

# NEWS

October 2019

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## THE ILLUSION OF AN IDEAL WORLD

The West is experiencing a time in which the value of ownership rights is diminishing and the vision of an egalitarian society in the Marxist sense is gaining allure. Under false pretences, various groups are painting a vivid picture of socially detrimental inequality and unfairness. Initiatives demanding the communalisation of property are being advocated under the pretence that many problems will be solved by doing so. An unconditional basic income should form the new fundamental means of existence; the nationalisation of private dwellings and dispossession of real estate holding companies should lead to cheaper rents; higher taxes and imposts for companies and the wealthy should reduce the gap between the rich and poor. The list of bizarre ideas is long, and it demonstrates how people are tending to forget that the concept of a free market economy with a clear commitment to ownership rights was the actual wellspring of prosperity in the Western world.

So what is the root of this irrepressible desire for a paternalistic state that steers the fate of its citizens? Possibly it comes from the fact that equality and fairness are interpreted arbitrarily at the discretion of a particular group bent on cajoling the citizenry into believing that an ideal world does exist. But things are not that simple. Equality is not achieved by eliminating competition, redistributing private wealth or taxing higher incomes disproportionately. And fairness is not achieved through everyone receiving the same stipend each month without any effort on their part. Equality and fairness are purely subjective concepts.

Equality should be limited solely to the opportunity for self-development and for making the best possible use of one's personal interests and abilities. Ownership rights are of central importance here, because they ensure that one can reap the resulting rewards.

There is no such thing as the ideal world, where everyone harmonises perfectly and the trees bear fruit without anyone having to lift a finger and, instead, an invisible hand takes care of everything. This is why the primacy of politics is also a utopian notion: as the past has already shown, it tends to result in a planned economy and ultimately bulldozes any semblance of equality and fairness.

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discretion of a particular group.**

Technological advances allow the hope that, through the decentralisation of systems and hence the greater involvement of the individual, the quest for self-determination and co-determination will be rekindled – along with the awareness that ownership rights are indispensable for long-term wealth preservation.



*Michael von und zu Liechtenstein*  
Executive Chairman

# OPPORTUNITIES OF A TOKEN ECONOMY

In Liechtenstein, the Law on Tokens and TT Service Providers – already known in FinTech circles as the Blockchain Act – will soon enter into force. The acronym *TT* stands for trustworthy technology. The aim of the new law is to promote the development of a digital token economy and, right from the outset, ensure legal certainty and customer protection, as well as to curb any potential for abuse. With this law, the Liechtenstein government is creating a legal basis that covers the entire spectrum of applications for the token economy. This opens up interesting new opportunities for assets.

## Tokens and the token economy

A token is the digital representation of ownership, membership, entitlement, usufruct, claim or other rights to real assets or commercial goods and is deemed by the new Liechtenstein law to be a legal instrument. Rights to buildings, land, securities, art and other collections, patents, etc. can be certificated in the form of tokens and then directly administered, settled, traded or held in custody.

The counterparties settle the exchange process by means of a decentralised transaction mechanism (e.g. blockchain), which constitutes the digital trading, payment, custody and administration system. The primary function of this mechanism is to process transactions decentrally, thereby enabling the trading partners to carry out an exchange process independently, directly, transparently and comprehensibly, and this without the time-consuming and costly detour via intermediaries such as custodian banks, notaries, land offices or registrars. An essential secondary function of a decentralised transaction mechanism is to irrevocably document and archive all exchange processes.

The Liechtenstein government considers transaction mechanisms such as the blockchain to be the backbone for a far-reaching digitalisation of the economy, which in turn should lead to a token economy in the foreseeable future. Token-economy is essentially a catchall term for the trade taking place in the digital world and the administration of real assets and commercial goods, including all related services, through the use of tokens. This is where the Liechtenstein Law on Tokens and TT Service Providers comes in. It clarifies a number of fundamental issues relating to the creation, trade, sale and custody of tokens, and in doing so establishes a legal framework just like in other sectors of the economy. The Liechtenstein Law provides legal certainty as to how real assets and the associated rights can be represented digitally. And because

other transaction systems will develop in addition to the blockchain, the law uses a neutral term: instead of blockchain technology, it speaks of transaction systems based on trustworthy technologies (TT). Moreover, the law does not provide for any specific classification of tokens, since a too narrow classification would unnecessarily restrict the token economy's scope of application. In the eyes of the law, all real assets and any rights to such assets can be transferred to the digital domain by means of tokens and administered there.

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## Advantages of a digital ecosystem

A far-reaching digitalisation of the economy brings with it new, previously unimaginable possibilities. Real assets such as companies, buildings, land, collections, precious metals, etc., if digitised via tokens, become eminently more flexible and mobile. Not only can they be administered more easily, they can also be transferred and traded much more quickly – across the globe and without delay. The digital division of real assets is also possible.

When it comes to wealth management, the related administrative processes will be simplified in the foreseeable future thanks to this decentralised transaction system, a mechanism which will also significantly reduce transaction and management costs. The use of tokens can also make the entire service process associated with the safekeeping and administration of assets much more straightforward and hence faster and more flexible.

However, a far more significant advantage of this system is its decentralised design and asymmetric approach to encrypting data. Decentralisation protects against manipulation, the kind of protection that no longer needs to be guaranteed by central institutions. Through the two-pronged «Public Key-Private Key» procedure, the information or data documented in the token is encrypted and only an authorised party can decrypt it. This significantly shores up privacy and therefore owner protection.

There are many countries in the world where people are at the mercy of central institutions. Also, there are countries that do not provide reliable administrative systems.

Decentralised transaction mechanisms can make an effective contribution towards heightened financial privacy and the safeguarding of private property from abuse. Thus it becomes clear that a digital economy can provide the urgently needed counterweight to overbearing state systems and bolster the protection of ownership rights.

The new applications need to be guided to areas where they can open up new possibilities, as they improve processes in many fields of business and administration. This requires not only legal and organisational adjustments, but also a major rethink.

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#### **Countering the control frenzy of all-powerful states**

The world is becoming increasingly unpredictable. Respect for social values such as personal responsibility, self-determination, entrepreneurship and the right to privacy is declining at an alarming rate. States with an obsession for controlling and profiling are on the advance and their flirtations with totalitarian systems is becoming more and more evident. They strive to build and maintain bureaucratic, planned economies in which small circles of elites decide what is right or wrong for the rest of the citizenry, whilst legitimising their self-serving intentions with buzzwords such as security, justice, equality and morality. It is hard to believe, but once again communistic systems with unchallengeable self-certitude are on the advance into an era like that described in Orwell's 1984. And by no means do they shy away from using a variety of methods to curtail their citizens' right to self-determination with.

The self-inflicted economic, political and social woes of the West, the cheap money strategy of central banks, and the public debt malaise are overclouding the perception of actual political developments. Rarely has the imbalance between economic output and government deficits been so pronounced in the West as it is today.

The notion that personal wealth should be disclosed as transparently as possible and also that private assets should be communitised is dominating the social discourse these days. After all, it is easier to criticise the individual than to question the system. And so, in their quest for control over

private wealth, states are forcing the electronic compilation of personal data by various means. Yes, even some Western democracies are striving for more state control.

### **The digitalisation of the economy paves the way back to greater self-determination and self-responsibility.**

#### **A return to more self-determination**

In this globalised environment, it will become even more important to plan and structure private wealth with foresight in order to ensure its preservation over the long run. The digitalisation of the economy paves the way back to greater self-determination and self-responsibility, and decentralised transaction mechanisms offer alternatives for achieving that. By transferring assets to a legal entity and tokenising them, the assets can be administered, invested, disposed over and aligned more efficiently in keeping with a specified purpose.

We at Industrie- und Finanzkontor are addressing the evolving digital ecosystem and consider it an essential task of ours to facilitate decentralised custodian systems in the foreseeable future, to build and administer them carefully, and to guarantee our clients secure access to trustworthy technology. This also entails protecting the necessary access keys (private keys) and administering tokens in line with a legal structure.

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# LIECHTENSTEIN FINANCIAL CENTRE

2019 is a special year for Liechtenstein, as it marks the 300th year of the Principality's existence. The birth of one of the smallest countries in the world took place on 23 January 1719, when Holy Roman Emperor Charles VI granted the request of Prince Anton Florian von und zu Liechtenstein and elevated the latter's imperial territories – the lordship of Schellenberg and the county of Vaduz – to the status of Imperial Principality of Liechtenstein. This laid the cornerstone for both the regency of the Princes of Liechtenstein and the country's development as a microstate.

In these 300 years, Liechtenstein has had to master many challenges. The surrounding regions were unstable and rife with armed conflicts; life was hard and fraught with poverty and hunger. Not so long ago, many people would have shaken heads laughingly at the thought that Liechtenstein was destined to become one of the most prosperous nations in the world by the end of the 20th century. Time has taught them better.

Today, Liechtenstein is one of the few countries in the world with a balanced budget and triple-A rating, an innovative commercial and financial centre, with an excellent network of international relationships. A country that is well represented in many important organisations. Perhaps more than practically any other country, Liechtenstein stands for stability, quality and long-term thinking. Four hallmark strengths are pivotal to this development:

- a unique combination of a constitutional hereditary monarchy, direct democracy and strong municipal autonomy, all of which foster responsible politics;
- a liberal understanding of economics, as reflected in a legal system that respects entrepreneurship and a free market economy;
- a firmly anchored awareness that one must face up to changing circumstances and act with foresight; and, last but not least,
- the ambitiousness of its citizens, based on self-determination and personal responsibility.

Liechtenstein's economy is broadly diversified and home to numerous companies that rank amongst the global leaders in their respective fields. Over the decades, the Liechtenstein financial industry as well has established itself as an independent competence centre for wealth preservation.

From an international perspective, the Liechtenstein financial centre may be viewed as a niche player. Nonetheless, the local financial professionals have vast experience and comprehensive expertise in the long-term strategic planning of complex, international and multi-generational asset matrices. They think in terms of generations; accordingly, clients from around the world will find here a wide array of products, solutions and services with which they can set a solid, stable and lasting cornerstone for their wealth. The Liechtenstein financial centre combines trustees, banks, insurance companies, asset management and fund companies, etc. which, taken as a whole, forms a competence centre for wealth consulting, asset investment and wealth structuring.

Liechtenstein's financial centre adheres to internationally recognised standards on compliance and due diligence, and its professionals uphold European values and legal norms. A reliable partner on the international stage, the financial centre focuses on its strengths and competencies and strives to expand them further. With a view to tomorrow's generation of clients, the financial centre players are working already today on the legislative framework for the future, as reflected in the recently adopted Law on Tokens and TT Service Providers.

Liechtenstein's history is proof that a country's successful existence is not dependent on its size, but rather its ability to concentrate on specific strengths, remain open to change and fully endorse self-responsibility. The Liechtenstein financial centre may be a niche player and as such it is indeed unique.



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