LIECHTENSTEINISCHER BANKENVERBAND

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Pages	-3-

Banks issue tax compliance guideline

To keep untaxed assets away from the financial centre Liechtenstein, the Liechtenstein banks have undertaken to apply uniform minimum standards with respect to the due diligence obligations for their customers' tax compliance.

A year ago, in connection with the on-going agreement negotiations with various countries, the Liechtenstein banks had already issued a guideline that imposed the obligation upon them not to actively promote the shifting of assets from the scope of application of these agreements before any regularisation solutions entered into force. In this way, they quelled any concerns regarding the "leaver issue" from the outset. Now, the Liechtenstein banks have issued an even more extensive guideline for the tax compliance of their customers.

Uniform minimum standard

In its principles, the guideline stipulates that though it is the responsibility of the clients to comply with their tax obligations, the banks are interested in taking measures to keep untaxed assets away from the financial centre and not to be faced with the accusation of aiding and abetting behaviour that violates tax law. "We are constantly making efforts to protect the reputation of our financial and banking centre. With the ICMA Private Banking Charter of Quality, the banks have committed themselves to highest international quality standards on the basis of the three fundamental principles of integrity, transparency and professionalism", says Simon Tribelhorn, Director of the Liechtenstein Bankers Association (LBA). "On this basis, the banks, with this guideline, provide a system response in terms of minimum standards applicable throughout the banking centre." The guideline consistently continues and formalises the tax compliance strategy on which the banking centre has embarked quite some time ago and it again shows that the banks are taking it seriously," adds Adolf Real, Chairman of the LBA. "In this way, it also adds credibility and force to Liechtenstein's agreement and tax compliance strategy."

AUSTRASSE 46 · P.O. BOX 254 · FL-9490 VADUZ
TELEPHONE +423 230 13 23 · FAX +423 230 13 24 · INFO@BANKENVERBAND.LI · WWW.BANKENVERBAND.LI

Core element "risk-based approach"
The core element of the guideline is the risk-based approach, according to which the banks must, in the case of an increased risk of behaviour in violation of tax law, clarify further details before opening a client relationship and accepting assets. The guideline lists, as examples, various risk-increasing and risk-minimising factors that the banks need to take into account in this process. If these clarifications do not yield any plausible result, the banks must refuse to open a business relationship and to accept the assets. When accepting new money from existing customers, the banks must proceed in a similar manner.

Existing customers from countries with which a regularisation solution exists in the form of a treaty, as for example the UK LDF or the withholding tax agreement signed between Austria and Liechtenstein, will be supported in the same way to become tax-compliant as all the other customers of the financial centre. It is of concern to actively guide and coach existing customers into tax compliance if necessary and to preserve Liechtenstein as an attractive, tax-compliant financial centre.

More stringent due diligence obligations also for cash transactions
Based on the guideline released last year with respect to the negotiation of the tax agreement with Austria and a possible agreement with Germany, certain restrictions have already been in force in connection with closures with cash withdrawal. As cash transactions are potentially conducive to tax evasion, tax fraud and other tax offences, the general regulations for cash withdrawals have been further tightened. For instance, cash withdrawals worth more than CHF 100,000 are permitted only if it is plausible that no tax offence is committed or perpetuated. Furthermore, banks are obliged to provide for special control mechanisms in their internal procedures/regulations applicable to such cash withdrawals.

Association reviews implementation
The banks voluntarily impose this guideline upon themselves in terms of a common standard of practice for the banking centre. The Liechtenstein Bankers Association audits the compliance. The LBA will start doing this in November 2013. The guideline itself will enter into force as of 1 September 2013 and must be implemented by the banks by 31 October 2013 at the latest.

The guideline can be downloaded in English and German from the website of the Liechtenstein Bankers Association (www.bankenverband.li).

About the Liechtenstein Bankers Association
Established in 1969, the Liechtenstein Bankers Association is the domestic and international voice of the banks active in Liechtenstein. It is one of the country's most significant associations and plays a key role in the successful development of the financial centre. Member interests are pursued in accordance with the principles of sustainability and credibility. As a member of the European Banking Federation (BEF) and the European Payments Council (EPC), the Liechtenstein Bankers Association is an important member of key committees at the European level and plays an active role in the European legislation process.

Further information:

Simon Tribelhorn, Director
Liechtenstein Bankers Association (LBA)
Tel: +423 230 13 23, Fax: +423 230 13 24
medien@bankenverband.li, www.bankenverband.li