



INDUSTRIE- UND FINANZKONTOR

WEALTH PRESERVATION EXPERTS

# NEWSLETTER November 2023

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## DIGITAL TRANSFORMATION

Gisela Bergmann, Princess of Liechtenstein . CEO and Managing Director

We operate in a fragile, complex world, where the need to protect assets and values grows every day. It is essential that the financial industry closely monitors developments in the technological, regulatory, economic and political spheres in order to evaluate opportunities and risks for clients in a forward-looking manner.

Regulatory requirements in particular have required our constant attention. This has been due in part to challenges such as: keeping pace with the multitude of constantly evolving regulations, meeting the often tight deadlines set by regulatory authorities, resolving the complex and sometimes divergent regulatory requirements in the best possible way, and complying with the various accountability requirements, all while keeping the primary focus on the clients.

These challenges affect the administrative management of legal entities and asset structures, and tie up resources. This is where RegTech can help. RegTech combines the words regulatory and technology. RegTech solutions enable financial service providers to automate regulatory requirements with the help of digital applications. This allows service providers to process

requirements more efficiently and effectively, and monitor them in a more targeted manner. The resulting benefit for financial service providers – and ultimately for their clients – is that they can meet legal and regulatory requirements in a much more cost-efficient and resource-saving manner, optimising processes in areas such as the management of asset structures, corporate accounting and compliance.



Today, the use of RegTech solutions is still in its infancy. It is therefore all the more important that their development is oriented toward real world scenarios. Because just as financial service providers tailor their solutions, products and services individually to the needs and requirements of customers, the supporting RegTech solutions must fit individual user needs – a «one-size-fits-all» solution will not be effective.

In terms of wealth preservation, asset protection for example means taking into account not only the political, economic and family framework conditions when structuring assets via legal entities, but also incorporating technological progress and applying the resulting opportunities in a practical manner. This is where our focus lies.

**Asset protection  
means taking into account  
technological progress**

# LIECHTENSTEIN, THE EEA AND SWITZERLAND

Almost 30 years ago Liechtenstein became a member of the European Economic Area (EEA). This membership is often called a model of success, and is now undisputedly recognised as a groundbreaking step in Liechtenstein's economic development. Liechtenstein also shares a common economic and currency area with Switzerland. Access to both, the EEA and the Swiss market, is one of Liechtenstein's strength as a business location and offers many advantages.

## Liechtenstein's alliance with the EU

In May 1992 the EEA agreement was signed in Portugal by the then member states of the European Union (EU) and the European Free Trade Association (EFTA). Liechtenstein and Switzerland were also represented. The purpose of the agreement was to make the European single market accessible to the EFTA member states.

In order to effectively join the EEA, the agreement had to be confirmed by the Liechtenstein people. In the run-up to the corresponding referendum, it became clear that the Swiss population – which would be voting in advance of Liechtenstein – would probably oppose the agreement. This led to concerns at home, with the reigning Prince Hans-Adam II of Liechtenstein strongly advocating for bringing forward the voting date in Liechtenstein. He saw the EEA as the best form of cooperation with the EU that was also compatible with small states.

However, the Liechtenstein voting date remained the same. As expected, the Swiss population voted by a narrow majority against the EEA agreement. How would the Liechtenstein people react to this? There was also the question of how joining the EEA would affect the 1923 economic and customs treaty with Switzerland.

On 13 December 1992, 87% of those eligible voted in Liechtenstein. Contrary to all predictions, there was a clear majority in favour of ratifying the EEA agreement. The understanding of the necessity of the EEA for Liechtenstein had prevailed and unrestricted access to the European single market was assured.

## Where we stand today

With the EEA agreement, Liechtenstein gained access to the European internal market, while at the same time preserving its sovereignty. The concern that an EEA accession would affect the economic and customs treaty with Switzerland – which will be discussed later – has not come true. On the contrary: Liechtenstein's access to the EEA and Switzerland, as a result of its membership of two economic areas, has become an impor-

tant distinguishing feature and positively characterises Liechtenstein as a business location today.

But what are the concrete benefits of EEA membership? The agreement guarantees what are often referred to as the four freedoms: the freedom of movement for goods, people, services and capital. This opens up extensive opportunities for Liechtenstein as an industrial location, a financial centre and a labour market. Also all legal forms possible under Liechtenstein law must be recognised throughout Europe.

Liechtenstein also has unrestricted access to the European single market with over 450 million consumers. Through its EEA membership, Liechtenstein gains access to the EU's global free trade and association agreements, and legal certainty in the EU context is strengthened. The EEA membership also gives Liechtenstein businesses and the local population access to various funding programmes.

## The legal perspective

EU law rules which are relevant to the EEA single market are transposed to the legal order throughout the whole of the EEA. Therefore, Liechtenstein's financial market regulation is substantially shaped by the EEA relevant financial market regulations of the EU. This is an important pillar for the international recognition of the domestic financial centre.

Liechtenstein also adopts most of the regulations in the sphere of international taxation, such as the automatic exchange of information, which forms an integral part of ensuring that Liechtenstein legal entities are recognised by European member states, and can be used for international asset structuring.

Liechtenstein legal entities such as the Liechtenstein foundation can be used in all EU member states to structure assets. They are used in particular for succession and estate planning, as well as the preservation of wealth over generations. This opens up a wide range of possibilities, especially for entrepreneurial families, with positive effects for European family businesses.

In summary, EU legislation has an impact on EEA law and thus on Liechtenstein law. However, there is room for flexibility when adopting Liechtenstein law, as long as this does not contradict EEA law.

## The future of the EEA

Current developments understandably raise questions about the future viability of the EEA. It must be positively empha-

sised that the EEA is a proven instrument for a successful economic alliance with the EU without demanding full membership.

It will be essential for the EEA that the existing member states further strengthen the recognition of the four fundamental freedoms and the non-discriminatory access to the EU's internal market and that they uphold their right to self-determination. From the very beginning, the EEA has stood for a partnership-based alternative to full EU membership and has provided a healthy market-economy balance.

The EEA regulates many framework conditions that would otherwise have to be defined in specially negotiated intergovernmental treaties and agreements. The EEA is therefore a resource-saving alternative. These types of alliances which allow for participation and autonomy at the same time will only grow in importance.

The biggest threat to the continuity of the EEA would be if the existing member states or Brussels no longer supported the concept of the EEA – which is characterised by its idea of subsidiarity and differentiated integration. This does not appear to be the case at present.

#### Liechtenstein's alliance with Switzerland

On 29 March 2023, Liechtenstein and Switzerland celebrated the 100th anniversary of their customs treaty, with which both countries declared their intention for a common economic area in 1923.

The starting point for this alliance was the dissolution of the Austrian Empire and, as a consequence, the disintegration of Austria's economic power. Liechtenstein was both economically and politically isolated and struggled with high levels of unemployment and poverty. In 1919, Liechtenstein was forced to dissolve its treaties with Austria. In the same year talks with Switzerland began.

Initially there was resistance to an alliance, negotiations were tough, and Liechtenstein was put through its paces by Switzerland. There were concerns that Liechtenstein's integration into the Swiss customs territory could have an impact on the neighbouring Swiss territories. However, these concerns soon evaporated.

The Liechtenstein-Swiss customs treaty, together with other decisions such as the implementation of a liberal Persons and

Companies Act in 1926 (which included a Liechtenstein trust concept based on the Anglo-Saxon trust and the Liechtenstein family foundation) and the rapid economic growth in Europe after the end of the Second World War, proved to be a further milestone in Liechtenstein's positive economic development.

Today, Liechtenstein can build on a friendly and constructive partnership with Switzerland and participate in over 100 Swiss agreements. With the Swiss franc as its national currency, Liechtenstein benefits from having one of the most stable currencies in the world. If you would like to learn more about the Liechtenstein-Swiss customs treaty and the currency agreement, visit [www.zollvertrag.li](http://www.zollvertrag.li)

#### Conclusion

As with all treaties, the EEA membership and the partnership with Switzerland not only bring with it advantages and benefits, but also duties and obligations. Liechtenstein is aware of its responsibilities and strives to be a reliable and trustworthy partner for both Europe and Switzerland.

These efforts enhance Liechtenstein's stability and strengthen the Liechtenstein financial centre in its range of services for internationally positioned families and entrepreneurs. Economic stability, political reliability and innovative foresight are fundamental pillars for long-term wealth preservation solutions and generation-oriented wealth management.

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# 75 YEARS OF INDUSTRIE- UND FINANZKONTOR



*Michael of Liechtenstein*  
*Executive Chairman*

On the 22nd of June we celebrated our 75th anniversary. Over the course of those years we have witnessed the political, economic and social environments change, and the need for wealth protection solutions increase.

## A look back at 1948

During the turmoil of the two World Wars, substantial assets were lost and livelihoods destroyed. These events heightened awareness that assets could be lost at any time. At the end of the 1940s, a rapid economic upswing took place throughout Western Europe, enabling new assets and social prosperity to be built up over a relatively short time. In Germany, Ludwig Erhard's economic policies made a significant contribution to the country's economic recovery. Reconstruction also led to economic growth in other European countries.

On June 22nd 1948, Industrie- und Finanzkontor was registered in Liechtenstein's Public Registry. Members of the Princely House of Liechtenstein founded the company in order to restore family assets after the end of the Second World War, and to manage them more effectively. The long-term safeguarding of assets and wealth emerged as a key issue.

## Protection and safety

The Cold War was in full swing and long-term safety and peace was in doubt, despite international agreements. Scarred by the losses associated with the war years, people wanted protection for their families and protection for their assets against further loss. Liechtenstein was seen as a secure location. The foundations for this security were laid back in the 1920s:

- 1923: Liechtenstein's Parliament enacted a business-friendly tax law
- 1924: the Swiss franc was adopted as the official national currency
- 1926: the Persons and Companies Act (PCA) took effect, and the legal form of the family foundation, which is unique in continental Europe, was introduced

In 1938 Prince Franz Josef II of Liechtenstein's reign began. He and the government focused on Liechtenstein's economic development, and on creating a lean, business-friendly administration. Over time, Industrie- und Finanzkontor developed into a leading service provider in the fiduciary sector, with a strong tradition in wealth structuring to protect and preserve assets and values over the long term. The roots of Industrie-

und Finanzkontor in the Princely House of Liechtenstein, with its more than 900 years of family history, shaped the necessary understanding of wealth and the sense of responsibility for future generations.

## What has changed since then?

While national legislation took precedence for a long time after the Second World War, today globally applicable standards are seen as leading the way. While party debates used to guide political decisions, today one-sided values are increasingly shaping political orientation.

While there used to be a desire for privacy, in the digital age the desire for public recognition outweighs the desire for privacy, and is accompanied by a reckless abandonment of personal data ownership. The individual's need to provide information and evidence to the state is also given greater importance.

These developments can affect the long-term protection and preservation of wealth. The level of regulation and transparency in financial matters can undermine the right to privacy and property. As a result, professional asset protection is gaining in importance.

## How we see the future

For 75 years we at Industrie- und Finanzkontor have served families and entrepreneurs. We set up and manage asset structures via legal entities. We ensure that these meet current international requirements and are flexible enough to adapt to future changes. And we always take a holistic view of both the assets and the family.

The lawful protection of assets and values is a legitimate basic need. Private wealth is a prerequisite for social prosperity. Thinking in terms of generations, which is reflected in asset structures, is an expression of a great sense of responsibility towards what one has created and towards those who are to carry it on. Despite living in a world that is in a constant state of change, this attitude remains an important constant.

With this in mind, we are ready for the next 75 years. We will closely monitor developments in the various areas that influence the management of asset structures. This will allow us to evaluate the resulting opportunities and risks at an early stage and expand opportunities for asset structuring and wealth preservation with foresight and in the best interest of our clients.