Liechtenstein

RISK & COMPLIANCE REPORT

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Executive Summary - Liechtenstein	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Offshore Finance Centre
Medium Risk Areas:	US Dept of State Money Laundering assessment Compliance with FATF 40 + 9 Recommendations

Major Investment Areas:

Agriculture - products:

wheat, barley, corn, potatoes; livestock, dairy products

Industries:

electronics, metal manufacturing, dental products, ceramics, pharmaceuticals, food products, precision instruments, tourism, optical instruments

Exports - commodities:

small specialty machinery, connectors for audio and video, parts for motor vehicles, dental products, hardware, prepared foodstuffs, electronic equipment, optical products

Imports - commodities:

agricultural products, raw materials, energy products, machinery, metal goods, textiles, foodstuffs, motor vehicles

Investment Restrictions:

Information unavailable

Contents

Section 1 - Background

The Principality of Liechtenstein was established within the Holy Roman Empire in 1719. Occupied by both French and Russian troops during the Napoleonic Wars, it became a sovereign state in 1806 and joined the Germanic Confederation in 1815. Liechtenstein became fully independent in 1866 when the Confederation dissolved. Until the end of World War I, it was closely tied to Austria, but the economic devastation caused by that conflict forced Liechtenstein to enter into a customs and monetary union with Switzerland. Since World War II (in which Liechtenstein remained neutral), the country's low taxes have spurred outstanding economic growth. In 2000, shortcomings in banking regulatory oversight resulted in concerns about the use of financial institutions for money laundering. However, Liechtenstein implemented anti-money laundering legislation and a Mutual Legal Assistance Treaty with the US that went into effect in 2003.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Liechtenstein is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Liechtenstein was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Liechtenstein was deemed Compliant for 7 and Largely Compliant for 14 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

July 2014 - MONEYVAL report on the 4th round assessment visit in Liechtenstein

The mutual evaluation report on the 4th assessment visit in Liechtenstein is now available.

Links to:

Press release
Executive Summary
Report
Addendum
EU Directive

The report was adopted at MONEYVAL's 44th Plenary Meeting (Strasbourg, 31 March – 4 April 2014). The MONEYVAL 4th cycle of assessments is a follow-up round, in which important FATF Recommendations have been re-assessed, as well as all those for which the state concerned received "Non-Compliant" (NC) or "Partially Compliant" (PC) ratings in its 3rd round report. This report on Liechtenstein is not, therefore, a full assessment against the FATF 40 Recommendations and 9 Special Recommendations but is an update on major issues in the AML/CFT system in Liechtenstein. According to MONEYVAL's procedures and the decision of the 44th Plenary, Liechtenstein was placed under the regular follow-up procedure.

US Department of State Money Laundering assessment (INCSR)

No longer catergorised a Jurisdiction of Primary Concern however the 2017 Report has not yet been published and, therefore, below is the 2016 report.

Liechtenstein was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Principality of Liechtenstein is the richest country on earth on a GDP per capita basis. It has a well-developed offshore financial services sector, relatively low tax rates, liberal incorporation and corporate governance rules, and a tradition of bank secrecy. All of these conditions contribute significantly to the ability of financial intermediaries in Liechtenstein to attract funds from abroad. Liechtenstein's financial services sector includes 16 banks, 117 fund/asset management companies, 381 trust companies/trustees and 44 insurance companies. The three largest banks in Liechtenstein manage 85 percent of the country's $125 billion in wealth.

The business model of Liechtenstein's financial sector focuses on private banking, wealth management, and mostly nonresident business. It includes the provision of corporate structures such as foundations, companies, and trusts that are designed for wealth management, the structuring of assets, and asset protection. In recent years Liechtenstein banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. There are no reported abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, or bearer shares.

Do financial institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

Criminalization of money laundering:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES ***civilly:*** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

KYC covered entities: Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 365 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

money laundering criminal Prosecutions/convictions:

Prosecutions: 9 in 2014

Convictions: 2 in 2014

Records exchange mechanism:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Liechtenstein is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

Enforcement and implementation issues and comments:

The 2014 reporting year saw an increase of suspicious transaction reports (STRs) of 11 percent when compared to 2013. Only 10 percent of the filed STRs enumerated money laundering as the reason for filing. In 2014, 56 percent of Liechtenstein's STRs were forwarded to the Office of the Public Prosecutor. A total of $27 million of assets were frozen in 2014.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-residence and trust or asset management accounts, are considered routine in Liechtenstein and are subject to normal customer due diligence procedures. Additionally, Liechtenstein does not explicitly designate trusts and foundations, entities with bearer shares, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities. Attempted transactions possibly related to funds connected to terrorism financing or terrorism are subject to suspicious transaction reporting.

Despite Liechtenstein's efforts to bring money laundering offenses fully in line with relevant standards, there are some questions surrounding the efficacy of its implementation as there have been only three domestic money laundering convictions since 2007.

EU White list of Equivalent Jurisdictions

Liechtenstein is currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Liechtenstein is considered to be an Offshore Financial Centre

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	96

Section 3 - Economy

Despite its small size and limited natural resources, Liechtenstein has developed into a prosperous, highly industrialized, free-enterprise economy with a vital financial service sector and likely the second highest per capita income in the world. The Liechtenstein economy is widely diversified with a large number of small businesses. Low business taxes - the maximum tax rate is 20% - and easy incorporation rules have induced many holding companies to establish nominal offices in Liechtenstein providing 30% of state revenues. The country participates in a customs union with Switzerland and uses the Swiss franc as its national currency. It imports more than 90% of its energy requirements. Liechtenstein has been a member of the European Economic Area (an organization serving as a bridge between the European Free Trade Association (EFTA) and the EU) since May 1995. The government is working to harmonize its economic policies with those of an integrated Europe. Since 2008, Liechtenstein has faced renewed international pressure - particularly from Germany - to improve transparency in its banking and tax systems. In December 2008, Liechtenstein signed a Tax Information Exchange Agreement with the US. Upon Liechtenstein's conclusion of 12 bilateral information-sharing agreements, the OECD in October 2009 removed the principality from its "grey list" of countries that had yet to implement the organization's Model Tax Convention. By the end of 2010, Liechtenstein had signed 25 Tax Information Exchange Agreements or Double Tax Agreements. In 2011 Liechtenstein joined the Schengen area, which allows passport-free travel across 26 European countries.

Agriculture - products:

wheat, barley, corn, potatoes; livestock, dairy products

Industries:

electronics, metal manufacturing, dental products, ceramics, pharmaceuticals, food products, precision instruments, tourism, optical instruments

Exports - commodities:

small specialty machinery, connectors for audio and video, parts for motor vehicles, dental products, hardware, prepared foodstuffs, electronic equipment, optical products

Imports - commodities:

agricultural products, raw materials, energy products, machinery, metal goods, textiles, foodstuffs, motor vehicles

Banking

Liberal tax laws for domiciled and holding companies, originally passed in the 1920s, gave rise to an important fiduciary activity in Liechtenstein that has succeeded in attracting large flows of foreign funds. Administered assets, which were initially largely invested with foreign banks, are now mainly managed by domestic financial institutions, which offer private banking and asset management services to non-resident investors and operate with a high level of banking secrecy. As noted, the financial sector generates 30 percent of Liechtenstein's GDP. It employs more than 14 percent of the workforce, with business equally shared between financial and fiduciary institutions. An important marketing advantage for the financial services business arises from Liechtenstein's integration into two economic zones: the Swiss financial system, through a custom union and a currency agreement, and the European Economic Area that allows free movement of goods, persons, services, and capital among its member countries. Popular business models involve Swiss banks and insurance companies selling financial products from Liechtenstein to existing clients across the EU, while EU financial institutions and financial intermediaries make use of the provision for cross-border services to provide, for example, Liechtenstein private banking and trust and company services and products to their client base.

US State Department – Investment Climate

Liechtenstein's investment conditions are virtually identical in most key aspects to those in Switzerland, due to its intimate links with the Swiss economy. The two countries have a customs union, for example, and Swiss authorities are responsible for implementing import and export regulations. Liechtenstein has a stable and open economy that has created almost 38,000 jobs exceeding the country's domestic population of 37,000 – requiring a substantial number of foreigners (mainly Swiss and Austrians) to fill many of these jobs. It is also a very wealthy country – when adjusted for purchasing power parity, its per capita gross domestic product (GDP) is the highest in the world. According to the Liechtenstein Statistical Yearbook , the tertiary sector creates 56% of Liechtenstein's jobs, particularly in the finance sector, followed by the secondary sector (especially manufacturing tools, precision instruments, and dental products), which employs 43% of the work force. Agriculture accounts for less than 1% of the country's jobs.

The country reformed its tax system in 2011. The corporate tax rate, at 12.5%, is one of the lowest in Europe. Capital gains, inheritance, and gift taxes have been abolished. The Embassy has no recorded complaints from US businesses stemming from market restrictions in Liechtenstein.

Section 4 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system influenced by Swiss, Austrian, and German law

International organization participation:

CD, CE, EBRD, EFTA, IAEA, ICRM, IFRCS, Interpol, IOC, IPU, ITSO, ITU, ITUC (NGOs), OPCW, OSCE, PCA, Schengen Convention, UN, UNCTAD, UPU, WIPO, WTO

Section 5 - Tax

Exchange control

For further information - http://www.liechtenstein.li/index.php?id=54&L=1

Treaty and non-treaty withholding tax rates

Liechtenstein has signed **33 agreements** (**9 DTC** and **24 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Andorra	TIEA	18 Sep 2009	10 Jan 2011	No	Yes
Antigua and Barbuda	TIEA	24 Nov 2009	16 Jan 2011	No	Yes
Australia	TIEA	21 Jun 2011	21 Jun 2012	Yes	Yes
Austria	DTC	5 Nov 1969	7 Dec 1970	No	No
Austria	DTC Protocol	29 Jan 2013	not yet in force	Yes	Yes
Belgium	TIEA	10 Nov 2009	not yet in force	No	Yes
Canada	TIEA	31 Jan 2013	not yet in force	Yes	Yes
Denmark	TIEA	17 Dec 2010	7 Apr 2012	Yes	Yes
Faroe Islands	TIEA	17 Dec 2010	3 Apr 2012	Unreviewed	Yes
Finland	TIEA	17 Dec 2010	4 Apr 2012	Yes	Yes
France	TIEA	22 Sep 2009	19 Aug 2010	Yes	Yes
Germany	DTC	18 Nov 2011	19 Dec 2012	Yes	Yes
Germany	TIEA	2 Sep 2009	28 Oct 2010	Yes	Yes
Greenland	TIEA	17 Dec 2010	13 Apr 2012	Unreviewed	Yes
Hong Kong, China	DTC	12 Aug 2010	8 Jul 2011	Yes	Yes
Iceland	TIEA	17 Dec 2010	31 Mar 2012	Yes	Yes
India	TIEA	28 Mar 2013	not yet in force	Yes	Yes
Ireland	TIEA	13 Oct 2009	30 Jun 2010	Yes	Yes
Japan	TIEA	5 Jul 2012	29 Dec 2012	Yes	Yes
Luxembourg	DTC	26 Aug 2009	17 Dec 2010	Yes	Yes
Mexico	TIEA	8 Apr 2013	not yet in force	Unreviewed	Yes
Monaco	TIEA	21 Sep 2009	14 Jul 2010	No	Yes
Netherlands	TIEA	10 Nov 2009	1 Dec 2010	Yes	Yes
Norway	TIEA	17 Dec 2010	31 Mar 2012	Yes	Yes
Saint Kitts and Nevis	TIEA	11 Dec 2009	14 Feb 2011	No	Yes
Saint Vincent and the Grenadines	TIEA	2 Oct 2009	16 May 2011	No	Yes
San Marino	DTC	23 Sep 2009	19 Jan 2011	Yes	Yes

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Singapore	DTC	27 Jun 2013	not yet in force	Unreviewed	Yes
Sweden	TIEA	17 Dec 2010	8 Apr 2012	Yes	Yes
Switzerland	DTC	22 Jun 1995	17 Dec 1996	No	No
United Kingdom	DTC	11 Jun 2012	19 Dec 2012	Yes	Yes
United Kingdom	TIEA	11 Aug 2009	2 Dec 2010	No	Yes
United States	TIEA	8 Dec 2008	4 Dec 2009	Yes	Yes
Uruguay	DTC	18 Oct 2010	3 Sep 2012	Yes	Yes

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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