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## Asset tokenization in a Liechtenstein foundation

From a legal point of view, Liechtenstein private-benefit foundations (Liechtenstein foundations) represent an interesting structure for the safe management of crypto assets with the help of a bank in Liechtenstein. Liechtenstein is one of the few jurisdictions which have established a legal framework for the treatment of crypto assets (Token and Trustworthy Technology Service Provider Act of 03 October 2019, TVTG), thus creating legal certainty in this area. The requirement is that both the tokens (crypto wallets) and the tokenized assets are deposited in Liechtenstein. The tokens represent the ownership and possession rights to a previously tokenized tangible or intangible asset. These tokens make it possible, for instance, to have a digital depiction of valuable illiquid and indivisible assets such as paintings in a token on the blockchain and to manage, transfer and trade them on secondary markets in a manner which is legally simpler, more efficient and more cost effective, or even to fraction the ownership and possession rights to a tokenized asset into several tokens.

### Successful ATU project with a tokenized painting

In 2021, in a joint project between ATU and a bank in Liechtenstein, a painting owned by a Liechtenstein foundation under ATU management was tokenized. As early as at the start of the tokenization, a decision had to be made as to the painting-related ownership and possession rights which should be tokenized and as to the attributes which the future token must have to meet the respective requirements and the desired features. In addition, the Foundation Council wanted to reserve the right to have what is called a token “burning” option. With this option, the token can be destroyed again at any given time, thus taking back the ownership/possession situation from the digital contractual world to the traditional one.

Then, with the help of its network of external service providers and its own experts, the bank in Liechtenstein performed an independent evaluation of the authenticity, the condition, the origin, the ownership/possession situation, the evaluation, the insurance and the storage situation and the place of deposit of the painting. Soon thereafter, 100 fungible (identical, interchangeable and transferrable) tokens were created by the bank and, as agreed, stored with the help of a crypto wallet set up by the bank, and shown in the bank’s statement of assets together with the other securities of the Liechtenstein foundation. On demand, through the representation as a token, the bank will perform a quarterly, periodic re-evaluation of originally illiquid assets. If need be, the tokens so evaluated may be pledged in the Liechtenstein foundation and used as security for a bank loan within the Liechtenstein foundation. As a result of the splitting of the rights in the ownership of the painting into 100 fungible and tradable tokens, it can be guaranteed that, if necessary, only part of the

tokens are pledged and serve as security for the desired loan. In addition, the tokens can be divided among or transferred to beneficiaries of the Liechtenstein foundation in a simple, efficient and cost-effective manner. In this process, there is no need for complex agreements to split the ownership in the painting.

### **Asset tokenization offers safety and numerous additional benefits**

In this context, the Liechtenstein foundation as the legal owner of the crypto wallet can play an important role and guarantee that even after the founder's demise the crypto assets under the management of the bank can be accessed across several generations. Furthermore, the tokenization of paintings by a bank in Liechtenstein, in addition to safety, offers numerous other benefits and services which can be used in a simplified, efficient and cost-effective manner and, above all, they come from one source, thus removing any complication from the process. Examples include the following: finding a suitable physical storage place, reliable periodic evaluation, certificate of acquisition as evidence of origin, cost effective deposit and transfer of the tokens, speedy change in ownership, constant transparency, ownership rights which are legally enforceable on the basis of the TVTG (if the token and the tokenized painting are physically in Liechtenstein), art evaluation, art insurance with proof of insurance, art consulting, art reporting, access to experts, risk analysis for objects of art and a network of competent partners.

### **ATU asset tokenization services**

ATU does neither offer services in connection with publicly placed or commercial coin or token offerings, nor does it offer any services with regard to the public trading of crypto assets via secondary markets. Together with a comprehensive network of business partners and external service providers, ATU supports the non-commercial tokenization of special assets such as paintings, classic cars or possibly also racehorses, if, for estate planning purposes, these are planned to be held and managed via a Liechtenstein foundation in the long run and if both the tokens and the tokenized assets are deposited in Liechtenstein with the help of a Liechtenstein bank.

The text in this ATU newsletter is a condensed version of the main article which was published in the Swiss business magazine PRIVATE in June 2022. Parts of the newsletter are a literal version of the article, while other parts were rewritten.

For further information, please contact the author of this article, Dominik Kujawski, or your client advisor at ATU.

Yours sincerely,

**Allgemeines Treuunternehmen**

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