

# Liechtenstein: Powering Ahead As A 'Niche' IFC



The global wealth management industry - along with the rest of the world - has recently had to weather unprecedented storms that have changed some aspects of business forever. IFC Review asked Hansjörg Wehrle of ATU to consider the trends, innovations and milestones that have influenced decisions, strategies and successes in the jurisdiction of Liechtenstein.

**IFC:** How does ATU enhance Liechtenstein's attractiveness to new HNW clients and financial service providers, as well as maintaining the loyalty of established clients and stakeholders?

**HW:** Key to ATU's success is the offering of comprehensive and high-quality advice and services from a single source. We provide support in the structuring, wealth preservation and investment of assets, as well as succession planning. We develop tailor-made solutions, taking into account the personal circumstances and requirements of our clients and offer a wide range of services to implement these solutions. We can count on well-qualified and motivated staff members, not only in Vaduz but within the entire ATU Group, and on a wide-ranging network with experts in jurisdictions all over the world.

**IFC:** What have been the key successes of the 'Financial Centre Strategy' implemented in 2020, and how has this government initiative impacted the performance of the jurisdiction as an IFC?

**HW:** The key successes of said strategy were the preservation, continuation, and enhancement of Liechtenstein's competitiveness as an IFC in rapidly changing times. This government initiative did not constitute a change to the Financial Centre Strategy initiated in 2009, only a continuation to it, supplemented by expedient amendments in order to maintain and strengthen

Liechtenstein's competitiveness and attractiveness, as well as to set the course for the future as an IFC (eg with regard to digitalisation). Consequently, Liechtenstein, for example, continued to develop its Double Taxation Agreements (DTAs) network, and has signed more than 25 DTAs within the last 15 years.

**IFC:** Market dynamics and the regulatory landscape are continually evolving. Which business structures and services are most popular with your clients, and what are the most significant changes to client demand in recent years?

**HW:** Foundations and trusts remain the most popular entities, and similar arrangements for the purposes of international asset structuring. The client demand has not changed in recent years for using a Liechtenstein entity as top entity in a holding structure. Recently, more and more holding companies are set-up (known in EU as 'AG', corporation, or 'GmbH', limited liability company). However, there is a clear trend of clients wishing to establish entities in Liechtenstein with staff and offices, to meet the substance requirements for certain holding structures to carry out activities with a base in Liechtenstein.

**IFC:** How do you anticipate these trends will evolve in Liechtenstein?

**HW:** The requirement for more substance will continue and the assets under management in such structures

will increase. A strong collaboration and network with colleagues in interesting Double Taxation Agreement countries like Luxembourg, Switzerland or recently the Netherlands and Ireland is necessary to be able to support clients with their investment projects outside of Liechtenstein.

**IFC:** How has Liechtenstein been affected by the demands of global regulation and compliance, and has that influenced your HNW clients' business choices?

**HW:** Liechtenstein has been less affected than other IFCs. As an 'early adaptor' it has been able to respond quickly to the changed circumstances and new regulatory requirements, which also had a positive impact on innovation activities. Consequently, it disappeared from 'grey lists'. Liechtenstein's successful development becomes especially apparent in positive ratings from the international MONEYVAL country assessments.

HNW clients appreciate the broad range of legal structuring options combined with a robust compliance of high regulatory standards, be it on an international or European level. It allows the use of Liechtenstein entities or trusts for asset structuring without having to fear restrictions, for example, the impossibility of opening a bank account, as may be the case when coming from a jurisdiction that does not comply with the relevant international or European regulatory standards.

**IFC:** What strategies does Liechtenstein employ to ensure robust compliance to international regulatory standards, whilst also fostering innovation in the financial sector?

**HW:** Parallel to the rapidly changing regulatory environment of the last decades including, for example, the consecutive implementation of the European Anti-Money Laundering Directives, in a so-called 'forward strategy', regulatory supervision and the regulatory requirements for financial market participants have been continuously expanded and tightened in Liechtenstein. Hand in hand with these regulatory developments, Liechtenstein has also developed legislative innovation in more 'modern' legal fields like FinTech and Blockchain.

Liechtenstein offers many well-known advantages as an IFC. With its triple A

rating, secure economic and business environment in the heart of Europe, the Swiss Franc as a stable currency, free movement of capital with the European Union and Switzerland, a liberal and flexible company, foundation and trust law, a favourable tax environment for companies and private individuals, Liechtenstein presents itself as a preferred provider for international asset structuring of the classic and modern kind.

**IFC:** The digital transformation of the wealth management industry is being propelled by technology. As a 'niche player' in the IFC market, how has Liechtenstein navigated the wider shift towards new technologies (and AI) that is impacting larger IFCs?

**HW:** Liechtenstein has established itself as a niche player through targeted legislative initiatives, such as the Blockchain Act, thereby positioning itself as a leader in fostering innovation. Liechtenstein proactively examines emerging technologies, including Artificial Intelligence and Robo-Advisory, by way of careful assessment whether and how they should be regulated to allow for opportunities, as well as minimise risks. To stay in tune with the times, Liechtenstein not only analyses the potential of new technologies, but also provides targeted support to ensure a safe and forward-looking development.

**IFC:** How successful has the 'Unit for Financial Centre Innovation' been in driving FinTech and Blockchain development, and how important is this sector now?

**HW:** Since the 2015 launch of 'Impuls Liechtenstein', a program designed to foster innovation, Liechtenstein has successfully established itself as a top FinTech location. Prior to said program, there were almost no FinTech companies present in the country. However, the creation of a regulatory lab in cooperation with the Financial Market Authority (FMA) that has taken place in the meantime allows new firms to easily make contact and receive support. Internationally, Liechtenstein has made a name for itself, especially through its advanced Blockchain Act and the promotion of tokenisation, thereby gaining global significance as a financial centre. With 26 companies being active in 80 different roles as of 29 February 2024, the growing economic importance of the FinTech sector is obvious,

especially taking into consideration the size of the financial centre.

**IFC:** With a significant rise in cyber threats and attacks targeting the global financial sector, could you discuss the strategies undertaken by ATU to address emerging cyber risks and bolster the resilience of Liechtenstein's financial system?

**HW:** ATU has implemented several strategies to address emerging cyber risks and enhance the resilience of the financial system. Some of these key approaches are, for example:

- Use of state-of-the-art security technologies and processes.
- Minimising the attack vectors for threat actors.
- Managing vulnerabilities.
- Detection of malicious activities on devices.
- Continuous cyber security training for employees.
- Implementation and regular testing of IT continuity procedures.

In summary, ATU's cybersecurity strategies encompass best practices and follow several security standards, including continued adaptation to the changes in the cybersecurity world. These efforts collectively bolster the resilience of Liechtenstein's financial system in the face of cyber threats and global challenges.

**IFC:** How does ATU ensure transparency and investor protection in fund domiciliation processes?

**HW:** In the decision-making process regarding eligible fund domiciles, the following aspects take precedence: political stability, an excellent reputation of the location, infrastructure, broad expertise, and the personnel and operational resources of the service providers. Flexibility in fund structuring, and the duration of the approval process by the supervisory authority, are also important competitive factors.

Another crucial aspect involves tax considerations, including taxation at the fund owner's level, and Double Taxation Agreements concerning withholding taxes and their reclaim.

**IFC:** The emergence of Next Gen investors has created a growing emphasis on social and environmental impact. Please update us on Liechtenstein's progress towards its Sustainable Development Goals, and the part played by ESG within the

**wealth management landscape.**

**HW:** Liechtenstein has adopted the UN's Sustainable Development Goals (SDGs) as a framework for national development. The country prioritises areas like clean energy, responsible consumption, and climate action through initiatives like promoting renewable energy sources and sustainable infrastructure.

Financial institutions are increasingly offering ESG-focused investment products to cater to Next Gen investors' preferences. Liechtenstein fosters a regulatory environment that encourages sustainable finance. The government and financial institutions collaborate on initiatives promoting ESG integration. Major banks in Liechtenstein, for example, offer sustainable investment options, such as ecological mortgages and ethical investment funds.

Overall, Liechtenstein is actively aligning itself with the growing importance of ESG, and the country positions itself as an attractive option for Next Gen investors seeking impact alongside financial returns.

**IFC:** How does ATU support philanthropic development in Liechtenstein, and what projects or initiatives have made a significant social or environmental impact?

**HW:** ATU is closely connected to the philanthropic development in Liechtenstein since it is owned by a charitable foundation that supports institutions, individuals or projects with a social, charitable, or cultural purpose. ATU makes a significant contribution to cultural promotion, social cohesion, and human development of civil society, not only in Liechtenstein, but also in the region - and occasionally worldwide. Various charitable foundations administered by ATU are members of the Association of Liechtenstein Charitable Foundations and Trusts ([www.vlgst.li](http://www.vlgst.li)), and an ATU staff member serves on the board of the Association pro bono. Thus, a positive environment for charitable structures makes Liechtenstein the seat of more than 1300 charitable foundations and trusts, and ranked number one worldwide in the Global Philanthropy Environment Index 2022 from the Lilly Family School of Philanthropy, Indiana University, USA.

**IFC:** Family offices play a crucial role in wealth management. Can you discuss the specific services and expertise offered by ATU to cater to the multifaceted needs of family offices in Liechtenstein?

**HW:** ATU has many years of experience

in managing substantial family assets. From one single source, we provide comprehensive advice on all legal, financial, and personal matters, supplemented by our international network of lawyers, asset managers, and bank advisors, as well as insurance and other experts. The multifaceted needs of family offices are covered through a wide range of services to achieve tailor-made solutions, and can consist of fiduciary consulting, tax advice, succession planning, restructuring, accounting and auditing, preparation of tax returns, asset management controlling, change of residency, selection of the banking institution, to list but a few. Our family office service consultants ensure the coordinated integration of all specialists and experts required.

**IFC:** As an expert in international tax advice and planning, how does ATU navigate the complexities of cross-border taxation to optimise tax efficiency for clients?

**HW:** ATU uses Double Taxation Agreements and its global network to develop customised tax strategies for clients. This approach serves to enhance and strengthen Liechtenstein's recognition as a jurisdiction, as well as the entities offered by it. ■

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# Liechtenstein - Fact File

GENERAL OVERVIEW	
Location	Central Europe, between Switzerland and Austria.
Time Zone	Central European Time.
Population	39,677.
Capital	Vaduz.
Airport(s)	None (120 km to Zurich airport and around 50 km to Altenrhein); heliport in Balzers.
Language	German (German dialect).
Currency	Swiss Franc (CHF).
Political system	Political power shared between hereditary monarch and democratically elected government; extremely stable.
International dialling code	+423.
Legal system	Civil law; influenced by Swiss and Austrian law; as EEA member implementing EU directives; common trust law since 1926.
Centre's expertise	Wealth management. Numerous types of companies, foundations and trusts. Interesting also for protected cell companies, insurance companies and fund service providers. Highly educated personnel.
TAX	
Personal income tax	Up to 22.4%
Corporate income tax	There is a flat corporate income tax rate of 12.5%. However, where applicable, Liechtenstein committed to apply the minimum tax rate of 15% according to OECD BEPS Pillar Two.
Exchange restrictions	None.
Tax Information exchange agreements	Visit the homepage of the Liechtenstein tax authority: <a href="http://www.llv.li/files/stv/int-uebersicht-dba-tiea-engl.pdf">www.llv.li/files/stv/int-uebersicht-dba-tiea-engl.pdf</a>
SHARE CAPITAL	
Permitted currencies	CHF, EUR, US\$.
Minimum authorised capital	10,000/30,000/50,000.
Minimum share issue	Depends on type of company.
TYPE OF ENTITY	
Shelf companies	N/A.
Timescale for new entities	Five to ten days.
Incorporation fees	Approx. CHF 800.00 (state duties).
Annual fees	Professional fees, approx. CHF 3,000-10,000, depending on time spent. Additional fees for accounting and auditing (if required), charged on hourly basis and taxes.
DIRECTORS	
Minimum number	1–2, depending on the type of company.
Residency requirements	Yes (not for trusts).
Corporate directors	Yes.
Meetings/frequency	Depends on type of company and its statutes.
SHAREHOLDERS	
Disclosure	The 5th EU AML Directive applies (transparency register).
Bearer shares	Yes, however blocked at a licensed local custodian. Share register book kept at the statutory domicile of company.
Minimum number	One.
Public share registry	Yes, from 1.8.2019 onwards. Registration of so-called “controlling persons”.
Meetings/frequency	Depends on type of company and statutes.
ACCOUNTS	
Annual tax declaration	There is an annual tax declaration to be filed with the tax authority, together with an annual financial report; does not apply to entities submitted to the PIS status (Private Investment Structure).
Audit requirements	Depends on type of company and statutes.
OTHER	
Registered office	Normally yes.
Domicile issues	Registered agent/trustee.
Company naming restrictions	Name availability to be checked with the Commercial Register.