



GOVERNMENT  
OF THE PRINCIPALITY OF LIECHTENSTEIN



# Financial centre strategy of the Government of the Principality of Liechtenstein

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# Foreword



The Principality of Liechtenstein is celebrating a major anniversary this year. Looking back on the 300 years since our creation as a state, we see a success story. We have succeeded in preserving Liechtenstein's sovereignty and in always continuing to develop socially, politically, and economically. We have seen crises and threats as opportunities and positive challenges for change. Liechtenstein today is not only one of the most prosperous countries in the world, but also one of the most stable and at the same time most agile. Our economy is growing and is resistant to crises.

Why is that? The people of Liechtenstein have always looked forward, shaping challenges actively and at the right time. The Government and the Princely House have always understood leadership of the State as a way to shape the future rather than simply as good administration. The core of Liechtenstein's sovereignty policy has always been close cooperation with other countries. Economic and political integration is the leitmotif of our good governance.

Financial centre policy and the development of the financial centre are an example of this. Since the founding of the first bank in Liechtenstein more than 150 years ago, the financial centre has developed into an essential pillar of the Liechtenstein economy. The legal framework has been adapted in a forward-looking manner to current circumstances and anticipated developments.

Over the past 20 years, important decisions have been taken regarding the strategic orientation of the Liechtenstein financial centre. The Liechtenstein Declaration of 2009 and the Government Declaration of 2013 on the automatic exchange of information laid the cornerstone for the current strategy. Those courageous decisions were important and necessary so that Liechtenstein financial market stakeholders are able to operate successfully today.

Now we aim to look ahead and continue along the path we have embarked on. In the financial centre strategy, the Government defines the goals and strategic measures for the further development of the framework conditions of the Liechtenstein financial centre. In doing so, the Government is creating an orientation framework for the financial centre to position itself in international competition. The focus is on unrestricted and equal access to important markets and therefore international cooperation as well as on improving the framework conditions provided by the state for innovative enterprises. The Government will take comprehensive measures to ensure that the Liechtenstein financial centre continues to be successful in future.

The Government will further build on existing strengths to ensure that financial centre companies encounter an attractive business location. These strengths include political and economic stability, a liberal legal order in line with European and international standards, integration into two economic areas, the efficiency of the public authorities and, above all, openness to innovation.

I am convinced that Liechtenstein is an excellent location and a valued financial centre both for already established companies and for start-ups. In this spirit, I invite you to participate actively in the implementation of our financial centre strategy and to use Liechtenstein as the location for your financial services company.

Adrian Hasler  
Prime Minister



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# 1. Introduction

4 | Over the past 20 years, the Liechtenstein financial centre has undergone major changes. The Liechtenstein Declaration of March 2009 documented the orientation towards an open, internationally focused financial centre with a clear strategy of transparency and tax cooperation based on international standards. Together with the business community, important strategic decisions were initiated at an early stage. Today, it is evident that the decision to vigorously pursue a reorientation of the financial centre and the measures taken for that purpose were right. This is reflected in growing earnings and positive future prospects. The rigorous adoption and implementation of international standards was an important part of these efforts.

In implementing the measures, close coordination between the Government, the business associations, and the public authorities has enabled Liechtenstein to keep pace with the highly dynamic international developments and to position itself actively. This has strengthened legal certainty in the Liechtenstein financial centre. The perception of Liechtenstein abroad has become increasingly strong and positive.

Due to its geographical location in the heart of Europe, economic cooperation and international integration are particularly important for Liechtenstein. The experience of recent years clearly shows that compliance with international standards and regulations plays a prominent role in gaining bilateral and multilateral market access. Compliance is accordingly more than a location factor; it is a prerequisite for market access and thus a basis for the effectiveness of Liechtenstein's other location advantages.

But more is needed for the financial centre to position itself successfully. Liechtenstein is highly competitive and has special location advantages that must be protected and further expanded. Another key strategic element is Liechtenstein's diversified economy, which strengthens its resilience to crises. This distinguishes Liechtenstein from many competing financial centres.

The Government is pursuing the overarching objectives of the business location at various levels. These objectives also serve to provide guidance for the further development of the financial centre strategy.

## Integrated financial centre strategy as a basis

The integrated financial centre strategy adopted at the beginning of 2013 served as guidance in terms of content and set out jointly defined strategic processes. Strengthening existing competitive advantages and creating additional sustainable competitive advantages was formulated as an objective, as was maintaining stability and reputation. Individual fields of action were defined on the basis of these objectives. Over the past five years, work has continued on many projects, which can be divided into five thematic areas:

1. Preserving the existing competitive framework conditions and creating new competitive framework conditions, including a DTA network,
2. Maintaining compliance with international standards,
3. Preserving and generating value creation,
4. Internal coordination and communication, and
5. External communication, marketing and international perception.

As part of the integrated financial centre strategy, the Government, business associations, and individual market representatives have worked very intensively over the past years on the future of the financial centre. Implementation and development of the integrated financial centre strategy were guided substantially by the so-called Strategy Bureau, which is headed by the Office for International Financial Affairs (SIFA) and is composed of representatives of the Liechtenstein Bankers Association (LBA), the Liechtenstein Institute of Professional Trustees and Fiduciaries (THK), the Financial Market Authority (FMA), the Ministry for General Government Affairs and Finance, and the Office of Justice.

Internal coordination and harmonisation were greatly improved by the structures set up within the public authorities and together with the private sector. Regular collaboration gave rise to cooperation based on trust, which is a positive asset for Liechtenstein.

Maintaining compliance with international standards was the focus of the analyses and implementation work. The measures taken ensured legal certainty and further improved the Liechtenstein financial centre's international reputation.

Liechtenstein made the right strategic decisions in various areas at an early stage. With the Government Declaration of 2013, Liechtenstein committed itself to the automatic exchange of tax information. Liechtenstein has advocated a uniform global standard and, as a so-called Early Adopter, has at the same time committed itself to early implementation. Through this and other examples, the Government has shown that it not only knows how to deal with developments and transformations, but is also in a position to shape them actively and with foresight. The Government will continue to make strategic decisions embracing future developments quickly.

The Government has reviewed the integrated financial centre strategy. The limited resource situation and the consequences for value creation and external communication have been identified as critical factors. These findings have resulted in an adjustment of the integrated financial centre strategy in these areas.

The Government has recognised that it is of strategic importance to maintain and promote the innovative capacity of the financial centre. With the so-called Impuls Liechtenstein programme, the Government has successfully implemented several measures. These include the creation of an innovation process for the further development of the governmental framework conditions and the Regulatory Laboratory for fintech companies at the Financial Market Authority. Impuls Liechtenstein has become an important location factor for innovative companies in Liechtenstein. It has contributed to the establishment of an active fintech industry. Among the most important innovation drivers in the financial centre, blockchain technology plays a special role in the digitalisation of the financial system, but also of the entire economy. The Government recognised this potential at an early stage. Liechtenstein was the first country to develop a legal basis for blockchain in order to guarantee a high degree of legal certainty for companies and customers.

## **Refining the financial centre strategy – continuing with proven approaches and taking advantage of new opportunities**

Since 2013, the Liechtenstein financial centre has undergone further significant changes. Business areas have

been refocused, and the market has experienced consolidation and concentration. After business declines in the past, the financial centre is growing again. Today, the financial sector accounts for a quarter of Liechtenstein's gross domestic product. This shows that the current framework conditions are very good by international standards. Expectations for the future are positive.

The financial centre associations have further developed their sector-specific strategies. They have cultivated a stronger presence both domestically and internationally. This is a good time to critically review the financial centre strategy and to make adjustments and define content and steps for the coming years. The strong involvement of the business associations and market participants in the strategy and implementation process has been important and successful, but ties up many resources in the Administration. For the future, it will therefore be important to further improve the efficiency of processes so that – alongside extensive day-to-day responsibilities – sufficient attention is dedicated to identify future developments and take advantage of new opportunities as well as to focus on defining and implementing strategically relevant projects.

Liechtenstein's starting position has improved markedly on the basis of its integrated financial centre strategy. This is why the key substantive points and priorities can be reconsidered and redefined today. The changed environment must be taken into account, including regulatory and especially technological developments.

## **Regional and international environment – specific location advantages becoming more important**

The financial centre is in a unique position thanks to its close ties to Switzerland, the Swiss franc as its official currency, its inclusion in European financial market regulation, and its access to the European Economic Area (EEA). Through the EEA, Liechtenstein providers are able to offer financial services throughout Europe. The network of free trade agreements and double taxation agreements is steadily growing, leading to greater recognition and competitiveness of Liechtenstein products and services. Close integration into the Swiss financial system is also crucial for the Liechtenstein financial market, as is access

to the Swiss National Bank and to the Swiss payment and securities transaction infrastructure.

The international environment for financial service providers has changed fundamentally over the past 20 years. The financial crisis of 2007/08 and the subsequent economic crisis have made it clear that the international financial system has systemic shortcomings. The financial resources needed to rescue systemically important banks and entire states have had a major impact on public finances and central banks worldwide. At the same time, strong political support has been growing for long-standing international efforts to combat money laundering and terrorist financing more effectively and to curtail cross-border tax practices that have been described as unfair. The international community has recognised that a lack of adequate transparency in the international financial system can lead to abuses. For this reason, international organisations and individual states have greatly increased the regulatory density of the financial market. The EU has further strengthened these international developments in recent years. It has set higher standards and at the same time made access to the European market more difficult for third countries. For Liechtenstein as an EEA member, access to this European market will therefore be an even stronger location advantage in future.

Even if the high frequency of new laws and rules, coupled with institutional communitisation, remains a challenge, it is above all an opportunity for the financial centre. For international assets in particular, the complexity of compliance has risen dramatically. This creates space for competent advice and new business areas, and hence the potential to distinguish oneself positively from other locations. Rules that apply multilaterally or at best worldwide are in Liechtenstein's interest. They create legal certainty and equal conditions for competition. This level playing field is of essential importance for Liechtenstein.

The trend towards more transparency continues. This development not only affects the Liechtenstein financial centre. It has worldwide effects and a clear consequence: The role, quality, and expertise of financial service providers in responding to the changing needs of financial centre clients will become even more important. This well-developed location advantage of the Liechtenstein financial centre must be further expanded. Of particular importance in this regard is the targeted transfer of knowledge to

and from Liechtenstein, both in basic and continuing training and education as well as in research in the areas relevant to the financial centre, especially in promising technologies.

The "internal" location factors will become more important: Liechtenstein must offer the financial service providers established in Liechtenstein clear location advantages so that they keep their headquarters or managing offices in Liechtenstein, generate added value here, and create new jobs. In addition to unrestricted access to the relevant markets, these location factors include an entrepreneur-friendly and liberal economic system, an excellent infrastructure, moderate taxes, low non-wage labour costs and administrative expenses, legal and planning security, fast decision-making and communication paths, and competent and efficient public authorities that are open to new developments.

Sustainability is a demand that business, politics, and society are making on themselves in the 21st century. Government institutions, companies, investors, and consumers are called upon to act responsibly so that the next generation will be left with an intact social, environmental, and economic system. The development towards investments that give a sense of purpose, especially in the case of wealthy and institutional clients, will continue to grow. Sustainable investments are also becoming more important for private investors. The creation of transparency about whether and how investment products meet sustainability criteria will become the standard in the medium term. As a clear differentiating feature, the Liechtenstein financial centre strives to establish responsible, sustainable action as part of its culture already today.

Liechtenstein must now build on its starting position, which is already strong. The Liechtenstein financial centre has a substantial and diversified financial services sector with many years of expertise in international business. The legal certainty that Liechtenstein offers is an important asset and a great competitive advantage in a time of major legal and political upheaval around the world. The Liechtenstein financial centre should therefore be expected to become attractive for other sectors as well, as can already be seen today in the area of digitalisation.



## 2. The financial centre embedded in the overall economy

The financial centre strategy is embedded in the Government's long-term efforts to preserve and expand Liechtenstein's prosperity. This concerns not only absolute prosperity, but also the participation of all strata of the population in that prosperity and the resilience of the Liechtenstein national economy in general. Entrepreneurship plays a particularly important role, given that prosperity in Liechtenstein is created primarily through entrepreneurial activity and value creation. But in addition to value creation and a strong tax base, it is also crucial for economic activity to create attractive, well-paid jobs for the population of Liechtenstein and the neighbouring region, at all levels of education. In order to ensure the robustness of the national economy, a wide range of diversified business areas are also necessary, which in turn depend on various external factors.

With its very high contribution to GDP, the Liechtenstein financial centre contributes significantly to these general goals. In addition to a large number of attractive jobs for Liechtenstein and the region, the beneficiaries of a strong financial centre also include small and medium-sized businesses, service enterprises, and ultimately the general public.

The Government is pursuing the goal of preserving and further expanding the economic importance of the financial centre. In doing so, it builds on successful private-sector activity, and it provides companies with attractive framework conditions and public services.

# 3. Principles of the Liechtenstein financial centre

8 | The Government sets out principles for the definition and implementation of strategic objectives. These principles are crucial for the long-term economic success of the financial centre and the prosperity of the country. They represent the values that guide governmental action concerning the financial centre and accordingly also implementation of the strategic objectives.

## Principle 1: Legal certainty and stability

The Liechtenstein legal order is clear and predictable. The applicable rules are risk-based in their design and proportionate in their application. Legal certainty is guaranteed by the stability of the national legal order, compliance with international obligations, and consistent implementation of international standards. This creates trust in the actions of all Liechtenstein public authorities and market participants, forming the framework for maintaining prosperity.

An important basis for economic success is the country's financial stability. The Government keeps the national budget balanced and acts early to ensure long-term stability.

## Principle 2: Integrity and quality

Trust in the integrity of the financial centre and the high quality of the services offered are basic prerequisites for economic success.

The integrity of the financial centre is safeguarded by compliant and fair conduct on the part of all financial centre stakeholders. Transparency and clear rules protect against abuse and ensure the integrity and quality of the financial centre. The Government and public authorities take effective action against abuse of the financial centre. The financial centre and its clients are protected by effective supervision and prevention, rigorous punishment of violations, and active cooperation with foreign authorities.

## Principle 3: Innovation

Openness, constant striving for excellence, and innovation are the driving forces of economic progress and prosperity. The Government facilitates and supports private innovation. The Government and public authorities are open to new technologies and business areas.

## Principle 4: Cooperation and integration

Cooperation and integration are basic prerequisites for Liechtenstein's economic prosperity. Cooperation within Liechtenstein is the basis for successful European and international cooperation and integration. The financial centre makes use of the advantages of easy access to decision-makers within public authorities, business associations, and financial market stakeholders. The early involvement of market participants in the development of the regulatory framework as well as open exchanges of views with financial market stakeholders take place within a constructive and structured framework.

Liechtenstein is part of the international community, is committed to the European single market, and maintains close cooperation with Switzerland. Cooperation means not only the credible implementation of international standards, but also Liechtenstein's efforts to position itself actively in the interest of open and non-discriminatory coexistence. Cooperation with other countries and membership in international organisations ensure Liechtenstein's recognition, respect, and access to important markets.

## 4. Strategic objectives

In order to adjust the variables correctly for the development of the financial centre, drawing on the identified developments and possible scenarios, the Government defines the following fundamental objectives:

### Objective 1: Strengthen the competitiveness of the business location

Liechtenstein is part of the European system of values and laws. In light of developments in international and European politics, which have led to a strong standardisation of requirements for financial service providers, business locations will be able to position themselves only through excellent national framework conditions that are in line with international standards.

Compliant, practice-oriented regulation is considered to be an opportunity and a competitive advantage. The attractiveness of a location for financial service providers will depend even more strongly on stability, legal and planning security, infrastructure, direct and easy access to public authorities, and quality – i.e. on the clarity and simplicity of the national legal framework. For that reason, the Government will consistently work to further improve national competitiveness, with the goal of supporting Liechtenstein businesses.

### Objective 2: Preserve and increase value creation

As a result of increasingly dynamic international developments at the political, regulatory, and technological levels, business concepts can become obsolete even more quickly than before. In order to remain successful in the long term, financial service providers must continuously develop their products and services and strengthen their innovative capacities.

Since the financial market is highly regulated, private sector innovation can succeed only if the state itself facilitates this further development. The Government therefore considers the public and private capacity for innovation to be one of the key competencies for the future, and it will strengthen and support that capacity in a targeted manner. In addition to innovation within companies, special impor-

tance is attached to the formation of new businesses and the relocation of existing companies.

### Objective 3: Protect and expand market access

Liechtenstein's economy is predominantly export-oriented and based on cross-border business activities. This is also true of the financial sector. Unrestricted and equal access to important markets, the clients in those markets, and the major financial centres is of great importance to the financial industry. Liechtenstein has created a strong starting position for itself thanks to close relations with Switzerland and other important trading partners, participation in the EEA, membership in EFTA and the WTO, and a large number of free trade agreements and double taxation agreements. However, efforts are required even just to maintain the status quo.

International cooperation and economic and political integration are the most important prerequisites for market access. International standards, sanctions, and European requirements and frameworks must be consistently implemented and complied with. Abuse of the financial centre must also be combated effectively by increasing transparency. Compliance with industry standards in international payment transactions is equally important. This is fundamental to protecting access to international financial markets.

In addition to national measures, attractive framework conditions for Liechtenstein companies require consistent expansion of the network of double taxation agreements, recognition of the Liechtenstein legal system and Liechtenstein company forms, and further reduction of restrictions on cross-border business. The Government ensures prompt and consistent implementation and enforcement of international and European obligations and standards and the removal of restrictions on market access.

## **Objective 4: Strengthen the positive perception of Liechtenstein as a business location**

Now more than ever, an export-oriented and open country such as Liechtenstein is dependent on the recognition and trust of its partners in order to protect its interests. This positive perception is also important for securing and expanding market access and for competitiveness. It is a key factor in the choice of location of a financial services company and in the recognition of the products and services of financial service providers operating in Liechtenstein.

Even though much has been achieved in recent years, Liechtenstein's companies face certain restrictions in cross-border business that reduce the attractiveness of the location. The Government therefore engages in targeted promotion of a positive perception of Liechtenstein with important partner countries, financial centres, organisations, and the public.

# 5. Strategic measures

To achieve the strategic objectives, the Government defines the following strategic measures. The Government will specify these measures in further detail in terms of content, timing, and organisation. The strategic measures must be implemented in accordance with the defined principles. They cannot be viewed in isolation, but must be seen in the context of the overall national economy and with regard to their external impact. The measures can be subdivided thematically into the areas of “Governance and recognition”, “Market access”, and “Value creation”.

## 5.1 Governance and recognition

An effective financial centre strategy includes measures for steering the regulatory process that serve to enhance international recognition of the financial centre. The Government positions Liechtenstein as a responsible, open, and fair partner, and in return it expects recognition and equal treatment.

### 5.1.1 Compliance with international and European standards

Compliance with international and European standards is an important basis of the financial centre strategy. It is undisputed that this compliance plays a prominent role in the current context. The international standards include in particular the requirements of the OECD, the Global Forum on Transparency and Exchange of Information for Tax Purposes, the European Union including the European Supervisory Authorities, and other global standard setters such as the FATF, IOSCO, and the IAIS.

It has become clear that effective implementation of international standards is used in many areas as a benchmark for determining whether a state is a trustworthy partner. A lack of compliance may result in economic disadvantages or even sanctions. Examples include various black lists (FATF, G20, and EU, as well black lists established by individual countries).

For an internationally oriented financial centre such as Liechtenstein, the importance of compliance is so fundamental today that appropriate measures must be taken to ensure that priorities and contents are defined correctly and that the necessary resources are made available. The crucial factor here is not only implementation of the content, but also the timing of implementation. The Government

is convinced that a consistently high level of compliance with international and European standards increases legal certainty for clients and financial centre stakeholders and strengthens the financial centre.

Liechtenstein’s credibility in complying with international and European standards is given the highest priority. For this reason, international political and regulatory developments are monitored and evaluated continuously by the competent authorities. The Government will use the bilateral and multilateral opportunities to contribute actively to these developments. It is a great advantage for Liechtenstein to participate as early as possible in the standard-setting processes of the relevant international organisations. The Government decides at an early stage how Liechtenstein should deal with a new development or a new standard. In a second step, it is essential to involve market participants in order to achieve effective and efficient implementation.

One of the ways to ensure compliance with international standards is through peer reviews or country assessments, e.g. by MONEYVAL (FATF recommendations), the OECD Global Forum (exchange of information for tax purposes), the OECD Inclusive Framework on BEPS (BEPS minimum standards), and the European Supervisory Authorities. The results of these international review mechanisms flow directly into individual countries’ political and legal assessments of their partners. A negative rating, such as “non-compliant”, “partially compliant” or an insufficient assessment of effectiveness in one of these assessments has a direct impact on a country’s market access. Such impact may extend far beyond the financial centre and jeopardise the business location as a whole.

It must be Liechtenstein’s goal to maintain a consistently high level of compliance and effectiveness in these reviews. In addition to actively monitoring and implementing standards, this also includes timely implementation of recommendations set out in the country assessments and ensuring the effectiveness of the measures taken.

As part of implementation of the strategy, the Government is also prepared – alongside international standards – to examine further measures to ensure that implementation is systematic and that abuses and undesirable developments in the financial centre can be countered effectively. This is done to protect the financial centre’s integrity. In

12 | the Government's view, this is in the overall interest of the business location.

#### Measures

- The Government systematically monitors and assesses the development of international and European standards.
- The Government and the authorities get actively involved at an early stage in key standard-setting bodies.
- The Government takes the necessary measures to ensure a consistently high level of compliance.
- The Government ensures timely implementation of recommendations set out in Liechtenstein country assessments and ensures the effectiveness of the measures taken.

#### 5.1.2 Networking with international organisations and partner countries

The Liechtenstein financial centre has a strong international network. The clients and markets of Liechtenstein's financial service providers are predominantly located abroad. As a member of the European Economic Area (EEA), Liechtenstein's relations with the EU member states and the EEA/EFTA partner countries of Norway and Iceland are of the utmost importance. As a member of the EEA, Liechtenstein transposes all EU legal acts in the field of financial services into domestic law. The same legal framework therefore applies in Liechtenstein as in the EU countries. As a result, Liechtenstein financial institutions enjoy direct access to the EU single market. They benefit from the EU passport, a system that allows financial service providers already authorised in the EEA to offer their services in other EEA countries without further approval requirements. An active and close dialogue with EEA and EU institutions as well as with the EU partner countries relevant to Liechtenstein and with the EU presidency is also of great importance for the future.

Thanks to its EEA membership, Liechtenstein is also closely integrated into the European supervisory structure. The FMA is a member of all European financial supervisory authorities: the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Securities and Markets Authority (ESMA), and the European Systemic Risk Board (ESRB). Liechtenstein and Switzerland are closely linked through the Customs Treaty and the Currency Treaty as well as

through a large number of other bilateral treaties, including a double taxation agreement and some specific bilateral regulations in the financial services sector. Switzerland continues to be Liechtenstein's most important economic and political partner. The Government wants to further deepen and expand the good and close cooperation with Switzerland, especially also in regard to the financial centre. The shared interests are to be used for even closer coordination. Cooperation is also to be expanded with other important financial centres in Europe and worldwide. Liechtenstein is a member of various important international organisations (United Nations, MONEYVAL, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD Inclusive Framework on BEPS). In these organisations, the international standards relevant to the Liechtenstein financial centre are developed and their implementation is reviewed. The FMA is a member of the most important global supervisory bodies. These include the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS), and the International Organisation of Pension Supervisors (IOPS).

In the field of combating money laundering and financing of terrorism, Liechtenstein is a member of the Council of Europe committee MONEYVAL, which it has chaired for more than two years. As an FATF-Style Regional Body, MONEYVAL monitors fulfilment of the FATF standards by its member countries. The result of this assessment includes technical compliance and effectiveness of implementation.

Membership and active participation in the various bodies of these organisations are extremely important for Liechtenstein and are to be strengthened further. These international networks have turned out to be of great significance for Liechtenstein. The Government will review on an ongoing basis whether the existing memberships are sufficient to achieve Liechtenstein's objectives and interests.

The Government aims to strengthen Liechtenstein's position through further memberships. It is reevaluating membership of the International Monetary Fund (IMF). When considering memberships, partial steps must also be evaluated, such as observer status or membership in sub-organisations or individual bodies, such as the Committee on Fiscal Affairs or the Forum on Tax Administration of the

OECD. Inclusion as early as possible in the standard-setting processes of the relevant international organisations is a great advantage for Liechtenstein. The systematic development of an international network further promotes the stability of the Liechtenstein financial centre and the availability of relevant data. It also leads to greater external visibility, for example through inclusion in the relevant indices and rankings.

In addition to multilateral cooperation and networking, the Government also attaches great importance to expanding bilateral cooperation. Dialogue and coordination with key partner countries must be further strengthened in the interest of Liechtenstein. In this regard, the Government notes that – alongside other locations where Liechtenstein is already represented with an embassy or honorary consuls – Paris has become significantly more important for topics relevant to the financial centre. Paris has been the seat not only of the OECD, the Global Forum, and the FATF for many years, but also of European supervisory authorities. In addition to the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) will also move its headquarters to Paris in 2019. The central political position and important economic weight of France in the EU will be further enhanced by Brexit. The Government will therefore examine whether opening a permanent representation in Paris would make it possible to safeguard Liechtenstein interests more effectively.

#### Measures

- The Government participates actively in the international organisations responsible for developing and assessing the implementation of standards relevant to the financial centre.
- The Government aims to improve Liechtenstein's position by expanding its membership in international organisations.
- The Government is strengthening dialogue with key partner countries and financial centres.

### 5.1.3 Competitiveness and international recognition of Liechtenstein's company law and fiduciary sector

The core competencies of the Liechtenstein financial centre are a broad range of services for long-term solutions to preserve assets across generations. An important basis for this is the liberal Liechtenstein company law with its wide range of legal forms, including trusts. Liechtenstein foundation law, originally dating from 1926, underwent a comprehensive revision in 2008. With the system of internal and external foundation governance created in 2008, Liechtenstein recognised at an early stage that functioning governance – i.e. comprehensible and responsible action of the governing bodies with appropriate control mechanisms – is a key feature of competitive foundation law. Since the revision, charitable foundations have been subject to mandatory supervision by the Foundation Supervisory Authority (STIFA).

The Liechtenstein fiduciary sector plays an important role in the provision of cross-border asset solutions. Professional trustees in Liechtenstein assume the role of advisors for their clients in many different areas of asset preservation and, above all, are also persons of trust. The protection of this trust is not only a duty of the professional trustees and trust companies themselves, but is also in Liechtenstein's overarching interest.

In addition to official supervision, the fiduciary sector also relies heavily on self-regulation and self-monitoring. A modern, internationally recognised legal system, transparency, effective and credible combating of abuse, and effective client protection are of great importance for the future success of the Liechtenstein financial centre as a location for the structuring and management of large assets. It is the Government's task to keep the framework of company law attractive and, at the same time, to review and improve regulation and monitoring measures in the fiduciary sector. In this way, the Government takes account of the changing framework conditions with the aim of contributing to the long-term positive development of the Liechtenstein fiduciary sector.

Against this background, a targeted improvement of foundation law and a review of the trust law are being initiated as part of a revision of company law. The Liechtenstein company forms set out in the Law on Persons and Companies (PGR) that are relevant for the cross-border

structuring and management of assets, are being evaluated with a view to their use. It must be taken into account in this regard that regulatory and socio-political developments demand a high degree of transparency in business activities.

In order to further strengthen the equilibrium of the system under the framework conditions prevailing today, the activities of Liechtenstein foundations and comparable legal forms must be transparent and comprehensible to the authorities and beneficiaries. The rights of inspection, information, and to participate in legal proceedings are being improved where necessary. The powers of the supervisory bodies to implement measures must be strengthened.

The governance of public-benefit foundations is of great importance both nationally and for cross-border recognition. The measures to ensure that the governing bodies act in a comprehensible and responsible manner are currently defined and implemented by the internal and external control mechanisms provided for in foundation law. The requirements for tax exemption under tax law are also relevant in this context. It must be examined whether the existing legal means for supervisory activities and implementation of measures are sufficient. The focus is on systematic supervision with regard to compliance with the foundation purpose and a clear practice for distributions to beneficiaries. This will also further improve the international recognition of Liechtenstein public-benefit foundations and strengthen Liechtenstein as a location for philanthropy.

Supervision of professional trustees will be strengthened in the interest of client protection and international recognition. The requirements for the exercise of the profession of trustee are to be clarified. Compliance with these requirements must be monitored on an ongoing basis. Effective enforcement of appropriate supervisory measures must be improved. Liechtenstein professional trustees must provide evidence of appropriate risk management and an internal control system for their company. Conflicts of interest must be identified, documented, and avoided by means of verifiable measures. Transactions for trustees' own account are prohibited. External audits are to become mandatory. Independent, effective, and transparent disciplinary measures must be guaranteed. Cooperation among authorities will be further improved to ensure the most efficient supervision possible.

The visibility of the existing out-of-court Conciliation Board (ombudsperson) will be enhanced by improved reporting. Expansion of the Conciliation Board's jurisdiction and an increase in resources will be considered.

#### Measures

- The system of internal and external governance of foundations will be strengthened.
- The Government is reviewing the legal framework for Liechtenstein company forms with the goal of improving international competitiveness and recognition.
- The Government is taking measures to strengthen client protection and supervision of the fiduciary sector.

## 5.2 Improving market access for Liechtenstein companies

### 5.2.1 Reducing obstacles to cross-border business

Although great progress has been made over the last two years, restrictions or even discrimination against Liechtenstein companies in cross-border business still exist both in Europe and worldwide. Such disadvantages exist both on the part of the state and at the level of individual foreign companies.

The Government attaches a high priority to the consistent dismantling of such disadvantages for Liechtenstein companies in cross-border business. This also includes equal access to the international financial services system.

Over the past few years, many obstacles arising from a lack of tax cooperation have been dismantled, particularly in Europe. One key factor in this was the excellent cooperation between business associations and the competent authorities in Liechtenstein. A simple process has been set up for the receipt and handling of new notifications of restrictions of market participants and financial market service providers. This process will be maintained and further strengthened. The aim is direct and efficient handling and resolution of problematic restrictions as well as a coordinated and targeted approach.

This approach simplifies communication channels. International recognition of Liechtenstein company forms is strengthened through targeted multilateral and bilateral dialogue. The Government represents the interests of the



Liechtenstein economy and addresses concrete problems directly.

#### Measures

- The Government provides the financial industry with contact points to identify and assess obstacles to cross-border business and to develop and implement the necessary measures.

#### Measures

- The Government is continuing to expand the Liechtenstein network of double taxation and free trade agreements. The Government works to ensure recognition and legal certainty for Liechtenstein company forms.
- The Government works to enhance legal certainty for international assets and market access for financial services through suitable agreements.

### 5.2.2 Expanding the DTA and free trade network

Liechtenstein is part of the Swiss customs and currency area, a member of the European Economic Area and, as a member of the European Free Trade Association (EFTA), part of a large network of free trade agreements. These agreements secure access to markets that are very important for Liechtenstein businesses. In return, Liechtenstein is obliged to incorporate many legal acts from Switzerland and the European Union. For Liechtenstein, this is the most efficient and best way to participate in these markets without restriction, even though the process of incorporating the legal provisions ties up many resources due to the large volume of new legislation and the necessary harmonisation with other areas of the law.

In recent years, the network of free trade and double taxation agreements has been further expanded with the participation of the business associations. This process is challenging because the partner state must be convinced of the need for an agreement. The OECD/BEPS developments have reduced the chances of concluding advantageous DTAs quickly with key partners.

It is of the utmost importance for the financial centre that the recognition of Liechtenstein legal entities is guaranteed when new DTAs are concluded and that any existing restrictions on market access are removed. At the same time, a critical size of the DTA network is crucial to success. Expansion of the DTA network is therefore being pursued with a clear definition of priorities. The Government is also working to enhance legal certainty for international assets and market access for financial services through free trade agreements.

### 5.3 Maintaining and expanding value creation in the financial centre

The Liechtenstein financial centre consists of a strong banking, asset management, and fiduciary sector, a prospering fund centre and insurance sector, an important philanthropy location, and a growing fintech community. The Government believes this diversity is very important. It strengthens the resilience of the Liechtenstein national economy and ensures better crisis resistance. The Government will therefore support all businesses, both established companies as well as new sectors, with the best possible general framework conditions. These include competent, accessible, and efficient authorities; a simple and fair, internationally recognised tax system; attractive working conditions; access to labour and expertise; and an excellent infrastructure.

In addition to these location factors, the ability of the authorities and the Government to keep pace with entrepreneurial innovation will be even more important in future. Over the past few years, the Government has therefore set up an Innovation Framework to develop the best possible conditions on the part of the state for entrepreneurial activity. This framework is particularly important when the momentum of change is dynamic and continuous, so that stakeholders can keep up with technological developments and so that the currently good conditions of the business location can be preserved.

The Innovation Framework contains several structures that are closely interlinked:

**Innovation Clubs:** Innovation Clubs represent the state innovation process to optimise the framework conditions for entrepreneurial activities. One of the goals is for companies – individually or jointly – to contribute ideas for

improving laws, ordinances, processes, or official practice, directly and with little administrative effort. Each idea forms its own Innovation Club. The specific ideas and concepts are then examined and approved by the Government. Implementation takes place in a working group, for example, or by commissioning an expert opinion. The Innovation Club process has developed very positively and has helped further develop the framework conditions at all levels.

**Regulatory Laboratory:** The Regulatory Laboratory at the FMA serves as a contact point for innovative companies that are not clearly assignable to one of the classic supervisory categories. The Regulatory Laboratory supports companies in the licensing process and helps to clarify whether financial market legislation is applicable to their specific business model. Through direct contact with the practice side, the Regulatory Laboratory gains a well-founded overview of whether the state framework conditions and official practice can keep pace with technological and entrepreneurial innovation. Open questions can then be clarified either in the FMA's internal, cross-divisional expert group or together with the Government. There is also a possibility for companies to contribute their ideas for adapting the legal framework by means of an Innovation Club.

**Liechtenstein Venture Cooperative (LVC):** The LVC is a platform – based on the legal form of a small cooperative society – for the private sector development of an innovation from the idea to market. It is optimally tailored to cooperation among several companies and private individuals for innovation development, and already today it contributes to an increase in innovation activity in Liechtenstein. In parallel, the Government strives to improve the internal processes of the public authorities and the general location factors within the framework of overarching projects. These include in particular the projects to expand eGovernment and digitalisation in the National Administration.

### 5.3.1 Further developing the Innovation Framework

In the Government's view, the Innovation Framework in place since 2015 is of particular strategic importance for maintaining prosperity and jobs. The great demand and the positive feedback from companies show that the Innovation Framework has proven to be very successful. This is also evidenced by the many small and large contributions to improving the economic framework conditions. For these reasons, the structures and processes as well as

the resources available for them, are to be strengthened and further developed. This includes, in particular, resources for accompanying the Innovation Clubs and the subsequent implementation projects.

Experience over the past few years has shown that direct contact by the Government and Administration with financial centre companies is very useful. The dialogue with the companies helps to identify optimisation potential for the framework conditions provided by the state. In future, more resources must be employed by the state for this purpose. Some of these resources must certainly also be deployed for improved coordination of enquiries to the authorities by the companies, especially in the formation or relocation process.

Due to the strong increase in enquiries, the very positive response from market participants, but also the increasing complexity of cases, the FMA has strengthened its internal structures and created its own organisational unit with additional resources.

The practice of the Regulatory Laboratory has shown that innovative business models are regularly developed and implemented which – while they may be classified as close to the financial market – do not fall within the current scope of financial market legislation. This entails a lack of legal clarity for the companies, which may have an inhibiting effect on innovation. Innovative market participants may want to voluntarily submit to the requirements of financial market law and supervision by the FMA, even if this is not permitted by the scope of the law. In principle, this is also in the interest of the Government. The Government therefore wants to examine how this need can be met. From the Government's perspective, it is also important for the authorities to be able to monitor market developments more closely. The Government is considering creating a legal basis in this regard.

#### Measures

- The Government is strengthening the structures and processes of the Innovation Framework.
- The Government is examining a legal basis for more transparency regarding the market development of companies close to the financial market.
- The Government is examining voluntary subordination of companies close to the financial market under the supervision of the FMA.

### 5.3.2 Creating the legal basis for the “digital financial centre”

Digitalisation is a key driver of innovation also in the financial centre. On the one hand, it helps to make internal processes and interfaces with clients more efficient. On the other hand, there are also new business concepts that become possible only through digitalisation. Digitalisation is also changing the demands on laws and official practice of public authorities in the financial services sector. It is of fundamental importance for the financial centre to gain experience with the new technologies in order to be able to make a well-grounded assessment of opportunities and risks and in that way to treat innovative companies fairly and openly.

The Government endeavours to adapt laws, ordinances, and official practice to the requirements of digitalisation, as far as doing so is possible within the framework of international standards. This includes technology-neutral regulation and the possibility of managing processes completely digitally. The Government also works at the international level to ensure open, technology-neutral, and innovation-friendly regulation of the financial market.

Initiating business in the financial centre by digital means will become increasingly important. Digital identification of new and existing clients will play an important role in future. The Government is therefore introducing a passport for the financial centre – on the basis of an electronic identity – that can be used for fast and fully digital initiation of business with new clients. The electronic identity is to be accessible to both domestic and foreign clients of the financial market and issuable online.

Distributed ledger technology (DLT), or blockchain technology, plays a special role in the digitalisation of financial services. The Government recognises the great innovative power of DLT and sees opportunities for the Liechtenstein financial centre as well as for the business location as a whole. The Government also sees the potential in significantly broader application of blockchain technology that goes well beyond today’s business models. Secure digital representation of assets and general rights on DLT systems is an important foundation for the further digitalisation of financial services and business processes. These applications are generally subsumed under the term “token economy”. DLT applications raise fundamental legal questions. For the potential of the token economy to unfold, sufficient

legal certainty is required. Due to the strong need in the market, the Government has drafted the world’s first framework law for the token economy. The Blockchain Act creates a legal framework for the token economy and defines clear guidance for blockchain service providers. Since the wide range of applications that are possible with blockchain technology will continue to influence the legal framework, it is important that the Government closely accompanies this development.

#### Measures

- The Government is developing the legal framework for digitalisation of the financial centre and is enabling end-to-end digital official processes within the framework of eGovernment.
- The Government is introducing a digital passport for the financial centre on the basis of electronic identity in order to facilitate end-to-end digital initiation of business with Liechtenstein companies.
- The Government is further developing the state framework conditions for the token economy and in that way creating legal certainty for companies and users.

## 6. Communication

18 | Positive external perception of the financial centre is an important location factor. An active communication strategy is therefore part of the strategic positioning of the Liechtenstein financial centre.

Communication measures are aimed at different target groups. For the reputation of the financial centre, positive perception by policymakers, public authorities, and the media of important partner countries is key. Their trust in the Liechtenstein financial centre facilitates access to important markets and integration into the global financial system. Another important target group consists in companies that are either active in Liechtenstein or are interested in relocating here. A positive perception of the financial centre and of the location advantages for financial service providers is essential for a positive development.

Clients of Liechtenstein financial service providers are also addressees of financial centre communication in the broader sense. Most providers refer directly or indirectly to Liechtenstein as a location when acquiring and maintaining clients. Positive perception of the location by clients and their advisors supports the prosperity of the financial centre. In this sense, business location communication is a way to complement client acquisition by private companies, but it cannot replace their product and service marketing.

The distribution of roles between the Government, public authorities, and the private sector in financial centre communication is determined by the communication objectives and individual target groups. The Government is responsible for the implementation of visible business location communication. Cooperation with the financial centre associations is important for effective communication. On the other hand, the preparation of concrete offers for clients, client acquisition, and market development are the responsibility of the financial service providers or interest groups.

### 6.1 Positioning the financial centre

The international perception of Liechtenstein as a financial centre has improved significantly in recent years as a result of its consistent alignment with international standards. This fact, but also the principles of the financial centre and Liechtenstein's integration into the European legal and supervisory system, will be communicated more actively to the outside world in future.

Positioning is guided by the outstanding characteristics of the location, such as the high degree of political and economic stability, the rule of law, the liberal legal order in line with European and international standards, integration into two economic areas, the efficiency of the public authorities, and the openness to innovation.

The core of the Liechtenstein financial centre's brand stands for stability, longterm perspective, and openness to innovation. Building on this, communication takes place under the brand "Liechtenstein Finance" and the slogan "Thinking in Generations". This is implemented through uniform positioning of the financial centre, both at the level of business location communication and in the communication of the individual financial centre stakeholders.

#### Measures

- The Government actively represents the positioning of the financial centre with clear messages to the rest of the world.
- The core messages are developed in consultation with the financial centre associations.

## 6.2 Organisation of financial centre communication

To comprehensively implement and further develop financial centre communication, an organisation is to be set up as a public-private partnership. This organisation is to be financed by the Government and the financial centre associations and managed by a jointly appointed steering committee. This steering committee is responsible for medium-term planning and coordination of the measures. This includes the media-specific preparation of core messages and financial centre information, presence on the internet and in social media, as well as the provision of brochures and other print products. In addition, events abroad – such as roadshows or business dinners – are envisaged to make Liechtenstein known as a business location to a wider public. The existing cooperation with Liechtenstein Marketing in the implementation of the measures has proven to be valuable and is to be continued.

Events in Liechtenstein, such as the Finance Forum or the various fintech conferences, are an important part of financial centre communication. These facilitate exchanges among financial service providers, but also networking with representatives of partner countries and other financial centres. The Government will provide targeted support to these platforms in the coming years and expand them thematically.

The Government will continue to use and develop bilateral meetings at the ministerial and public authority level to cultivate partnerships, build trust, and increase familiarity with the financial centre. In addition, the Government pursues active media work in Liechtenstein and abroad to position the financial centre.

An important basis for the external presentation of the financial centre is also the availability of data and information relevant to the financial centre, the dissemination thereof in international databases (e.g. EU, World Bank), and correct representation in relevant financial market rankings. The Government will work with the competent authorities to process the existing data and make it available for further use in international databases.

### Measures

- The Government strengthens the external presentation of the financial centre and provides resources for financial centre communication. It participates financially and in terms of content in a new organisation established as a public-private partnership.
- The Government supports or organises national events on financial centre topics with the goal of networking and knowledge transfer.
- The Government cultivates active media work and presents Liechtenstein in opinion-forming media.
- The Government provides data for improved visibility in relevant indices and rankings.

# Glossary

20	BEPS	Base Erosion and Profit Shifting
	DTA	Double taxation avoidance agreement
	EBA	European Banking Authority
	EEA	European Economic Area
	EFTA	European Free Trade Association
	EIOPA	European Insurance and Occupational Pensions Authority
	ESMA	European Securities and Markets Authority
	EU	Europäische Union
	FATF	Financial Action Task Force
	FMA	Financial Market Authority Liechtenstein
	G20	Group of Twenty leading industrialised and emerging economies
	IAIS	International Association of Insurance Supervisors
	IOSCO	International Organization of Securities Commissions
	MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
	OECD	Organisation for Economic Co-operation and Development
	WTO	World Trade Organization



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