In the heart of Europe, Liechtenstein stands for entrepreneurship, short decision-making channels, stability, legal certainty and openness to innovation. The slogan we like to use is: ‘We make it possible,’ says Prime Minister Adrian Hasler by way of introduction to one of the continent’s smallest and most prosperous countries, and its approach to business.

2019 marks the 300th anniversary of the founding of the Alp-based state and a wide range of events will take place throughout the year to celebrate its history and ongoing economic success. The latest evidence of its financial health came in June 2019, when Standard & Poor’s reaffirmed that it remains one of only 10 countries worldwide to merit the agency’s highest AAA rating and praised the government’s forward-looking and effective economic policies.

Partly as a result of these policies, many of which encourage entrepreneurs in industries fit for the future, Liechtenstein is “one of the most heavily industrialised countries in the world,” says Daniel Risch, Deputy Prime Minister and Minister of Infrastructure, Economic Affairs and Sports. “43 percent of gross value added is generated by industry and manufacturing, general services contribute 27 percent, financial services represent 23 percent, and 7 percent comes from agriculture and households,” adds Hasler; “It is a broadly diversified economy with many companies that operate internationally and are successful because they are innovative.”

Those companies spend roughly 9 percent of gross domestic product on research and development (R&D). “Liechtenstein is a country of entrepreneurs and that spirit is at its core. We have approximately 4,700 active companies—

“Liechtenstein stands for entrepreneurship, short decision-making channels, stability, legal certainty and openness to innovation.”

—Adrian Hasler, Prime Minister

one for every eight inhabitants. Last year, they were responsible for $3.78 billion in exports—that was up by 8.4 percent and it keeps on rising,” states Risch. “These exporters benefit from a network of free trade agreements and double-taxation conventions, as well as direct entry to two important markets;”

Another example is the government’s coordinated embrace of emerging technologies. "Our Digital Agenda, for instance, provides a framework for all digitalization initiatives from every ministry. One focus of these is Industry 4.0 and digitizing manufacturing,” Risch comments. He also highlights a focus on initiatives for supporting R&D and extending an already high-quality telecommunications network.

Characteristically, Liechtenstein is at the cutting edge in a sector for which it is internationally renowned: financial services. “Early on, we recognised the innovative power of blockchain,” states Hasler; “We believe there is potential in a significantly broader scope of application of this technology that goes far beyond today’s business models. But for that potential to unfold, a high degree of legal certainty is required. So, we are introducing our Blockchain Act that we expect to come into force at the beginning of 2020. This means that we are creating a framework for the ‘token economy’ but we are also defining clear guidelines for service providers.”

As well as being an excellent location for business, it shouldn’t be forgotten that Liechtenstein is the perfect vacation destination, says Hasler: “It offers beautiful Alpine landscapes, skiing and hiking, excellent restaurants, arts and culture.” The country also has a growing meetings, incentives, conferences and events sector, says Risch, that is providing even greater international awareness of the many advantages of doing business in ‘Europe’s innovative heart.’

The smart money

The renowned financial center is embracing digitalization and fintech

Liechtenstein is internationally respected as a “sustainable and stable financial center at the heart of Europe, which excels with its high innovative drive,” says Simon Tribelhorn, CEO of the Liechtenstein Bankers’ Association.

Ensuring its reputation is the Financial Market Authority, a regulator that rapidly implements international standards, such as European Union anti-money laundering directives, so that the sector continues to have free access to the European Single Market and Switzerland.

One of the country’s three biggest banks, VP Bank Ltd, illustrates the sector’s strength. It offers bespoke asset management and investment consultancy, and has offices in Liechtenstein, Switzerland, Luxembourg, Singapore, Hong Kong and the British Virgin Islands. “We have $42 billion in assets and grow by over $3 billion last year. We offer top-notch solutions with a personal touch,” says Freddy Vogt, chairman of the board of directors. “We support the government’s embrace of new technologies and its blockchain legislation, and VP Bank Ltd will take an active role in the evolution of the sector,” he states.

Spearheading this evolution to a digital banking and fintech hub is Telekom Liechtenstein, which provides state-of-the-art landline, mobile, internet, television and ICT services. “We are rolling out fibre optics to the whole country and probably next year we will reach the commercial milestone of 5G,” says former CEO Mathias Maierhofer. Through the network of minority shareholder Telekom Austria, the company offers innovative services internationally that are ideal for financial services operators among many others. “We are differentiated by our high-quality cybersecurity services that protect highly exposed customers from cyberattacks,” Maierhofer states, adding that another priority is the Internet of Things: “It’s the next step for global connectivity!”

Kaiser Partner

Five-star award showcases Kaiser Partner’s world-class talents in competitive niche sectors

Kaiser Partner’s key assets including professionalism, flexibility and dedication to setting the industry benchmark were again highlighted recently when it was named best private bank in Liechtenstein at the World Finance Banking Awards 2018—for the fifth year in a row.

The coveted accolade from the prestigious British ‘World Finance’ magazine lauded Kaiser Partner for having held its nerves in uncertain economic times. The forward-thinking bank was also praised for its investment in state-of-the-art technology and digital tools to ensure it is well equipped for the future, both in the near and long term.

“We’re particularly delighted to receive this award again as it shows the progress we have made in terms of development at Kaiser Partner over the last few years is being honored,” commented Christian Reich, Head of the Executive Committee of Kaiser Partner.

“Our aim is to ensure we remain a reliable partner and adviser for our clients, now and in the future. That’s why we are also working on digital solutions that will offer genuine added value to our clients.”

Not to be outdone, Kaiser Partner’s multi-client family office enjoyed headline success at the World Finance Wealth Management Awards 2018. The financial institution received a special mention in the Portfolio Providers category as the best multi-client family office in Liechtenstein. The award recognized Kaiser Partner’s great efforts it has made in this area. For wealthy families the time and effort required increases exponentially when it comes to financial and private affairs. By hiring a professional advisor to offer comprehensive, long-term support, this aspect of the asset management business is increasingly popular and important.

Offered to individual clients by invitation only, Kaiser Partner considers it a privilege to give such valuable clients intensive attention and utilize its enviable experience as a trusted partner of wealthy families for many years. The relationship requires mutual trust and—on Kaiser Partner’s side—a deep and comprehensive understanding of the client’s needs and interests, as well as those of their family members. Benedikt Kaiser, Member of the Executive Board, expressed his delight at receiving the award: “The concept of the multi-client family office is a relatively new one here at Kaiser Partner, which makes it all the more important for our growth strategy.”

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Kaiser Partner

Responsibility in Wealth

kaiserpartner.com
Pragmatism, stability and innovation as keys for a bright future

Adrian Hasler, Prime Minister of the Principality of Liechtenstein, provides a thorough overview on the country’s past, present and future.

The Principality of Liechtenstein in 2019 celebrates the 300th anniversary of its existence within unchanged national borders. Could you give us a glimpse into the Principality’s defining moments that made Liechtenstein the country it is today?

In 1719, Holy Roman Emperor Karl VI unified the County of Vaduz and the Lordship of Schellenberg, devoting it to the imperial Principality of Liechtenstein. In 1806, Liechtenstein was accepted into the Confederation of the Rhine as a sovereign state, which is still the basis of our sovereignty. In 1925 we signed the Customs Treaty with Switzerland. In 1990, Liechtenstein was accepted as the 16th member of the United Nations, while in 1992, our people voted to join the European Economic Area.

The transformation into a modern financial center was made in parallel to this development and it oriented the Principality according to international standards. The country has a broadly diversified economy with entrepreneurship being alive and well. Liechtenstein has many successful companies that have attained an international presence, thanks to innovation. Overall, the nation stands for stability, legal certainty, and its openness to innovation.

“Liechtenstein offers a business-friendly and liberal economic order, as well as moderate taxes, which are supervised by competent and efficient public authorities.”

Adrian Hasler, Prime Minister of the Principality of Liechtenstein

On October 2018, ECOFIN removed Liechtenstein from the so-called ‘Grey List’, meaning that Liechtenstein complies with the EU criteria of tax transparency and the implementation of the BEPS minimum standards. How has this decision influenced the economy and in the overall picture of the Principality?

“There were just a few minor areas in Liechtenstein corporate tax law that the EU Code of Conduct group identified that needed amendments. We quickly adjusted those points in the Tax Act, showing a clear commitment to the respective EU criteria. With the deletion of Liechtenstein from the ‘Grey List’, the EU confirmed that our country now fulfills the requirements for tax transparency, and fair taxation of companies, which, for Liechtenstein’s reputation, was crucial.”

Dr. Daniel Risch, Deputy Prime Minister, Principality of Liechtenstein

In light of the Law on Transaction Systems Based on Trustworthy Technologies (Blockchain Act; TVTG Act) of last August, what are the implications and the desired outcomes of this initiative?

Early on we recognized the innovative power of this technology and we seek opportunities for the entire business spectrum. There is potential in a broader scope of application of blockchain technology, surpassing today’s business models. The secure digital representation of assets in blockchain constitutes an important foundation for further digitalization processes. For the potential of the so-called ‘token economy’ to unfold, a high degree of legal certainty is required. The Blockchain Act will provide that legal certainty. We are creating a framework for the ‘token economy’ and we define clear guidelines for service providers on blockchain systems. The law will be entering into force at the beginning of 2020.

What are the regional and international priorities of your government’s foreign policy goals?

First, Liechtenstein’s foreign policy focuses in its bilateral cooperation with the neighboring states, Switzerland and Austria. The next focus is European integration through our membership in the EEA, as well as our status as an associated member state of Schengen/Dublin. Our foreign economic policy has four pillars: the first one is our Customs and Currency Union with Switzerland, the second is the EEA, the third is the European Free Trade Association, and the WTO. Lastly, the multilateral engagements with the OSCE, the Council of Europe, and the United Nations are also significant.

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“Liechtenstein meets all the important European standards, in terms of fair information exchange and transparency. Compliance with the European and international standards is a central factor of attractiveness for our country, playing a huge role in the competitiveness of our businesses. Therefore, the feedback from the Liechtenstein business sector has been really positive, both from banks and the industrial corporations.”

Dr. Daniel Risch, Deputy Prime Minister, Principality of Liechtenstein

Can you describe the Principality economy and its main sectors according to GDP contribution and employment?

Liechtenstein is one of the most highly industrialized countries in the world. The country has a broadly diversified economy, containing multiple globally operating corporations. We also have some world market leaders in specific sectors. When it comes to GDP industry and manufacturing account for more than 40%. The financial service sector accounts to 23% and the general services, including agriculture account for roughly a third of our output, whilst tourism is down to 1.9%.

When it comes to our economy, we have approximately 4,700 active companies. This, as a number, might not sound that big, but when we look at our inhabitants, which are around 38,000, the ratio is one company for every eight inhabitants. In Switzerland, the same stat represents fourteen inhabitants for every company in the country, while for Germany we see twenty-five for one. Liechtenstein is really a country of entrepreneurs. The entrepreneurial spirit is something that Liechtenstein has in its core.

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The Digital Agenda was an integral part of our government program from 2017 to 2021, bringing together all the activities of digitalization from all the Ministries. First of all, most of our companies are SMEs. We had to focus on the Industry 4.0, trying to digitalize the manufacturing process. We came up with the idea of Digital Check. When you have an idea to improve your product through digitalization, you can address that to the government, in order to get some financial support. This project also covers the training of employees. Another cooperation we have with Switzerland is called Richer.

In the high-tech field, also supporting our SMEs focusing on R&D. When we come to broadband, we decided to have a more ambition plan. Every company that want glass fiber or broadband networks, can find it here in Liechtenstein. When it comes to households and private use, we are now up to 35% of our network covered with glass fiber to the building. By 2024, we want to be at 100%.

Given the sheer size of the country, what is your assessment of the start-up scene in Liechtenstein?

We are known to promote long-term competitiveness. Liechtenstein is the place to do business, given its proximity to other countries as well as the innovation capacity of the location.

The Transformation into a modern financial center was made in parallel to this development and it oriented the Principality according to international standards. The country has a broadly diversified economy with entrepreneurship being alive and well. Liechtenstein has many successful companies that have attained an international presence, thanks to innovation. Overall, the nation stands for stability, legal certainty, and its openness to innovation.

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On the 20th of last March, together with the Prime Minister Hasler you presented Liechtenstein Digital Agenda. To what extent the digital agenda is going to influence, change or improve your ministry services and activities?

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In 2018, Liechtenstein marked exports of CHF 3.7 billion, 8.4% higher compared to 2017.

In 2018, Liechtenstein recorded 160,000 all-night stays and 90,000 guests.

In 2018, unemployment rates in Liechtenstein were at an extremely low 1.7%.

In 2018, Liechtenstein provided 27 different Free Trade Agreements covering 38 states.

37.5% of the workforce is in industrial sector, while 43.7% is in general services.

In 2018, Liechtenstein’s total exports rose to CHF 3.7 billion, primarily in Europe.

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Financial stability and prosperity through the eyes of an expert

Fritz Kaiser, Chairman, Kaiser Partner Privatbank AG, delves into the complex financial phenomena in Liechtenstein, Europe and worldwide.

On October 2, 2018, the EU Economic and Financial Affairs Council removed Liechtenstein from the so-called ‘Grey List’, which means Liechtenstein complies with the EU criteria of tax transparency, fair business taxation and the implementation of the BEPS minimum standards. You played an important role in the Liechtenstein Declaration in 2009, yet the ECOFIN removal only came in 2018. How do you explain such delay?

The Liechtenstein Declaration was a groundbreaking step at that time. In 2009 the country was a kind of first mover, promising to transform its traditional financial industry of offshore to a globally recognized mid-shore center that plays by international rules. It is nice to see that we were able to accomplish such fundamental change within one decade, and that Liechtenstein is today so well positioned as a safe and professional hub for global family wealth.

ECOFIN’s confirmation, together with S&P, AAA rating for the country, shows that Liechtenstein is doing fine, and that it is well set for the future.

In March, the European Central Bank said it expected rates to remain at record low levels at least through the end of 2019 and announced a series of new cheap loans for banks. Is the worse over or do you expect more challenges for the banking sector? What is the state of wealth management in Europe? What is the competitive position of Liechtenstein?

We think that the economic slowdown that Mr. Draghi described is not EU-specific but global. We see central banks across the globe backpedaling at record low levels at least through the end of 2019 and announced a series of new cheap loans for banks. Is the worse over or do you expect more challenges for the banking sector? What is the state of wealth management in Europe? What is the competitive position of Liechtenstein?

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Virtual reality, AI, blockchain, robotics, big data, internet of things, datamining, etc. are changing our world. How are they changing banking and as far as the bank is concerned, how is technology transforming your business, services and business models?  

This is a billion dollar question. As a member of the World Economic Forum, I frequently attend many related sessions to listen to the younger generation of technology entrepreneurs with their disruptive models and scenarios, and I also exchange views with professionals who look at developments from a practitioner’s point of view. We know that change is fast and that the impact of technology is and will continue to be a fundamental driver for the banking industry. However, to predict what will happen, or how, or when, is impossible. We know for sure is that there are opportunities and threats ahead of us.  

To manage this important driver of change, we acquired a technology company some 5 years ago and transformed it to become our change agent for our group companies. Today, 21Lab also helps the bank to stay on the pulse of what is going on and to foster a kind of “digital corporate culture” as an alternative to trying to solve the project as a solution from external consultants. Banks are moving from hosting to cloud computing, and artificial intelligence will make advisors better and more knowledgeable partners for their customers. We think that with our approach we will ultimately improve the ability of our bank in order to offer an outstanding client experience and to improve the business itself.

From your personal experience and based on “return on investment”, what is your assessment of Liechtenstein as an investment destination?  

If you look at Liechtenstein as a wealth and investment hub, you will find highly professional and dedicated people as well as organizations who will help get things done properly.

If you look for investments in Liechtenstein itself, then you will find a very small country with mainly local and privately-owned successful businesses. We have talked about the advantages of Liechtenstein as a financial center. But Liechtenstein is also the most industrialized country per capita in the world with global leaders like Hilti, Ivoclar Vivadent or ThyssenKrupp Pesca. Yes, we can be investing in Liechtenstein. However, these are only limited opportunities for outside investors. In any case, Liechtenstein is good for investors who like truffle hunting.

You are one of the most highly respected wealth bankers with a diversified portfolio of investments. Could one argue that somehow you are the equivalent of Sir Richard Branson in the U.K. but in Liechtenstein? What are the challenges of being such a prominent public figure and, in an equivalent of Sir Richard Branson in the U.K. but in Liechtenstein? What are the challenges of being such a prominent public figure and, in Liechtenstein?  

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In a past interview, you said that your best ‘business victory’ in 2018 was the Baltic Eagle project. Have you identified your best business victory for 2019? This is the coming from your wealth or trust business? From wind projects or what else?

Baltic Eagle is a 426-Megawatt offshore wind-park project of our Seawind Group, which won the German energy auction in 2018 and which we sold to Blendova. The Spanish energy group is now building some 50 wind-towers, each one as big as the Eiffel tower, in the German Baltic Sea to produce green energy for 1 million households in Germany. This is a good example of responsible investing – doing the right thing and making money at the same time and making money for the next generation of technology entrepreneurs with their disruptive models and scenarios, and I also exchange views with professionals who look at developments from a practitioner’s point of view. We know that change is fast and that the impact of technology is and will continue to be a fundamental driver for the banking industry. However, to predict what will happen, or how, or when, is impossible. We know for sure is that there are opportunities and threats ahead of us.

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The transcendence of face-to-face banking in the digital era

Fredy Vogt, Chairman of the Board of Directors, VP Bank Ltd, explains how the banking sector can weather the current turbulence.

In March, the European Central Bank said it expects rates to remain at record low levels at least through the end of 2019 and announced a series of new cheap loans for banks. Do you expect more challenges for the banking sector?

I think that the worst is far from over, but the European banks are on the right path. Observers have been speculating recently on whether the ECB could soon introduce a so-called ‘tanking’ system, leading to only a portion of banks’ deposits in Frankfurt being charged with the most negative rate. Even in this case, the low and negative interest rate environment will not change for the time being. I believe that the current interest rate level has been adequate for the entire economy, in terms of investments and implementation of new projects or lending facilities.

“VP Bank may be a smaller bank, but at the same time it is very international. We have the right size to offer top-notch solutions with a personal touch.”

Fredy Vogt, Chairman of the Board of Directors, VP Bank Ltd

VP Bank operates in some of the most attractive financial destinations, including Singapore, Hong Kong, Switzerland and Luxembourg. Whom do you cater for and what makes you different from your competitors?

Lichtenstein is in the privileged situation to have the Swiss Franc as its official national currency while at the same time being part of the EEA. In this attractive setting, VP Bank has a very stable business model and shareholder structure. We are a private company that is also listed on the stock exchange. For us, the home base is Lichtenstein and Switzerland, but, three decades ago we decided to become more international, setting up offices in destinations like the ones you mentioned. VP Bank may be a smaller bank, but at the same time it is very international. We have the right size to offer top-notch solutions with a personal touch.

What is your personal assessment of the Principality’s banking sector?

Financial and political stability are extremely important for us. As VP Bank, we have close relationships to the Ministers, the members of the Parliament and even to our competitors. As an added value, I see the decision of our former government to implement a strategy for legitimate money. The goal was to create new cheap loans for banks. Do you expect more challenges for the banking sector?

Are there any plans for expansion in other countries or territories?

We have a strategic plan to expand our asset base. We currently have CHF 42 billion and by 2020 we wish to reach CHF 50 billion in terms of assets under management. We were able to grow last year, getting more than CHF 3 Billion of net new money. We will play an active role in shaping the future of the financial sector. We are looking for opportunities in markets such as Luxembourg, Switzerland and Singapore.

How is technology re-shaping the banking sector?

We supported our government’s initiative and we agreed on new legislation for blockchain technology. I believe that this is an important step for Liechtenstein and we are evaluating its implications towards our business model.

For us, digitalization will surely have an impact on our business model, disrupting every sector it affects. Our USP is not about the product, but about the relationship and the advice we can provide.

Where do you see the bank in the next 10 years?

As VP Bank, our strategy is to remain an independent private bank. In the future, we may also look at some other markets. We have to adapt the business model to new circumstances in a smooth fashion. We want to grow organically while fulfilling the needs of the next generation of clients. Last but not least, we will focus on providing help to the community in Lichtenstein and wherever we are present.
Incorporation of new technologies at the heart of Europe

Mathias Maierhofer, CEO, Telecom Liechtenstein AG, provides a thorough overview on Liechtenstein’s telecommunication sector.

Could you give us a glimpse into your understanding on the current state of the sector both in Europe and especially in Liechtenstein?

In Europe, we have a highly liberalized telecom market, with some very consumer-oriented policies that have been established through the E.U. regulatory framework. In terms of 5G, we see Europe catching up with regions in Asia and the U.S. In Liechtenstein, we are starting the regulation process and most probably next year we will be able to reach that commercial milestone. Through that route we will to scale up the industry in its entirety, but also other sectors of the industry.

“Our brand is FL1, suggesting that we are the first in multiple areas. We cannot compete with international brands, but we have several advantages, including the proximity to the people.”

Mathias Maierhofer, CEO, Telecom Liechtenstein AG

What is your assessment on the R&D environment and framework in Liechtenstein? How competitive is Liechtenstein and therefore its telecom companies and industries?

As a telecom business in Liechtenstein, we can supply the country with a first-class digital infrastructure. As Telecom Liechtenstein, we are focusing on cyber security, in order to give companies here the possibility to protect their intellectual property. Here, we have a small telecom market, but we like to differentiate ourselves through high quality security services. We offer those services not only in Switzerland, but Austria as well, aiming for presence across the borders.

What is the latest launches in terms of services that you have made?

We are running through the change of the whole infrastructure for the country, going from copper to fiber. Fiber to The Home is an area where we play a role of quite importance. In Liechtenstein, we see that as a benchmark, trying to provide bandwidth to our residential customers. The whole country is going to be supplied with fiber and the project will be completed within the next two to three years.

Could you assess the company's latest results and its competitive position in Liechtenstein?

We are a well-established player in Liechtenstein, but we do not own the physical infrastructure. This makes a difference in our business model and it brings certain challenges to our industry. However, we are responsible for the universal services in Liechtenstein, the basic services that every inhabitant of this country has the right to get. We are offering cyber security services in Austria, but we are only offering telecom services in Switzerland besides Liechtenstein.

How important is branding in today’s telecom sector?

If you are providing good services, branding is a fundamental point, given that it is a highly competitive market. On that basis, you need a good brand awareness and persistence within your brand. Our brand is FL1, suggesting that we are the first in multiple areas, including coverage and quality. We cannot compete with international brands, but we have several advantages, including the proximity to the people.

How important is branding in today’s telecom sector and what makes up the strengths of your organization’s brand?

Our strategic initiative is to roll out and bring fiber optics in the homes of the people of Liechtenstein. In terms of new businesses, we are fostering in cyber security, addressing Switzerland in particular with services of cyber security monitoring and I.T. in the mobile area. Additionally, in Switzerland we are partnering together with Sunrise Switzerland, trying to enable some other cable operators with our services. The last initiative is the international Internet of Things. We think that this is the next step of global connectivity that has not just one roaming footprint, but that of multiple companies. We are sponsoring our global network access to a partnered company of ours, in order to provide those services to international enterprises.

To conclude with, I would like to state that we are small, trying to partner up with other small and innovative companies. The way to bring innovative ideas within our sector in Liechtenstein is secured by FL1, providing international growth and state of the art services.
In March, the European Central Bank said it expected rates to remain at record low levels at least through the end of 2019 and announced a series of new cheap loans for banks. Is the worse over or do you expect more challenges for the banking sector?

For Liechtenstein banks, Germany, Austria and Switzerland are the most important markets. Due to a lot of uncertainties in the context of Brexit and the effects of possible trade disputes with the U.S., there are indeed quite a number of challenges here to cope with which are expected to remain for the time being. Furthermore, as an EEA country, Liechtenstein is heavily dependent on politics in Brussels and the respective regulation. Owing to the Swiss franc, Liechtenstein depends on a strong, operable currency union and partnership with Switzerland. Thanks to the customs and currency union with Switzerland, Liechtenstein banks benefit from privileged access to the Swiss economic area and have access to the Swiss National Bank. The negative interest rates our banks had to pay for over the last few years proved to be an additional burden for the banks. However, our banks have managed to adapt to and cope with these uncertainties and difficult market environment quite well. The whole sector can look back on relatively successful past years.

“In Sustainability is the ‘WHAT’, while digitalization and, especially blockchain technology, will in the near future heavily influence and facilitate the ‘HOW’”
Simon Tribelhorn, CEO, Liechtenstein Bankers’ Association

What would you underline about the Principality banking sector? Could you focus on the sector’s international competitive position and the specific strengths and specializations of local banks?

Quality, stability and sustainability – the long-term cornerstones of the financial center strategy – represent the superior goals and success positions of the strategy approach. The vision is to ensure that Liechtenstein is perceived as a respectable, sustainable and stable financial center at the heart of Europe.

The government as well as the banking sector are quite open towards digitalization. Already in the past, technology has been a key driver in the financial services sector for decades but digitalization based on new technologies such as cloud computing, big data analytics, artificial intelligence, Distributed Ledger Technology (DLT) including blockchain, offers new dimensions and opportunities that could foster radical change in the financial sector. Based on the conviction that in the future, the attractiveness of the financial center will depend even more on its framework conditions, we attach great importance to value creation. This shall be achieved through supporting innovation and new technologies namely such as blockchain and increasing efforts towards sustainable finance as a key concept of the financial center. Sustainability is the ‘WHAT’, while digitalization and, especially blockchain technology, will in the near future heavily influence and facilitate the ‘HOW’. We are completely convinced that these two topics will shape the financial industry of the future.

What are your dreams and aspirations, here in the Bankers’ Association? What would you like to leave as your legacy?

I would like us to be able to develop Liechtenstein as one of the leading financial centers in the area of sustainable finance and serving the Sustainable Development Goals. In the end, we want to be able, through all of our products and services, to make a real impact for the benefit of our clients and the future generations. In my view, we have a huge responsibility when it comes to the transformation of the financial services industry towards a more sustainable future and growth. If we are able to be part of this process and actively drive this change, we will have made a real impact.
The importance of high reliability at a reasonable cost

Gerald Marxer, Chairman of LKW, explains why expansion is not a priority for Liechtenstein’s main electricity and network operator

LKW has been providing light, heat and movement in Liechtenstein since 1923. Could you give us a glimpse into the company’s defining moments shaping it to what it is today?

LKW was officially founded with the creation of the Samina hydroelectric power plant after the World War II, as responsible for electricity supply and distribution in Liechtenstein. The task for LKW was to electrify the whole country, which was an ongoing process up until the 1960s. We managed to continuously increase the power production alongside the power consumption. Till that point, LKW was exporting electricity to Switzerland. We own eleven hydroelectric power plants in Liechtenstein, alongside some smaller photovoltaic ones. Besides that, we have a big number of private photovoltaic plants in Liechtenstein. In addition, we have shares on power plants in Switzerland, allowing us to import electricity directly into Liechtenstein. The rest of our electricity is bought from other markets in Europe.

“Our electricity network has a reliability of 99.999%. In other words, there is no interruption of the electricity network over the course of the year.”

Gerald Marxer, Chairman of LKW

The entire production in Liechtenstein is renewable, based on hydroelectric and photovoltaic systems. 25% can be produced here in Liechtenstein, while 6 to 8% is imported from our plants, or plants that we are shareholders in, in Switzerland and Austria. The rest 65% is imported from the European markets. We are 100% owned by the State of Liechtenstein, verified through the ‘LKW Law’. We are also in the telecommunications business, through the telecom network for Liechtenstein. We own the network, including fiber, selling it in a non-discriminatory manner to all the internet service providers.

Telecommunication has a major impact on business performance and profitability, as well as people’s lives in society. Are you the main operator?

We are the main operator of the network. Usually there is a national telecom company that owns most of the network, renting it to other ISPs for higher prices. Over the last 2 years, we have reduced the cost for the end consumer by 30 to 40%. It is important that we do not have much taxation involved in that regard. The price for the ground and the labor cost may be expensive, but all the rest are in attractive prices, given that Liechtenstein is one of the most industrialized countries in the world.

Looking at the financial and operational results of 2018, how satisfied are you? What are your expectations for 2019?

The State of Liechtenstein expects a reasonable self-financing from our company. Last year, we had CHF 90 million in terms of income, with our profit reaching CHF 5.9 million. For 2019, we are looking at the same figures, expecting around CHF 7.3 million revenue. On the one hand, we bring electricity and telecommunication services for a reasonable price to the end-consumers, private or industrial. On the other hand, we invest in Liechtenstein in terms of constructing the necessary infrastructure we need for our own business. Last year only we invested CHF 21.3 million and spent CHF 16.4 million in Liechtenstein.

The main project that we have currently in the pipeline is the fiber glass investment. Currently we are at 34.1%, as noted by the end of 2018. We are also investing in the renovation of one of our hydroelectric power plants within the next two years. Last but not least, we are investing in new hydroelectric power plants in Austria, as the space and the resources here are quite limited. The water resources for energy production is more or less used already, so we need to go out of Liechtenstein to get more production.

Where do you see LKW in 10 years?

Our main task is to provide networks with high reliability. Our electricity network has a reliability of 99.999%. In other words, there is no interruption of the electricity network over the course of the year. This is one of the best values in Europe and an important factor for the industry. Interruptions can cause unnecessary issues for a production industry. Additionally, we keep the electricity cost at a reasonable level. This means that some of the cost for the electricity and the network has to be attractive for the industry. We are not trying to expand our business. Our main task is the basic supply for electricity and communication networks in Liechtenstein.

The international perspective from the country’s science core

Dr. Christian Frommelt, Director of the Liechtenstein Institute, delves into the advantages and the disadvantages of Liechtenstein

On October 2018, ECOFIN removed Liechtenstein from the so-called ‘Grey List’, meaning that Liechtenstein complies with the EU criteria of tax transparency and the implementation of the BEPS minimum standards. What is the relative competitive position of the economy of the Principality at a regional level?

In 2009, Liechtenstein adhered to the international standard of information exchange in reaction to international criticism, demonstrating its ability to act and willingness to comply with the new international tax regime. The same applied when the ECOFIN put Liechtenstein on a ‘grey list’ of non-cooperative jurisdictions for tax purposes. Liechtenstein continues to strive for an active niche policy. A current example is blockchain technology and the digitalization of financial services in general. Besides more general factors, such as a high legal certainty and international market access, this strong political will to strategically develop Liechtenstein financial center is one of the most important reasons why Liechtenstein is so competitive.

You must have investigated on the impact Brexit as well as the US new protectionism may have on the Principality economy. What is the possible scenario and how prepared is the Principality?

Liechtenstein depends very much on access to other markets. To be prepared for Brexit, Liechtenstein has worked closely with its EEA and EFTA partners, but also the EU and Switzerland. By contrast, there is not much that the Liechtenstein politicians can do against the US new protectionism. Consequently, businesses have to prepare themselves to adapt to any trade barriers. The government has to take up the motives behind these two phenomena. Thus far, Liechtenstein’s active integration policy has had strong public support, unfortunately accompanied with an increasing number of voices critical of European integration.

What are the benefits an investor will find in Liechtenstein?

The high political stability in Liechtenstein, the strong integration in Europe, the free market access to Switzerland, stable public finances, high efficiency of authorities and low regulatory density compared to other countries deserve special mention.

Overall, Liechtenstein is very entrepreneurial-friendly. However, these advantages are countered by a restrictive immigration policy, a lack of spatial planning, a growing traffic problem, and a rural milieu in general. The smallness is undoubtedly the dominant characteristic of Liechtenstein. In terms of economic policy, Liechtenstein has always looked for niches.”

Dr. Christian Frommelt, Director of the Liechtenstein Institute

LIECHTENSTEIN
Could you share with us some information regarding the history and the works of the Liechtenstein Investment Fund Association? What about Ahead Wealth Solutions?

The Fund Association started almost 20 years ago, in 2000. We have around 700 funds in Liechtenstein. The most important aspect is that we can offer EU-compatible funds. Switzerland is a third-party country and with our funds they can distribute them in Europe. That is one of our main goals and we have managed to grow a lot over the last years. We have 14 fund management companies as our members.

Ahead Wealth Solutions is an independent fund management company under Liechtenstein law. Beside UCITS funds we also focus on alternative investment funds (AIF), like real estate and private equity. We are eleven years old, starting back in 2008. I am happy to work for a Liechtenstein company like Ahead Wealth Solutions. At the moment, we have around CHF 1 billion assets under management. We are not really big but enough to be successful in this end. We are also a preferred partner for smaller banks.

 Ahead Wealth Solutions was founded on February 27th 2008

Could you explain the difference and list Ahead strengths and Unique Selling Points (USPs) according to the different businesses? How important is such market?

Ahead is an officially registered provider of cross-border investment fund services in Germany, Luxembourg, Austria and Italy. Ahead offers financial intermediaries an independent platform from which to set up and launch private label funds. We support and advise the client right through from initial conversation to fund launch, calling in banking, legal and tax experts as and when required. Besides the ongoing administration of Liechtenstein-regulated funds, we offer risk management, sales support and help in repatriating investment funds from abroad. With regard to asset classes, we cover not only the classic types of securities but also alternative investments such as real estate and private equity. Because we are an independent Management company, the promoter has completely free choice of depository for its funds: we are currently working with seven Liechtenstein banks in this capacity.

When it comes to markets, the German-speaking area is still the most important, especially Switzerland. This is due to the geographical closeness, but also to the fact that access to Europe is possible with Liechtenstein funds. Then Liechtenstein and Germany are very important to us. Of course, clients also come from the rest of the EU, and increasingly worldwide.

“"At the moment, we are working towards bigger private label funds. We are trying to be the first management company to set up a security token fund in Europe.""

Alex Boss, CEO, Ahead Wealth Solutions

Ahead was established in 2008, not the best time for the financial sector swarmed with economic difficulties in Europe and the rest of the world. What were the defining moments of the company history since 2008? Ahead was formed from former employees of a larger fund management company who wanted to set up their own business company. Unfortunately, the founding of the company took place during the financial crisis, which is why the first years were not very successful. It was only in recent years that the critical mass was reached. We have around 70 private label funds in Liechtenstein, as well as 2 Multi-funds under our administration. The business is still growing, especially in terms of alternative investment funds. The business figures are good but they could be better. At the moment, we are working towards bigger private label funds. We are trying to be the first management company to set up a security token fund in Europe.

You offer wealth solutions but you are also a management company. Could you explain the difference and list Ahead strengths and Unique Selling Points (USPs) according to the different businesses? How important is such market?

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Fintech is a priority of the Financial Market Authority in Liechtenstein. Virtual reality, AI, blockchain, robotics, big data, internet of things, data mining, etc. are changing our world, the economic sectors and the relationship between financial institutions and customers. How important is Fintech and digitalization for your organization?

Digitalization is crucial for us, helping us do administrative work more efficiently. We are currently setting up the first Security Token Fund on Blockchain with a client, which invests in real estate. We are convinced that the new trustworthy technologies on the Blockchain will change a lot. Nevertheless, personal customer contact and support will continue to be praiseworthy for us.

An Innovative and reliable partner in the private label fund business

Thomas Nägeli, President, Crypto County Association, explains how blockchain has reinvented the financial sector.

Blockchain and Cryptocurrencies for some is the future for others is a scam, while others really have no clue about the potential, the figures, the use and distribution of this type of technology. How would you explain this重伤?

Cryptocurrencies are a crucial part of the story, if you want to understand why a lot of people see a huge potential in it. Overall, even if cryptocurrencies disappear, Blockchain technology is here to stay. This type of technology allows you to have a lot of digital assets, which at the moment are not tradable, but you can make them tradable. Cryptocurrencies as a use case have a lot of challenges, but in the end, it just showed that this technology works.

From your viewpoint, is data protection the single major challenge technology firms, corporations, governments and individuals need to address in the next years?

When it comes to blockchain and the understanding of this particular technology, that is one of the most important challenges. Data protection is very important and we have to think about what is also crucial for tech companies. One other important aspect is finding new talent given that this is what we are facing on a daily basis. It is critical that we have all the right corridors to find the best ones, but there is a vast lack of corridors.

““Our public authorities are very accessible and we have short decision-making channels in all relevant matters. That is the big advantage over other regions.””

Thomas Nägeli, President, Crypto County Association

Could you list the strategic priorities of the CCA, the landmarks and biggest achievements so far?

Our utmost priority is to exchange knowledge within the country. It is crucial that we have the necessary advisors as well as a place where people gain access to knowledge. We have a lot of members who are tech companies and, on the other side, we have advisors. We provide them a venue or a place where they can meet and exchange thoughts.

The other goal is that we are trying to represent the interest within the country. One of the things that we try to collect, in terms of numbers, is related to how many startups we have in Liechtenstein, how many of them are blockchain related and what do they do exactly. We have to rely on the official information of our financial market authority and they only issue numbers for other types of companies, not specifically blockchain-related.

What do you expect to be the benefits of the new Blockchain Act for Liechtenstein?

I was part of the working group of the government and we had the honour to help them draft this Blockchain Act. We think that this new framework will enable the full potential of this technology. People need certainty for all of these projects. One of the reasons is reputation and with a very precise and clear regulation you can help them to start in that area. The other thing is that you need to provide certainty for all of these transfers. The concept of the Blockchain Act is that you have a token and this token can represent whatever right.

In Europe the way of getting funded is mainly through the banking system. There is a capital market, but it is not that developed. If you have this new way of funding, you will give these medium and small size enterprises access to capital, within a regulated, fully integrated way. The overall costs are lower, because you use technology to eliminate unnecessary intermediaries and processes. Even the legal side of it will be much easier in the end.

Where do you see cryptocurrencies in the next 10 years? Is blockchain, like some argue, the equivalent of the Internet in the 1980s?

We will see where blockchain is capable to provide solutions. If we think about the future, by stopping questioning its current use and potential, we will see that it is much more efficient, easier-to-use and cost-effective. There are many challenges that we ought to overcome in order to get to that point.

I think that Liechtenstein as a country has a very unique position. With this regulation, the Blockchain Act, Liechtenstein will get immense visibility on a global scale. If we do things right and keep the momentum going, I think that we have a good chance to play a crucial role here.

The groundbreaking effect of blockchain, which is here to stay

LIECHTENSTEIN
Looking into the next growth wave, where institutional and professional investors join. We want to create an additional growth wave for the industry, taking it from a total market capitalization of approx. 280 billion USD today to several trillion dollars in the near future.

If you look at the needs of the institutional investors, there are some priorities that you would have to develop. The moment you want to tokenize any financial asset you would have to issue tokens and make sure that the equity is present. This is what we combine at LCX Assets. For those storage and custodian purposes, we have LCX Vault, making sure that they are highly secured while also fitting in all the legal frameworks of funds, with bank-graded security and multi-signature processes. When these tokens end up to your investors, they need the ability to trade them. That is where LCX Exchange comes into play, a trading marketplace for security tokens and other crypto assets. As a first step, we are launching LCX Terminal, one interface to view your portfolio, execute trades, analyze and extract reports. Those are some things that we are currently missing in the industry.

The new blockchain laws will give a flexible legal framework for the crypto industry as a whole. Jurisdictions are competing for the best entrepreneurs.

Monty C. H. Metzger, CEO & Founder, LCX

What is money? Cryptocurrencies are used as a medium of exchange. They are allowing transactions at long distances and they can be cleared and settled quickly without an intermediary. What is Ownership? Unlike cash money, Cryptocurrencies can be programmable. Combining smart contracts, ownership rights or any algorithmic functions within a value based digital economy. Ownership and the rights to yields can be simply transferred by sending a digital token. What is Transparency? Cryptocurrencies also bring a new degree of transparency. Digital Know Your Customer (KYC) and Anti-Money-Laundering (AML) processes to track and share relevant customer payment and identity information will streamline processes, but also add a deeper level of transparency to the global financial system.

How would you explain cryptocurrencies to the broader public?

There is a new technology which is revolutionizing not only finance, but worldwide technology, called the blockchain. Blockchain is the underlying technology of cryptocurrencies and is a distributed ledger system which can enable several applications. One of those applications are the cryptocurrencies. Cryptocurrencies are a medium of exchange built with cryptographic protocols that make transactions secure and impossible to manipulate. Each cryptocurrency is a token, while millions of tokens represented on the blockchain are being used for payments or exchange of value, smart contracts or programmatic functions as well as digital assets. We call these three core categories of tokens: utility tokens, payment tokens and security tokens.

The way that banks and financial institutions have been operating is not efficient. There are a lot of manual processes involved. With the introduction of cryptocurrencies and tokenized assets, you can introduce simplicity to the whole financial industry. The crypto industry is establishing a new global economy empowering the internet of value.

What is the state of the Fintech sector in Liechtenstein? What are the other strengths and where is the sector heading?

Liechtenstein is the best jurisdiction to start a blockchain or crypto business, constituting a financial powerhouse with global impact. As a crypto business you need legal certainty, close government engagement and a supportive blockchain banking network. The new blockchain laws will give a flexible legal framework for the crypto industry as a whole. Jurisdictions are competing for the best entrepreneurs. It is not only about Liechtenstein, but rather Europe in its entirety.

Could you provide us a glimpse into the LCX products? Why is the company a reference within the crypto-world?

As we are building this new ecosystem in the blockchain industry we are looking into the next growth wave, where institutional and professional investors join. We want to create an additional growth wave for the industry, taking it from a total market capitalization of approx. 280 billion USD today to several trillion dollars in the near future.

If you look at the needs of the institutional investors, there are some priorities that you would have to develop. The moment you want to tokenize any financial asset you would have to issue tokens and make sure that the equity is present. This is what we combine at LCX Assets. For those storage and custodian purposes, we have LCX Vault, making sure that they are highly secured while also fitting in all the legal frameworks of funds, with bank-graded security and multi-signature processes. When these tokens end up to your investors, they need the ability to trade them. That is where LCX Exchange comes into play, a trading marketplace for security tokens and other crypto assets. As a first step, we are launching LCX Terminal, one interface to view your portfolio, execute trades, analyze and extract reports. Those are some things that we are currently missing in the industry.

Where do you see cryptocurrencies in the next 10 years?

In the next 10 years cryptocurrencies will reach more than a billion people. This upcoming growth of the industry leads to three key questions:

What is money? Cryptocurrencies are used as a medium of exchange. They are allowing transactions at long distances and they can be cleared and settled quickly without an intermediary. What is Ownership? Unlike cash money, Cryptocurrencies can be programmable. Combining smart contracts, ownership rights or any algorithmic functions within a value based digital economy. Ownership and the rights to yields can be simply transferred by sending a digital token. What is Transparency? Cryptocurrencies also bring a new degree of transparency. Digital Know Your Customer (KYC) and Anti-Money-Laundering (AML) processes to track and share relevant customer payment and identity information will streamline processes, but also add a deeper level of transparency to the global financial system.

A unique chance for Liechtenstein and Europe to stand out

Monty Metzger, CEO & Founder, LCX, describes why he believes that blockchain is the way to money e-mail was to the letter.

"The new blockchain laws will give a flexible legal framework for the crypto industry as a whole. Jurisdictions are competing for the best entrepreneurs."

Monty C. H. Metzger, CEO & Founder, LCX

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