with its internationally oriented financial centre, shall continue to make a central contribution, both nationally and in exchange with international partners.

The Government will continue to ensure the legal framework for effective prosecution of money laundering and terrorist financing, and will monitor international developments and respond to needs for adaptation.

Sustainable, regular and results-oriented exchanges between all the authorities and organisations involved are essential for the effective fight against money laundering and terrorist financing.

2.4 GOAL 4: Further intensification of national and international cooperation, coordination and exchange of information between the authorities of the PROTEGE Working Group.

Strengthening the fight against money laundering and terrorist financing by further intensifying cooperation between the actors concerned is a top priority for Liechtenstein. The further development of an institutionalised public–private partnership between persons subject to due diligence and the authorities in the fields of prevention and prosecution is being pursued.

Further intensification of cooperation, coordination and exchange of information must take place not only at a national level, but also at an international level, in order to be effective. Liechtenstein will continue its already strong international engagement in relevant EEA, European and international bodies and, if necessary, strengthen it. The area of international financial sanctions to combat terrorist financing and the financing of the proliferation of weapons of mass destruction (proliferation financing) will also be strengthened by further strengthening cooperation at a national and international level.

Through its active involvement in international bodies, Liechtenstein wants to help shape international standards for the effective fight against money laundering and terrorist financing and to contribute its specific expertise to this.

3. IMPLEMENTATION OF THE STRATEGY

The Government shall instruct the PROTEGE Working Group to implement this strategy and to take the necessary measures as defined, as well as to report annually on the progress made.

The PROTEGE Inter-Office Working Group is a permanent national working group on combating money laundering, terrorist financing and proliferation, which was launched in 2013. The PROTEGE Working Group is responsible for coordinating activities related to the further development of Liechtenstein's defence measures, in particular with regard to money laundering and terrorist financing.

In order to implement the strategy, the Government will also adopt a plan of actions setting out the specific fields of action, the timetables, the competent authorities and the necessary resources. The action plan is continuously updated by the PROTEGE Working Group and extended by the Government, if necessary, and gives Liechtenstein the opportunity to respond appropriately and promptly to changing or emerging risks.