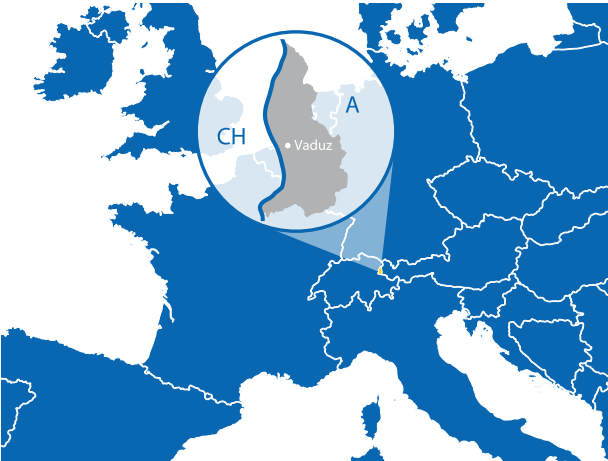


# The Liechtenstein Banking Center

Edition 2016



Local roots – internationally represented



Liechtenstein – an international comparison

A small country with an open, competitive and highly diversified national economy. Liechtenstein’s economy is heavily export-oriented. The manufacturing industry is the largest sector, contributing a major share to the national economy.

World rank

190	Land area	160 km <sup>2</sup>
192	Population	37,623
148	Gross domestic product	CHF 5.5 billion
120	Exports	CHF 3.2 billion

### **The Liechtenstein financial center**

The Principality of Liechtenstein is a constitutional hereditary monarchy on a democratic and parliamentary basis. The country is situated in the middle of Europe, embedded between Switzerland and Austria on the Alpine Rhine, with a population of about 37,623. The official language is German. The Head of State is Reigning Prince Hans-Adam II, who transferred the state affairs to his son, Hereditary Prince Alois, in 2004. Liechtenstein is governed by a grand coalition headed by Prime Minister Adrian Hasler.

With its lean, citizen-oriented political system, Liechtenstein offers a stable legal and social order as well as a traditionally liberal economic order. The solid financial policy of the country's public budgets, short administrative channels and transparent and predictable fiscal and legal frameworks contribute to the attractiveness of the business location. The Liechtenstein private sector benefits from the advantages of its simultaneous membership in the Swiss economic area and the European Economic Area (EEA) and its access to highly trained specialists from its neighboring countries. More than half of the 37,000 employees in Liechtenstein are cross-border commuters.

Financial services constitute the second largest economic sector, after industry and manufacturing. Locational advantages of the financial center include political continuity, stability, legal certainty, the high quality of services, the traditionally high protection of private property and privacy and many years of experience in private banking.

More than 150 years of tradition

With the establishment of the first Liechtenstein bank in 1861 began a long tradition that continues today. The 1923 Customs Treaty with Switzerland and the introduction of the Swiss franc as the official currency constituted the foundation for the evolution of the financial center. Liechtenstein's accession to the EEA in 1995 provided market access to the European single market and triggered a wave of bank formations.

1860

1920

1960

1980

1861

Establishment of the Liechtensteini-  
sche Landesbank

1920

Establishment  
of LGT Bank in  
Liechtenstein

1956

Establishment of  
VP Bank

1980

Currency Treaty  
with Switzerland

1923

Customs Treaty  
with Switzerland

1924

Introduction of  
the Swiss franc as  
official currency

1926

Enactment of the  
Law on Persons and  
Companies



1990

Accession to the United Nations

1991

Accession to EFTA

1995

Accession to the EEA and the WTO

1996 - to date

Increase from 5 to 16 licensed banks

2001

Creation of the Financial Intelligence Unit (FIU)

2005

Establishment of the integrated Financial Market Authority (FMA)

2009

"Liechtenstein Declaration" and commitment of Liechtenstein to the OECD standards as well as implementation of the Third EU Money-Laundering Directive

2013

Committment to the Automatic Exchange of Tax Information (AEol)

2014

Joining the so-called Early Adopters Group in matters of AEol

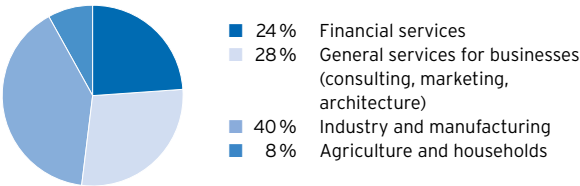
2015

EU Agreement on AEol/ first data exchange with USA under FATCA

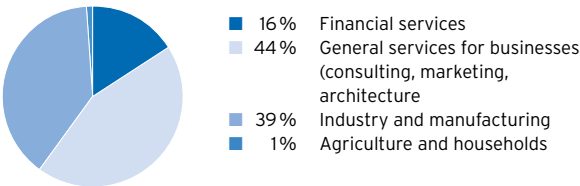
**The financial sector - one of the main pillars of Liechtenstein's national economy**

The financial sector contributes a total of 24 % to Liechtenstein's GDP and generates more than one third of State revenue. Alongside industry, trades and other services, it is thus one of the main pillars of the national economy. The financial sector is an important and attractive employer, with an extraordinarily large share of highly qualified employees. A total of about 6,000 of the approximately 37,000 employees in Liechtenstein work in the financial sector. They are among the largest purchasers of goods and services in Liechtenstein. Many small and medium-sized businesses in Liechtenstein benefit from their role as suppliers for the financial sector.

24 % of total value added



16 % of employees

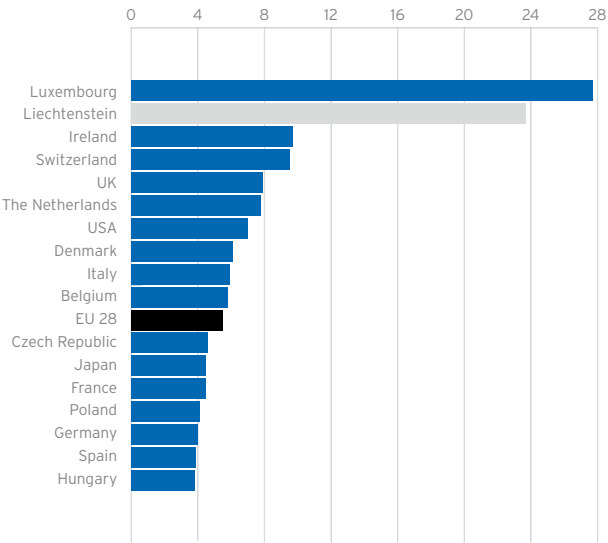


**International comparison of the economic significance of the financial and banking center**

Compared with other countries, the national economic significance of the financial and especially the banking sector is well above average in Liechtenstein. Securing a financial center with a long-term orientation based on continuity and sustainability is thus of fundamental importance for Liechtenstein.

**Contribution of financial services to the overall economy**

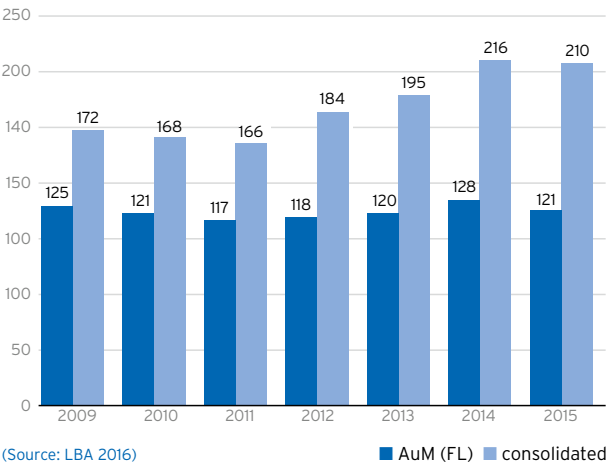
Gross value added in % (2013/2014)



Facts and figures of the banking sector

Of the 16 banks licensed in Liechtenstein today, five are subsidiaries of Swiss, Austrian and Luxembourgian institutions. In the years since Liechtenstein’s accession to the EEA, the banking sector has experienced a period of strong growth and expansion. The trend of increasing new money in-flows observed since mid-2010 continues unabated. The client assets under management in Liechtenstein as of the end of 2015 increased to CHF 121 billion. The consolidated net new money inflow was CHF 8.5 billion. Liechtenstein banks therefore currently manage asset with a volume of some CHF 210 billion worldwide (-3.0 % year on year). This decline is attributable especially to the discontinuation of the exchange rate floor for the euro by the Swiss National Bank. Overall, the figures underscore once again the attractiveness and stability of the banking center Liechtenstein and the trust shown towards Liechtenstein banks worldwide.

Assets under management in billion CHF



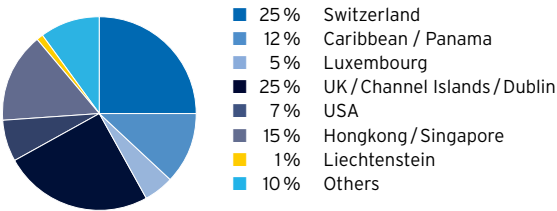


**The Liechtenstein banking center -  
niche player in a global market**

Liechtenstein banks traditionally focus on private banking. They do not engage in investment banking and carry comparatively low risks. Thanks to Liechtenstein’s participation in the European single market, Liechtenstein banks enjoy full freedom of services throughout the entire European Economic Area. This makes it possible to offer financial products from Liechtenstein that are based on the Swiss franc and authorized throughout the entire EU. Thanks to this special status, Liechtenstein offers attractive diversification options to globally oriented investors.

**Cross-border assets under management**

Share in worldwide cross-border assets under management  
Total: USD 11,000 billion (2014)



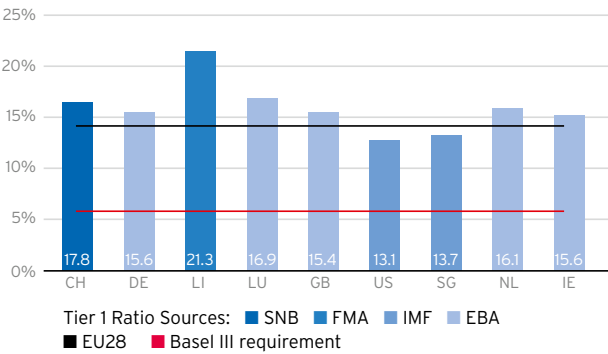
(Source: Boston Consulting Group 2015, rounded)

The Liechtenstein banks - refuge of stability

Liechtenstein banks are distinguished by their financial strength and stability. They have solid and high-quality equity capital resources. With an average core capital (Tier 1 ratio) of more than 20% (as at the end of 2015), Liechtenstein banks hold, on average, more than what is required under BASEL III or the EU-capital requirements of the Capital Requirement Directive (CRD) IV. They are thus among the best capitalized banks in Europe and worldwide (Tier 1 ratio Ø 14.4% in EU).

Since the beginning of the financial crisis, no bank in the Principality of Liechtenstein required aid by the State. An important reason for this is the banks' prudent business strategy, based on a long tradition in private banking. In this regard the banks offer an excellent framework for long-term client relationships. Liechtenstein's AAA-rating by Standard & Poor's underscores the country's reliability.

Tier 1 ratio in the EU-28 and peer country comparison



### **Competence, know-how, high quality of service and competitiveness in the financial sector.**

As a small, specialized financial center, Liechtenstein combines many years of practical experience with know-how in private banking. Professional advice and a high quality of service are the traditional strengths and success factors of Liechtenstein banks. In this regard the banks are able to draw on a pool of specialists from Liechtenstein and abroad.

Thanks to the proximity of the University of Liechtenstein and its Institute for Financial Services, as well as close ties with various foreign providers of basic and continuing training relevant to banking, the financial center can draw on financial expertise and high quality offerings in research and teaching. In the field of basic and continuing training, the banks invest substantial effort in the future of highly trained young talents. At Liechtenstein banks, an average of approximately 100 young women and men receive basic training at any given time. In 2003, the Swiss Bankers Association established the Center for Young Professionals in Banking (CYP), a competence and training center for young banking talents. One of these centers was also set up in Liechtenstein in August 2005. This ensures a high standard of training in the field of non-academic education as well.

### **Highly competitive**

In September 2015 the financial center of Liechtenstein was included for the first time in the Global Financial Centres Index. Because of its sustainable and innovative strategy the financial center was ranked 16th in Europe and 60th in the worldwide ranking. The Global Financial Centres Index rates financial centers based on their competitiveness.

### **Innovation and responsibility**

Liechtenstein counts as one of the most sustainable and innovative countries in the world. In 2015 Liechtenstein was examined in the Global Sustainable Competitiveness Index for the first time, reaching an overall ranking of 6th out of a total of 180 countries. In the field of Intellectual Capital Liechtenstein is ranked third behind China and South Korea.

The Liechtenstein banking center promotes the development of future-oriented products and business models that do justice to clients' great sense of responsibility toward society and the environment. An example of innovative ideas in this field of action is the LIFE Climate Foundation Liechtenstein.

### **LIFE Climate Foundation Liechtenstein**

LIFE stands for "Liechtenstein Initiative of the Financial Center in the field of sustainability". As a foundation, the initiative has been given clear contours and a face for presenting itself to the outside world. The LIFE Climate Foundation Liechtenstein has set itself the goal of being the innovation driver and incubator in the sustainability area in Liechtenstein and beyond its borders by purposely promoting specific "Flagship projects with model character" and at the same time by involving the financial center in trying to bridge sustainable business management and investors. With the participation of the private sector, academia and policy, the LIFE Climate Foundation Liechtenstein is a private-public partnership networking the important players and innovation triggers in the field of sustainability and bringing them to the same table.

Further information at: [www.klimastiftung.li](http://www.klimastiftung.li)

### **Modern and EU-compliant financial market regulation**

Thanks to Liechtenstein's EEA membership, the same legal requirements apply to banks in Liechtenstein as in all EU member states. As of the end of October 2015, Liechtenstein has implemented 98.8 % of the EU single-market directives according to the EFTA Surveillance Agency (ESA), which is a very good ratio. According to the International Monetary Fund (IMF), Liechtenstein fulfils "high standards in financial market supervision and anti-money-laundering measures". The Liechtenstein financial center is actively engaged in the fight against money laundering and terrorist financing and has fully implemented the Third EU Money Laundering Directive. Liechtenstein efficiently offers comprehensive and reliable mutual legal assistance in criminal matters. Banking secrecy offers no protection for criminal activities. About 90 % of mutual legal assistance proceedings were concluded in a period of less than six months. Liechtenstein thus maintains a leading position in the defense against criminal acts through compliance with international obligations.

### **Recognized financial market supervision**

Liechtenstein's Financial Market Authority has been a regular member of the International Organization of Securities Commissions (IOCSO) since April 2011 and has had an observer status in the European Bankers Association (EBA), the European Securities And Markets Authority (ESMA) since May 2011 as well as in the European Insurance and Occupational Pensions Authority (EIOPA). This shows that Liechtenstein and its financial center and supervision are recognized as an equal partner within the international and European community. At the same time, this further strengthens the integration of the financial center and facilitates market access for Liechtenstein intermediaries in foreign markets.

## **International cooperation in tax matters**

For some time now, Liechtenstein has been on the path towards stronger international integration and cooperation in tax matters and follows and pursues a consistent strategy in tax compliance.

The milestones include:

- Jul. 2002** Mutual legal assistance treaty with the United States
- Jul. 2005** Savings Tax Agreement on the basis of the EU Savings Tax Directive
- Mar. 2009** "Liechtenstein Declaration" and commitment of Liechtenstein to the OECD standards on cooperation in tax matters
- Nov. 2013** "Government statement" / Willingness of implementation of global standards for automatic exchange of information and signing of the Joint Statement on implementation of the automatic information exchange, along with 50 other jurisdictions
- May 2014** Signing of the IGA Model 1 - Agreement to FATCA implementation with the United States
- Oct. 2014** Signing of the Multilateral Competent Authority Agreement (MCAA) for automatic exchange of information in tax matters
- Oct. 2015** Signing of the EU Agreement on the Automatic Exchange of Information
- Jan. 2016** Entry into force of the AEoI-implementation act, the implementation act to introduce group requests as well as to expand fiscal mutual legal assistance
- Jan. 2016** Signing of the OECD MCAA establishing the country-by-country reporting in the field of business taxation

See complete list at [www.bankenverband.li](http://www.bankenverband.li)

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Liechtenstein therefore, has fully implemented the internationally applicable rules of transparency and tax compliance. The country once more proves that it is to be seen not only as a credible and reliable partner to the international community, but also to its financial center clients, offering legal and planning security.

The Global Forum of the OECD has expressly recognized Liechtenstein's efforts and rated the country in its late October 2015 report on the second phase of the OECD peer review with "largely compliant". This confirms that Liechtenstein not only legally implements the OECD standards, but also effectively applies them in practice.

Furthermore, since the Liechtenstein Declaration in 2009 Liechtenstein has concluded OECD-compatible tax agreements with numerous countries and has consistently expanded its network of double taxation agreements. (For more information, see [www.regierung.li](http://www.regierung.li))

The protection of privacy is compatible with the OECD standards. Stronger tax cooperation does not contradict banking secrecy understood as protection of the privacy of clients and their data from unjustified access by third parties. Banking secrecy will therefore continue to ensure the protection of privacy and the control of clients over their own data.

## **Sustainable, long-term strategy for the future**

The Liechtenstein financial center aims to position itself as a professional, stable and sustainable financial center in the heart of Europe. In this way, the financial center aims to continue providing an attractive environment for its clients and to remain competitive for the long term. For this purpose, the financial center is building on its already existing strengths such as legal certainty and stability, its long-standing private banking experience and expertise as well as the remarkably high level of quality of services. At the same time, it already today has excellent additional framework conditions that make it unique:

- **One-Stop Shop:** The combination and networking of banks, insurance companies, funds, company structures and asset management make integral, comprehensive and tailor-made solutions possible.
- **Liberal company law:** Liechtenstein's company law is distinguished by the wide range of company forms and a high degree of liberalism compared with other countries.
- **Modern, attractive and competitive tax system.**
- **Market access to Switzerland and the European single market:** Access to two economic areas is unique worldwide.

Thanks to the combination of these framework conditions and strengths as well as the high degree of innovation and efficiency, the financial center will continue to be able to provide tailor-made products and excellent services to demanding, internationally oriented clients.