

The Liechtenstein Banking Centre

Edition 2010



LIECHTENSTEIN
BANKERS ASSOCIATION

Liechtenstein - in the heart of Europe



Liechtenstein - an international comparison:

A small country with an open and competitive national economy.

World rank

220	Area	160 km ²
215	Population	35,904
151	Gross domestic product	CHF 5.3 billion
71	Exports	CHF 4.2 billion

The Liechtenstein banking centre

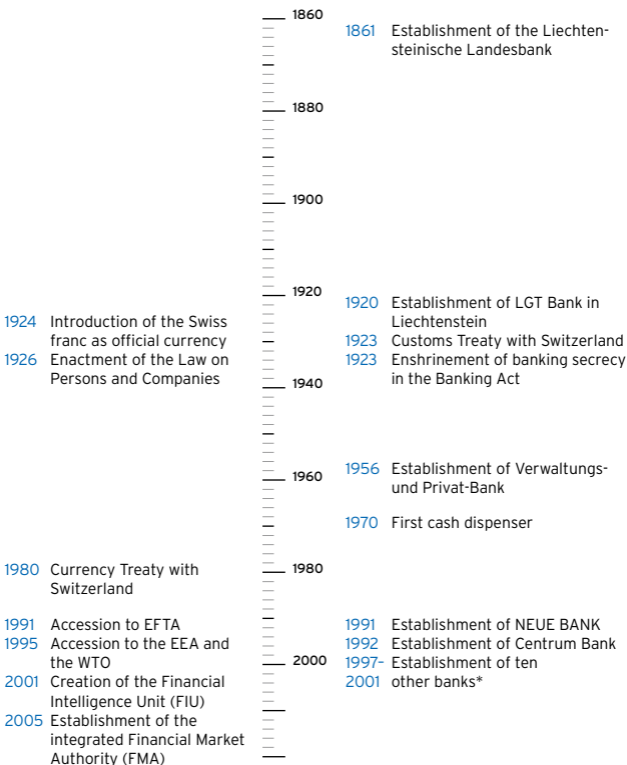
The Principality of Liechtenstein is a constitutional hereditary monarchy on a democratic and parliamentary basis. The country is in the middle of Europe, embedded between Switzerland and Austria on the Alpine Rhine, with a population of about 36,000. The official language is German. The Head of State is Reigning Prince Hans-Adam II, who transferred the affairs of State to his son, Hereditary Prince Alois, in 2004. Liechtenstein is governed by a grand coalition headed by Prime Minister Klaus Tschütscher.

With its lean, citizen-oriented system of State, 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 neighbouring countries. Half of the approximately 32,000 workers in Liechtenstein are cross-border commuters.

Liechtenstein has an open and strongly diversified national economy with a heavy emphasis on exports. The manufacturing industry is the largest sector, contributing a major share of the national economy. Financial services constitute the second largest economic sector. The location advantages of the financial centre include political continuity and stability, the high quality of services, the traditionally high protection of privacy, and many years of experience in private banking and wealth management.

150 years of tradition

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

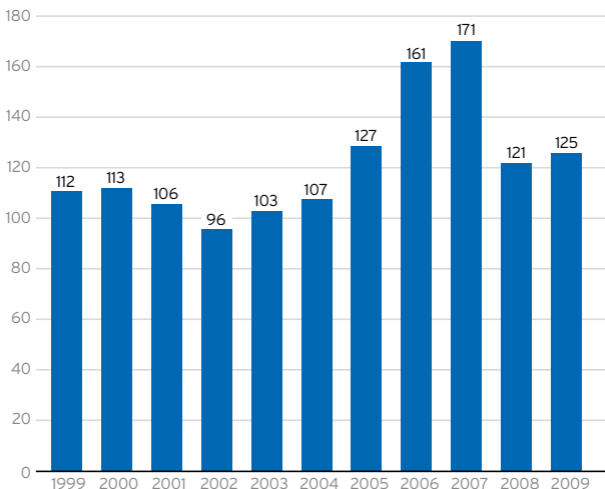


* Volksbank, Valartis Bank (former Hypo Investment Bank), Banque Pasche, Bank Frick & Co., EFG Bank von Ernst, Raiffeisen Bank, Kaiser Ritter Partner Privatbank, Alpe Adria Privatbank (in liquidation), Bank Vontobel, Bank Alpinum

The banking sector in figures

Of the 15 banks active in Liechtenstein today, five are subsidiaries of Swiss and Austrian institutions. In the years since Liechtenstein's accession to the EEA, the banking sector has experienced a phase of strong growth and expansion.

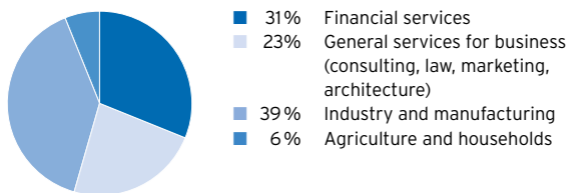
Assets under management in CHF billion



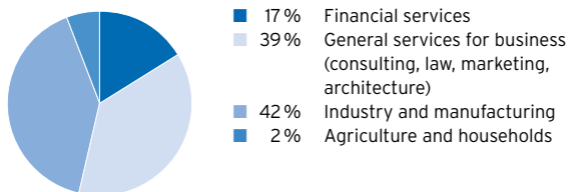
The financial sector - one of the main pillars of Liechtenstein's national economy

The financial sector contributes a total of 31% to Liechtenstein's GDP and generates about 40% of State revenue. Alongside industry, trades, and other services, it is thus one of the central pillars of the national economy. The financial sector is an important and attractive employer, with an extraordinarily large share of highly qualified workers. About 5,000 of the approximately 32,000 employees in Liechtenstein work in the financial sector. The banks play a leading role in the financial centre. They are among the largest purchasers of goods and services in Liechtenstein. The main suppliers benefiting from this are small and medium-size businesses in Liechtenstein.

31% of total value added



17% of workers

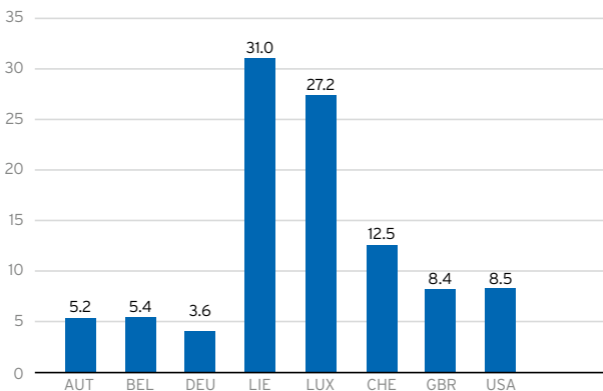


International comparison of the economic significance of the financial centre

Compared with other countries, the national economic significance of the financial centre is disproportionately high for Liechtenstein. Securing a financial centre 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 % (2007)



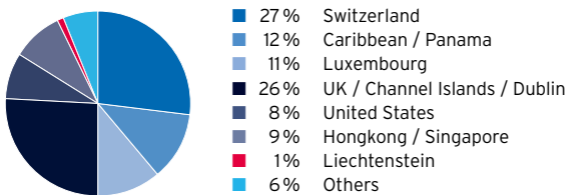
The Liechtenstein banking centre - niche player in a global market

Liechtenstein banks have traditionally focused on private banking and wealth management. They do not engage in investment banking and carry comparatively low risks. Their share in the global market for cross-border private assets under management is only about 1%. The financial centre thus occupies a niche position. 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 authorised 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 7,400 billion (2009)



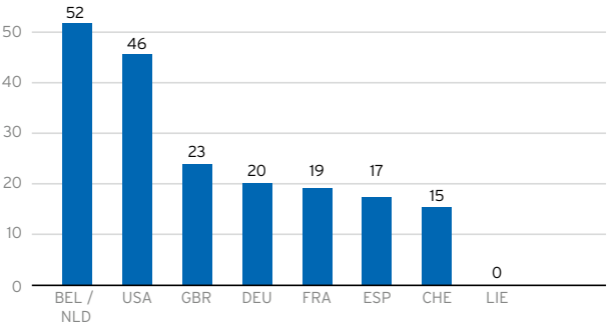
(Source: Boston Consulting Group 2010, rounded)

The Liechtenstein banks - refuge of stability, tradition, and continuity

Liechtenstein banks are distinguished by their financial strength and stability. They have solid and high-quality equity capital resources. On average, they voluntarily hold more than double the own funds demanded by international standards (Basel II). During the financial crisis, no bank required aid by the State. An important reason for this is the banks' prudent business strategy based on a long tradition in private banking and wealth management. The banks offer an excellent framework in this regard for long-term client relationships.

The attractiveness of the financial centre is enhanced by the political continuity of the country, its stable currency, legal certainty, and the traditionally high level of protection of private property and privacy. Client deposits are protected by a modern and extensive deposit guarantee scheme that meets EU norms. Liechtenstein's AAA rating by Standard & Poor's underscores the country's reliability.

State aid for banks in % of GDP (2008 - 2009)



(Source: Avenir Suisse, April 2009)

Competence, know-how and high quality of services in the financial sector

As a small, specialised financial centre, Liechtenstein combines many years of practical experience with know-how in private banking and wealth management. Professional advice and a high quality of services are the traditional strengths and success factors of Liechtenstein banks. The banks are able to draw on a pool of specialists from Liechtenstein and abroad.

Thanks to the vicinity of the Hochschule 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 centre 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 talent. 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 centre for young banking talent. One of these centres 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.

Innovation and sustainability

The Liechtenstein banking centre promotes the development of future-oriented products and business models that do justice to clients' great sense of responsibility toward society and the environment. Two examples of innovative ideas in this field are the Microfinance Initiative Liechtenstein and the LIFE Climate Foundation Liechtenstein.

Microfinance Initiative Liechtenstein (MIL)

The MIL is an association constituted by the Liechtenstein Government, the Bankers Association, and other private and public promoters of Liechtenstein's engagement in the field of microcredits. Microfinance makes an effective and entrepreneurial contribution to the fight against poverty. Microfinance institutions provide financial services to people who are not perceived as clients by traditional financial institutions. The MIL promotes microcredits and helps position Liechtenstein as an active and competent actor in the field of microfinance. www.microfinance.li

LIFE Climate Foundation Liechtenstein

LIFE stands for «Liechtenstein Initiative of the Financial Centre in Emissions Trading». As a charitable foundation, the initiative has been given clear contours and a face for presenting itself to the outside world. The goals of LIFE are to promote climate protection and sustainability and to raise awareness in these fields. This includes promoting market-based climate and environmental mechanisms for achieving the global climate protection goals set out in the Kyoto Protocol. With the participation of the private sector, academia, and policy, the LIFE Climate Foundation Liechtenstein is a private-public partnership networking the important actors and bringing them to the same table. www.klimastiftung.li

Modern financial market regulation

Thanks to Liechtenstein's EEA membership, the same legal requirements apply to banks in Liechtenstein as in all EU countries. According to the International Monetary Fund (IMF), Liechtenstein fulfils «high standards in financial market supervision and anti-money-laundering measures». The Liechtenstein financial centre is actively engaged in the fight against money laundering and terrorist financing and has fully implemented the Third EU Money Laundering Directive.

Liechtenstein offers comprehensive and reliable mutual legal assistance in criminal matters. Banking secrecy offers no protection for criminal machinations. In 2008 alone, Liechtenstein forwarded about 400 requests for mutual legal assistance to foreign countries. In return, more than 260 foreign requests for mutual legal assistance were transmitted to Liechtenstein justice authorities. These included requests relating to suspicion of fraud, money laundering, and embezzlement. About 90% of cases were concluded in a period of less than six months. Liechtenstein thus maintains a leading position in the defence against criminal acts through compliance with international obligations.

Recognition of OECD standards

On 12 March 2009, Liechtenstein committed itself to the OECD standards on international cooperation in tax matters. Liechtenstein thus accepts the internationally valid rules of transparency and information exchange in tax matters. In recognition of this step, Liechtenstein was taken off the OECD list of non-cooperative jurisdictions on 27 May 2009.

Liechtenstein will henceforth exchange information upon specific request and justified suspicion with foreign tax authorities in individual cases of tax offences on the basis of OECD-compatible agreements with third countries. Information exchange upon request is not the same as automatic access to client data by authorities or insufficiently specified, non-targeted searches for information or evidence without specific indications of wrongdoing (so-called «fishing expeditions»). These continue to be ruled out by Liechtenstein law.

The protection of privacy is compatible with the OECD standards and will be maintained. Stronger tax cooperation does not contradict banking secrecy understood as protection of the privacy of clients and their data from unjustified access. Data protection is a fundamental good and a client need in the digital age of today. Banking secrecy will therefore continue to ensure the protection of privacy, the control of clients over their own data, and the protection of private property.

International cooperation in tax matters

For some time now, Liechtenstein has been on the path toward greater European integration and enhanced international cooperation in tax matters. Already in 2002, Liechtenstein concluded a mutual legal assistance treaty with the United States. With the Savings Tax Agreement of 2005, Liechtenstein adopted the EU Savings Tax Directive. The conclusion of a bilateral agreement with the United States at the end of 2008 provided the international legal foundation for information exchange in tax matters upon request and justified suspicion.

Acceptance of the OECD standards relating to international cooperation in tax matters and the already initiated steps to implement these standards in agreements with third countries are a further sign of the reliability and stability of the Liechtenstein financial centre. Targeted solutions take appropriate account of the interests of third countries as well as the trust invested in the Liechtenstein financial centre and its evolved client relationships.

Liechtenstein has pursued a completely new path by concluding the agreement with the United Kingdom on 11 August 2009. In addition to administrative assistance relating to tax in accordance with the OECD standard, the agreement also provides for a special disclosure programme. This «Liechtenstein Disclosure Facility (LDF)» offers UK taxpayers with non-declared assets the option of settling their tax matters quickly and under attractive conditions. The LDF has a long-term orientation and ends on 31 March 2015. It can be used not only by existing clients, but also by new clients establishing a link to Liechtenstein.