

Fund domicile
Liechtenstein,
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Principality of Liechtenstein: Your European investment fund location



Those who are looking for a location for their investment fund or investment fund company will find favourable operating conditions in the Principality of Liechtenstein that are continuously and promptly brought into line with current requirements. The compact size of the country and the resulting short decision-making channels are unique. All decision-makers can respond quickly to changing circumstances and can implement the necessary measures.

Active member of the European Economic Area (EEA)

Liechtenstein, Norway and Iceland are the three EEA/EFTA states that adopt EU Directives and together with the EU states collectively form the EEA. This membership gives Liechtenstein unrestricted access to the European single market.

Liechtenstein Undertakings for collective investments in transferable securities (UCITS) as well as alternative investment funds (AIF) can be distributed via passporting within the entire EEA. The internationally focused investment fund centre Liechtenstein benefits from this on a daily basis.

Legal security and stability

The Principality of Liechtenstein has for many decades been a traditional and proven financial centre where banks, insurers, asset managers, fiduciaries and fund companies operate successfully. All market participants profit from the long-standing international know-how. Political stability and legal security form the basis for the country's extremely successful financial system.

Building upon these foundations, the creation of optimum statutory and regulatory conditions has top priority for the Liechtenstein investment fund centre and the Liechtenstein Investment Funds Association. Over the past decades, we have worked continually to ensure that this is the case, and we shall continue to do so in future: Creating cutting-edge location and service conditions at the heart of Europe for the international investment fund industry.

Discover more about Liechtenstein as an investment fund centre! The operating conditions are excellent.

Your Liechtenstein Investment Funds Association

Principality of Liechtenstein: The competitive small country



Welcome to Liechtenstein! Introducing the unique small state at the heart of Europe, which combines savoir-vivre with tradition.

What is Liechtenstein?

The Principality of Liechtenstein is situated between Switzerland and Austria at the centre of the European Alpine mountain range. With a surface area of 160 km², Liechtenstein is the fourth smallest state in Europe. As a modern centre of business and finance, the Principality has for decades stood for innovation, development and stability.



“Thanks to the long-standing and excellent cooperation with a Liechtenstein management company, I have never for one second regretted the decision to set up a Liechtenstein investment fund. In my view, the fact that communications take place in German and that Liechtenstein is only one hour away are added bonuses.”

Daniel von Allmen,
Progressive Capital Partners Ltd

Where does Liechtenstein’s unique political stability come from?

The state form is a constitutional hereditary monarchy based on democratic and parliamentary principles. The governing head of state, in the 14th generation, is His Serene Highness Hereditary Prince Alois of Liechtenstein. In addition to historic continuity at the highest level of national leadership, the Principality of Liechtenstein also demonstrates considerable stability at the government level. Since the end of the Second World War, the country has been governed by a broad two-party coalition. These provide the Prime Minister, depending upon the particular majority.



What makes Liechtenstein so successful as a place to do business?

With around 40'000 inhabitants and a workforce of more than 43'000, mostly comprising highly-qualified positions of employment, Liechtenstein is a major job creator in the Rhine Valley/Lake Constance region. Every day over 24'000 persons commute to Liechtenstein, above all from Switzerland and Austria. Success factors include in particular membership of two economic areas (EEA and Switzerland), the liberal economic system, efficient public administration and supervisory system, as well as legal security brought about by transparent and predictable tax and statutory operating conditions that comply with international standards.

Liberal economic policies

The conservative-liberal outlook of the government and population mean that the small state only rarely intervenes in economic activities. What better proof could there be: With the exception of the pandemic years, the public spending ratio (government expenditure in relation to gross domestic product) in Liechtenstein is about 22%¹, which is less than half of the rate in the Eurozone.

Sound financial policies for public budgets

Liechtenstein does not have any government debt. In fact, it has substantial financial reserves. The Principality of Liechtenstein is one of only very few states around the world that have been awarded an AAA rating, the highest creditworthiness rating, by Standard & Poor's in country rankings.

Working and living in Liechtenstein

The country offers ideal operating conditions for setting up companies, as well as a high quality of life. Further key factors are the outstanding infrastructure and the varied training and further education opportunities, inter alia at the University of Liechtenstein.

Culture and leisure opportunities in the region

Liechtenstein is situated at the heart of Europe: Surrounded by the mountains of the Alps, nestled in a region with a wide range of cultural and leisure opportunities. In the summer, keen mountain hikers find over 400 km of well-maintained and signposted hiking routes for every level of aptitude. In the winter, the family skiing region of Malbun attracts skiers and snowboarders onto the pistes.

International centres in Europe, such as e.g. Zurich, Milan and Munich, along with holiday resorts such as St. Moritz, Lech/Arlberg, the Lake Constance region with the Bregenz Festival, Tirol and South Tirol, Lago Maggiore, Lake Como, Lake Lugano and countless others can be reached from Liechtenstein quickly and with ease.



"For providers as well as for clients, zero government debt, the secure currency, political stability and high legal security are outstanding arguments for the Liechtenstein financial centre."

Hannes Fahrnerberger, Vienna-Life



From left to right: His Serene Highness Hereditary Prince Alois, His Serene Highness Prince Hans-Adam II, His Serene Highness Prince Joseph Wenzel
Source: Photo Roland Korner

¹ Source: Office of Statistics Liechtenstein

Traditional and strong: The Liechtenstein financial centre

A healthy foundation brings high stability and security for the financial centre – both for traditional as well as for modern business models.

Industry and manufacturing account for approx. 43% of Liechtenstein's gross domestic product.¹ Financial services comprise the second largest economic factor after industry, accounting for approx. 20%, and consequently one of the central pillars of the Liechtenstein economy.¹ For this reason, a financial centre that is based on long-term continuity and stability is crucially important for Liechtenstein.



"Our target investors are drawn from the EU region as well as from Switzerland. Liechtenstein meets the requirements of both investor segments. For us, this is the ideal solution."

Dr. Harald Staudinger, ASPOMA
Asset Management GmbH

Networked and stable

The Principality of Liechtenstein has a specialised financial centre that is stable and has strong international links. Within a very compact region, Liechtenstein's financial centre brings together outstanding expertise in all financial fields as well as the services required to support these. Lawyers, auditors, corporate consultants along with investment fund specialists in Liechtenstein as well as in neighbouring Switzerland present an ideal infrastructure.

Thanks to its manageable dimensions and excellent interdisciplinary contacts, a network with the right contact individuals can be found in the Liechtenstein financial centre quickly and with ease. In addition, professional associations support the members of all financial services sectors.

FinTech

The regulatory laboratory established at the Financial Market Authority comprises an internal team of experts. As proven interlocutors for companies with innovative business models, the international experts address regulatory and statutory supervisory questions. This has hugely boosted Liechtenstein's attractiveness for FinTech companies.

Two economic areas

Liechtenstein enjoys the exceptional and particularly beneficial fact that it belongs to two economic areas. An ideal component is its customs and currency union

with Switzerland, and it is also part of the EEA, consisting of the EU and the three EEA/EFTA states. This means Liechtenstein has special market access to the EU as well as to Switzerland. As a consequence, the benefits of both economic areas can be used and the interests of investors in Switzerland as well as in the EEA can be professionally fulfilled.

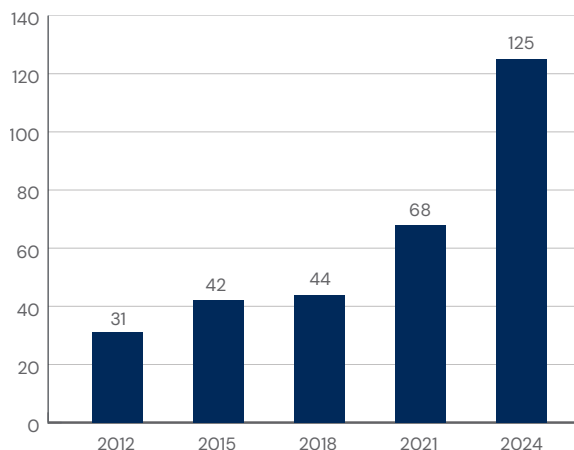
Safe depositaries

The assets of domestic investment funds are held for safekeeping by domestic banks in accordance with European directives. Liechtenstein banks bear comparably low risks and are characterised by their financial strength and stability. With a core capital ratio (Tier 1 ratio) averaging more than 20%, Liechtenstein banks are on average substantially above the equity ratios demanded by BASEL III and the Capital Requirements Directive (CRD V).² This means they are amongst the best-capitalised banks in the whole of Europe (the Tier 1 ratio in the EU averages 16%).²

The logical consequence: No bank in the Principality of Liechtenstein required state support during the financial crisis.

The Liechtenstein investment fund centre in figures

At the end of 2024, approx. EUR 125 billion was being managed in 885 funds in Liechtenstein.



Development of fund volumes in EUR billion, without feeder funds
Source: FMA Liechtenstein and LAFV

¹ Source: Office of Statistics Liechtenstein

² Source: Liechtenstein Bankers Association

Reliable and innovative: The Liechtenstein investment fund centre



Operating successfully in the investment fund market.
The Liechtenstein domicile offers ideal operating conditions.

With EU passports to Europe

National implementation of EU requirements, in conjunction with the adoption of EU law in the EEA Treaty, enables Liechtenstein to passport its financial services in the EEA. This passporting system encompasses on the one hand the product passport, and on the other the management company passport. The product passport means that Liechtenstein UCITS and AIFs can be offered throughout the whole of the EEA. The management company passport also enables Liechtenstein management companies and alternative investment fund managers (AIFM) to manage funds within the EEA, in addition to Liechtenstein funds, and to market these actively within the European domestic market.

Know-how

Within the context of European rules, the Liechtenstein investment fund centre offers many opportunities and considerable freedoms when it comes to organising investment policies and selecting investment instruments. Liechtenstein's distinguished track-record in the financial services field and the specialist expertise of its market professionals prove their worth, particularly when it comes to structuring complex investment forms in a fund.

Short decision-making channels: Quick decisions

The Principality of Liechtenstein turns its compact dimensions to its own particular advantage. Short decision-making channels to and between public authorities make it possible to work efficiently and

expeditiously. This makes speed, not just when it comes to setting up an investment fund, the oft-cited special "Liechtenstein USP".

High investor protection

Liechtenstein is obliged by treaty to adopt EU regulation. Investors therefore have the same level of protection as with a fund domiciled in the EU. In addition, the business activities of the fund companies are supervised by the Financial Market Authority and accredited auditors.

Cost-effectiveness

On an international comparison, the cost of setting up, overheads and supervision fees are very competitive. This also applies in particular to the standard minimum fees, which are often substantially higher in other countries. The all-in fees usually offered in Liechtenstein give fund promoters/initiators considerable planning security.

Umbrella funds

To reduce costs, instead of licencing several single funds, Liechtenstein investment funds may be set up as so-called umbrella funds with various sub-funds. The sub-funds form independent economic units, and can invest in different asset classes.



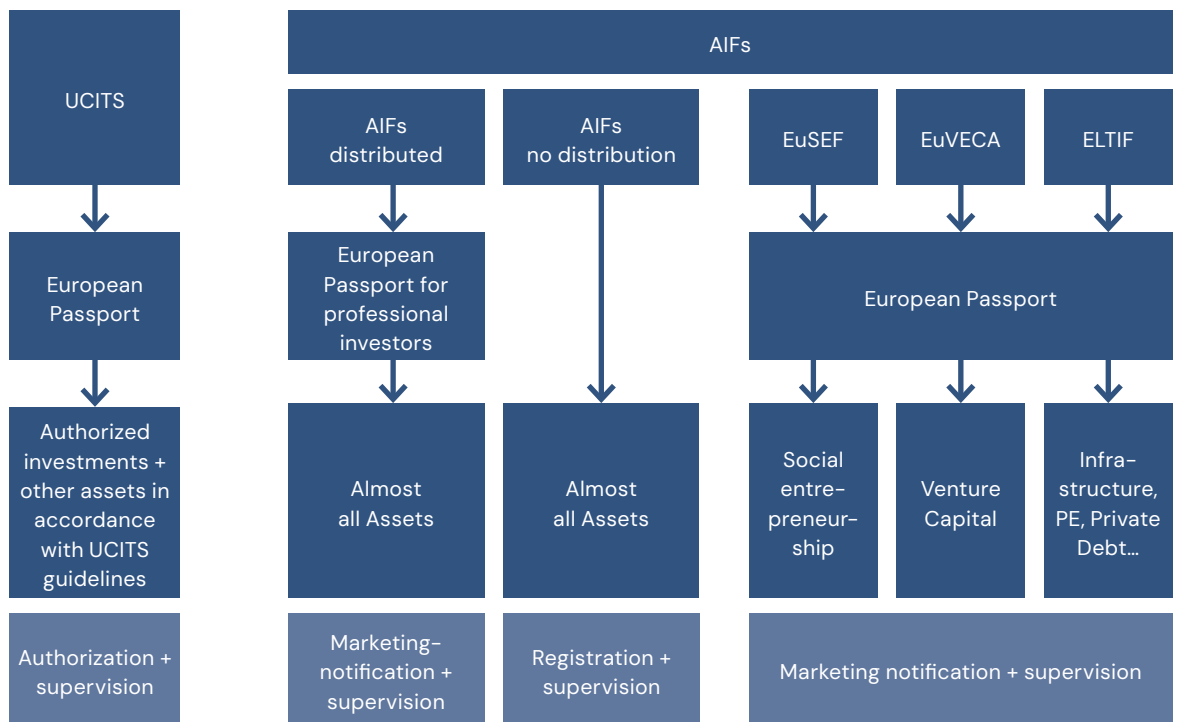
"What we value about the Liechtenstein investment fund centre are the short decision-making channels and the prompt implementation of the Financial Market Authority as well as of our management companies."

Hakan Semiz, swisspartners AG

Flexible legal structures for UCITS and AIFs

Liechtenstein offers an optimum range of legal forms for the flexible setting up and structuring of the European fund types UCITS and AIF.

Structuring possibilities in the fund domicile Liechtenstein



"Individual solutions and flexibility on the part of the fund administrator, as well as of the custodian, are necessary for the implementation and realisation of our investment fund projects and investment strategies. Our Liechtenstein partners offer precisely this individual service."

Dr. Harald Staudinger, ASPOMA Asset Management GmbH

Liechtenstein offers all fund types regulated at European level: UCITS and AIF with the subforms ELTIF (European Long-term Investment Fund), EuVECA (European Venture Capital Fund) and EuSEF (European Social Entrepreneurship Fund). These may be set up in a wide variety of ways and with the widest possible variety of legal forms.

This enables proper account to be taken of requirements arising, inter alia, out of the nature of the target investments or the tax requirements of the domestic country of the investors.

For UCITS, in addition to contractual forms (FCP) that are conventional in other German-speaking countries and the likewise commonplace form under company law (SICAV, SICAF), the trust form (contractual fund on the basis of a trusteeship, the so-called collective trusteeship) is also a possibility. For its part, the investment company can be set up in the form of a stock corporation or European company dedicated solely to asset investment and management on the account of investors.

Attractive alternatives

The options available for AIFs are the same as for UCITS, although supplemented by attractive additional alternatives replicating the limited partnership (LP) structure, which is popular internationally for venture capital and private equity vehicles. These are the investment limited

partnership [“Anlage-Kommanditgesellschaft”] and the investment partnership of limited partners [“Anlage-Kommanditärengesellschaft”] (partnership of partners who do not have unlimited liability). The investment limited partnership introduced a special form of limited partnership that, in addition to the aforementioned US LP, also corresponds to the Swiss limited partnership for collective capital investment or the German “GmbH & Co. KG”. The investment partnership of limited partners

represents a legal form that is specific to Liechtenstein.

Moreover, in order to ensure maximum flexibility with regard to the requirements of market participants, Liechtenstein law provides that the Financial Market Authority may, upon request and in justified individual cases, also recognize other domestic legal forms, such as the establishment, foundation or limited liability company, for structuring an investment company.

Possible legal forms at a glance

	SICAV	SICAF	Limited Partnership	Partnership of limited partners	Investment Fund / FCP	Collective trusteeship
UCITS	X				X	X
AIF	X	X	X	X	X	X
AIF, not distributed	X	X	X	X	X	X
EuSEF	X	X	X	X	X	X
EuVECA	X	X	X	X	X	X
ELTIF	X	X	X	X	X	X

The Liechtenstein Financial Market Authority (FMA)

Pursuant to its statutory remit, the Liechtenstein FMA is responsible for guaranteeing the stability of the Liechtenstein financial market, the protection of clients, the prevention of abuses as well as the implementation of and adherence to recognised international standards. In its capacity as an integrated and independent supervisory authority, the FMA supervises financial market participants in the Liechtenstein financial centre. At the European and global level, the FMA is represented in all key supervisory organisations.

External relations

The Liechtenstein FMA is a full member of the European Banking Authority (EBA), the European Insurance and Occupational Pension Authority (EIOPA) as well as the European Securities and Markets Authority (ESMA).

The Liechtenstein FMA strikes just the right balance between its supervisory and protective functions, as well as the needs of the market.

Full integration in these European supervisory authorities strengthens the FMA’s position as an equal and recognised supervisory authority. The FMA has a seat on the respective supervisory councils, and has the same rights and obligations as the EU’s national supervisory authorities. As Liechtenstein is not an EU member, however, the FMA does not have the right to vote on these international financial supervisory authority bodies.



“We have for many years valued the excellent services and effectiveness of the regulatory system at the Liechtenstein financial centre”

Alessandro Ciocca,
Alean Capital AG



“The Financial Market Authority in Liechtenstein successfully offers added value within the context of investment fund regulation. Fast processes are just one example.”

Nico Rischmann,
Plenum Investments AG

Quick licensing procedure and short time-to-market for investment funds

Statutory provisions establish a quick approval procedure for UCITS. It may not exceed 10 working days following receipt of the full documentation. Exception: It is only in the case of self-managed investment companies that the respective period is one month. On a European comparison, the short time-to-market that this ensures is extremely attractive.

For Alternative Investment Funds (AIF), the reform of the Alternative Investment Fund Managers Act (AIFMG) on 1 February 2020 replaced the authorisation with a notification to the Financial Market Authority. AIF that are only managed and not distributed can therefore start immediately. If it is intended to distribute the AIF, a notification of distribution to the FMA is required, which by law must take a decision within 20 days, but usually does so within a few days.

Licensing of management companies and AIFM

The licensing deadline established by the Liechtenstein Act concerning Undertakings for Collective Investment in Transferable Securities [Gesetz über bestimmte Organismen für gemeinsame Anlagen in Wertpapieren – “UCITSG”] for management companies is one month, which is very competitive by international standards. The licensing period for AIFMs is a maximum of three months. In addition to the AIFM itself, the associated legislation [“AIFMG”] also establishes the option of being licensed as a risk manager, administrator or sales agent.

FMA as interlocutor

Notwithstanding its important supervisory function, the FMA also ensures that it understands the market and its needs. It is available to companies for enquiries, in particular in conjunction with innovative business models. This means it makes an important contribution towards Liechtenstein’s attractiveness as an international investment fund centre.

Liechtenstein Financial Market Authority
Landstrasse 109, PO Box 279, FL-9490 Vaduz
Phone +423 236 73 73
info@fma-li.li, www.fma-li.li

Authorization, notification, registration

	Authorization	Marketing notification	Registration	Maximum period for the FMA by law	Medium effective period
UCITS	X			10 working days	4-5 working days
AIF		X		20 working days	3-4 working days
AIF, not distributed			X	N/A	0
EuSEF		X		20 working days	3-4 working days
EuVECA		X		20 working days	3-4 working days
ELTIF		X		20 working days	3-4 working days

Attractive tax system for funds, management and consultancy companies of UCITS or AIFs

by Martina Walt, Barbara Hoop,
Benjamin de Zordi, PwC Liechtenstein

Financial centres are in constant competition to offer an attractive business environment for both investors and financial service providers. The key drivers for an attractive business environment are primarily an independent and proactive supervisory authority, moderate tax rates, moderate fee level, high transparency and a large number of sales channels as well as a wide selection of information resources.

Consistent and proactive implementation

Considering the current developments at the global level (e.g. global minimum tax OECD BEPS 2.0) and in Europe (e.g. EU directives on substance or hybrid rules), the attractiveness of Liechtenstein increased significantly in comparison to the other financial centres. One of its primary advantages is the internationally recognised, efficient and trustworthy financial market authority, which implements European law consistently and proactively. Furthermore, the EU passport for both UCITS and AIF allows unlimited access to the European markets for fund providers and asset managers. Last but not least, Liechtenstein's EU-law compliant tax system offers one of the lowest tax rates combined with the absence of withholding taxes for distributions.

In Liechtenstein, management and consulting companies of UCITS and AIF benefit from reasonable infrastructure prices and of course from EU market access. In addition, the proximity to Switzerland, Austria and Germany enables a high quality of life for the employees, a factor that increasingly gains importance in the location selection.

Taxation of funds, management and consulting companies

Funds established in Liechtenstein (UCITS and AIF) are subject to unlimited tax liability in Liechtenstein and thus generally have to meet the same information obligations as any other corporation subject to taxation. However, income

from the managed assets are exempt from taxation. As a result, Liechtenstein based funds are in effect not taxed. Moreover, distributions by the fund to its investors are not subject to any withholding taxes.

The key challenge for funds in Liechtenstein is obtaining a refund of foreign withholding taxes. In relation to various EU states, there are refund possibilities due to the European non-discrimination principle (e.g. in relation to France, Sweden and Ireland). In relation to non-EU-countries, a refund is only possible for Liechtenstein based investment funds if there is a double-tax-treaty between Liechtenstein and the respective country. Otherwise, a claim for refund has to be examined at the level of the investor.

Management and consulting companies are generally subject to ordinary taxation. The corporate income tax rate of 12.5% leads to a comparatively low taxation of profits. The notional interest deduction and the exemption of investment income and capital gains further reduce the tax burden on investment income to a minimum.

Tax minimum standards: A question of substance and minimum taxation

The gradual implementation of the BEPS minimum standards increases the pressure on corporate and investment structures. Even though the EU Directive on substance (mailbox companies) is expected to exclude regulated financial vehicles such as AIFs, UCITS and their regulated management companies, tax authorities question the place of effective management and claim the right of taxation on foreign profits. On the other

Liechtenstein offers an outstanding business environment for investors and financial service providers.



"Very good service, short decision-making channels and transparent costs together with European access for the funds have proven their worth for B&I Capital and continue to represent an important pillar of our business model."

Charles Isaac, B&I Capital



“The Liechtenstein investment fund centre has a clear positioning – flexible, cost-effective and dynamic.”

Nico Rischmann,
Plenum Investments AG

hand, some countries impose additional requirements regarding substance and economic motives to the application of double tax treaties (e.g. “principle purpose test”). This affects corporations and funds (if entitled to apply the treaty) seeking for relief from double taxation.

With the global minimum tax of 15% initiated by the OECD, the worldwide tax level was standardised. Liechtenstein enacted the corresponding legislative amendments (Liechtenstein supplementary tax “QDMTT” and IIR supplementary tax ‘Income Inclusion Rule’) on 1 January 2024. Nevertheless, it can be assumed that the tax burden in Liechtenstein will not rise above the globally necessary level, and that Liechtenstein will thus remain attractive in the future.

Liechtenstein offers excellent conditions for fund management and consulting companies to build an appropriate amount of substance on site. The advantageous location as well as the attractive living and working conditions make Liechtenstein a favourable place of work for specialists from Austria, Germany and Switzerland.

With the double tax treaty between Liechtenstein and Switzerland, which is applicable since 1 January 2017, Liechtenstein additionally benefits from the proximity to Switzerland. Corporations already employ Swiss specialists and deploy them e.g. both in Liechtenstein and Switzerland with split employment contracts. The short distance between Liechtenstein and the financial centre of Zurich as well as the supply of qualified employees are an effective competitive advantage compared to other fund locations such as e.g. Luxembourg.

Choice of an optimised fund structure

The choice of the fund management company, custodian bank, fund promoter, asset manager etc. plays an important role in finding the optimal fund structure. Often too little attention is paid to the robustness and tax efficiency of the chosen investment structure when setting up funds. In view of the stricter substance requirements and the fact that non-refundable withholding taxes negatively impact the fund performance, a solid and well thought through investment structure is decisive in competition. Therefore, fiscal aspects should be taken into consideration already when a fund or new investment structure is set-up.

Positioning in the market environment

	Liechtenstein	Switzerland	Luxembourg	Netherlands
Taxation at the level of the investment fund	none	none	0.01%/0.05% ¹	none
Taxation at the level of the fund management company	12.5 %	11.85 % – 21.04 %	23.87%	25.8 %
EU market access	yes	no	yes	yes
Withholding taxes on distributions at fund level	none	35% ²	none	15% ²
Possibility to reclaim withholding taxes within the EU without a DTT ³	yes	yes	yes	yes
Stamp duty at the level of the investment fund	none ⁴	none ⁴	none	none

¹ Yearly subscription tax of 0.01%/0.05% on the Net Asset Value, with certain exceptions

² Reductions possible if a DTT is applicable and further requirements are fulfilled

³ Results from the free movement of capital and the freedom of establishment, in particular insofar as there is actual discrimination and the fund qualifies as comparable to the local fund vehicle (source country).

⁴ Liechtenstein and Swiss collective investment schemes qualify for stamp duty purposes as exempt parties. Nevertheless, if the fund management company or the custodian are domiciled in Liechtenstein or Switzerland, securities transactions may be subject to stamp duty

International cooperation in tax matters



Liechtenstein builds on intensive international integration and cooperation in tax matters as well as a rigorous tax conformity strategy.

The Global Forum on Transparency and Exchange of Information for Tax Purposes gave Liechtenstein already good grades within the context of its 2015 country assessments, judging that it was “largely compliant”, the same rating that Germany and the UK, for example, were awarded.

For years, Liechtenstein has pursued a rigorous tax conformity strategy and has concluded bilateral tax treaties with over 50 states around the world: With the United Kingdom (August 2009), Germany (September 2009), France (September 2009), the Netherlands (November 2009), the USA (December 2008), Australia (June 2011), Japan (July 2012) and Canada (January 2013), to mention just a few.

Administrative assistance convention as the basis for the exchange of information upon request

On 21 November 2013 the Principality of Liechtenstein signed the Multilateral Convention of the OECD and the European Council on Mutual Administrative Assistance in Tax Matters (MAC), and ratified this on 22 August 2016. The MAC enables the contracting parties to provide administrative assistance in respect of a wide range of taxes. The exchange of information upon request and the spontaneous exchange of information have been applicable since the beginning of 2017. The MAC is simultaneously the basis for the Multilateral Competent Authority Agreement (MCAA), which implements global AEOI standards.

Automatic Exchange of Information (AEOI)

The OECD’s AEOI standard includes the obligation to exchange specific information about financial accounts in tax matters. Liechtenstein signed the Multilateral Competent Authority Agreement (MCAA) with 50 further states on 29 October 2014.

Liechtenstein joined the early-adopter initiative of the G5 states (France, Germany, Great Britain, Italy, Spain) concerning the earlier introduction of the AEOI. In a bilateral tax transparency agreement between Liechtenstein and the EU, the introduction of the AEOI was agreed from 2016 with practically all EU member states. Agreements with about 100 more countries followed.

In a review of the AEOI carried out from 2020 to 2022, the OECD recognised that Liechtenstein fully complies with the international OECD standard, both in the implementation of the legal framework and in the effective implementation of the AEOI in practice. As a result, Liechtenstein has received the best possible assessment rate (“in place”).



“From my point of view, the most important change in Liechtenstein was that of becoming a tax-compliant financial centre on an equal footing with other European countries. Among other things, this was the decisive factor for the foundation of Früh & Partner Vermögensverwaltung in Liechtenstein.”

Ralph Früh
Früh & Partner Vermögens-
verwaltung AG

Responsibility for society and the environment



In Liechtenstein, sustainability is not just a slogan, but is practised on a daily basis – and not just within the investment fund industry.



“Working together as equal partners – that is for us the central aspect of the long-term partnership with our Liechtenstein management company.”

Peter Zeier, Quantex AG

Modern society in the 21st century sets itself the objective of operating sustainably, in order to pass on an intact social, ecological and economic system to its descendants. In Liechtenstein, the assumption of responsibility as well as the commitment in the field of sustainability is actively cultivated and continuously developed.

For example, the Principality is the only country in the world where all municipalities have been awarded the “Energy City” label and this since 2013. This label alone symbolises how sustainability is broadly anchored in politics and the population. The country is also a leader in solar energy and has been the world’s number 1 in the ranking of per capita photovoltaic application since 2014. In addition, Liechtenstein’s proportion of 41% of the overall cultivation area being organic, is by far the largest in Europe, which also puts the country in first place worldwide.¹

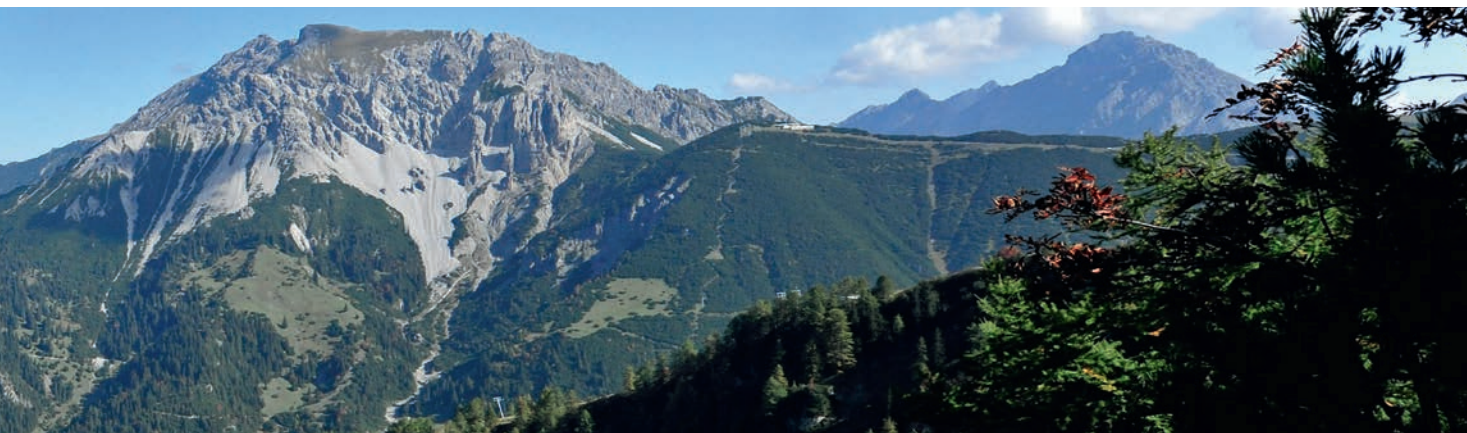
In March 2019, the initiative “Waterfootprint Liechtenstein” was launched. The principle of the project is as simple as it reads: “Drink tap water.

Donate drinking water.” By consuming tap water, instead of transported branded bottled water, money is saved and donated, thus giving people affected by water poverty access to clean drinking water. The LAFV Liechtenstein Investment Funds Association participates in this as well, as are numerous other companies within and outside the finance and fund industry.

The FAST initiative (abbreviation for ‘Finance Against Slavery and Trafficking’), formerly known as the “Liechtenstein Initiative” is a public-private partnership between the governments of Liechtenstein, Australia and the Netherlands as well as Liechtenstein private sector players and foundations. It places the financial sector at the centre of global efforts to end modern slavery and human trafficking, as the United Nations estimate that more than 40 million people today living in captivity, are exploited through forced labour or suffer from some other form of servitude.

Sustainability in the financial industry

Banks in Liechtenstein are very well positioned in terms of sustainability by international comparison. For example, they are regularly listed among the top institutions for sustainability in private banking in the wealth manager test conducted by the renowned German auditors FUCHS | RICHTER Prüfinstanz. Of the six institutions in the German



speaking world currently awarded the highest rating, two are from Liechtenstein. The fund industry benefits greatly from this expertise and these two banks in particular are also by far the largest fund and asset managers in the country.

LIFE Climate Foundation Liechtenstein

The LAFV Liechtenstein Investment Funds Association is one of the sponsors of the LIFE Climate Foundation, along with other financial associations and the government. It was founded at the beginning of 2009 and is a common benefit foundation under Liechtenstein law.

The aims of the LIFE Climate Foundation are to promote and raise awareness of the topics of climate protection and sustainability in general. The motto of the successful foundation is "for a better life". It has set itself the mission of protecting our environment for our descendants.



Sustainability in the fund industry

Many people still have the preconception that sustainably invested funds perform worse than other investment funds. Recent analyses demonstrate

that this is not (or no longer) the case today. Sustainable investments are at least as good and many experts are confident that these will generate even better returns over the next few years. Liechtenstein is very well

positioned in this regard. In 2016, Liechtenstein already conducted an analysis of the predominantly conventional equity funds using the so-called Environmental, Social and

Governance (ESG) criteria. The results of the study show that Liechtenstein funds invest sustainably in an exemplary manner. In relation to the total number, an above-average number of funds fulfil the ESG criteria, even if they do not carry a sustainability label. The findings reflect the basic outlook of Liechtenstein, of its government, its inhabitants and its businesses. In Liechtenstein, sustainability is not a fad or a slogan that has become fashionable, but is lived every day, not least in the fund industry.



"For over 16 years the Liechtenstein investment fund centre has enjoyed our complete confidence. We have profited from the immense experience of our management company and have always been able to implement the latest regulatory requirements for our fund without difficulty."

Daniel Gonzenbach,
HighValue Partners

Investment funds – a good solution



Increasing regulation within the financial sector, coupled with current market developments, can be mastered more effectively with expert investment fund solutions.



“Liechtenstein offers such great opportunities and services that I am convinced that the fund centre will grow enormously in the coming years.”

Siro Zanovello

OpenFunds Investment Services AG

MiFID II (Markets in Financial Instruments Directive)

Cross-border sales

Some countries in Europe have used the scope provided by MiFID II to introduce additional regulations regarding sales. Asset managers/consultants who advise investors from several countries need to know and comply with the different rules that apply in the countries of origin of their clients. Under certain circumstances, this can cause a huge workload. However,

this burden can be substantially reduced by a dedicated investment fund. The fund management company performs the necessary administration for the cross-border transaction, monitors changes in regulations and provides the required regulatory reporting.

Ban on commissions

Due to the new ban on commission imposed by MiFID II (Markets in Financial Instruments Directive), many financial service providers have lost an important source of income. Setting up an in-house umbrella fund, which invests in previously offered target funds, represents an effective solution. This solution fully implements the neutral advice effect that MiFID II was designed to

establish. Possible target fund retrocessions flow into the umbrella fund and are credited to the investors. For his part, the financial services provider is entitled to remuneration from his own umbrella fund.

Investment fund instead of individual asset management

Reduced administration

Administrative overheads are continuing to rise for asset managers, not least on account of increasing regulation. The workload per client is growing steadily. If several client portfolios are managed via a fund, however, then individual steps only need to be performed once. This would simplify many processes, particularly if a large number of clients are involved, such as e.g. order management and documentation. Reporting is done by the fund management company, thus easing the workload on the asset manager. The result is that new client segments that were previously unprofitable, or that have become unprofitable due to increasing regulation, become lucrative (once again).

Institutional player

By bringing assets together in an investment fund, the asset manager becomes an institutional player. His fund gives him access to financial sector professionals and service providers who would not have accepted him as an asset manager with a large number of individual clients. By

pooling the assets, he is able to obtain significantly more favourable terms and conditions for his clients, along with better order execution, and can profit from the know-how of financial services providers. For example, he is able to acquire bonds on securities trading floors for better prices, or can obtain access to certain new issues that would not otherwise have been available.

Security for asset managers

A fund solution ensures tax conformity, both within the fund as well as in the country of domicile of the client. The management company processes the necessary associated documents. The performance of a fund is ascertained by an auditor. This ensures that all clients are treated equally, and further reduces the workload of the asset manager. Use of a fund makes sure that the asset manager is properly regulated for his activity. The potential risk of breaching statutory supervisory requirements is eliminated.

Bankable assets

Tangible assets, such as e.g. real estate or private equity, can be turned into bankable assets by an investment fund. This enables client portfolios to buy them.

Re-domiciling means switching from one fund domicile to another. If one has already launched an investment fund, whether within or outside the EEA, and if one wishes to enjoy the benefits offered by Liechtenstein as an investment fund centre, then re-domiciling can be realised without difficulty. Implementation may take one of three forms: By moving the registered domicile, by merging or by making a non-cash contribution/non-cash transfer.

Major advantage of the domicile relocation: The track-record of the fund can be retained.

In the case of a merger, an investment fund is set up in Liechtenstein and the non-domestic investment fund is then merged with this. Very flexible investment fund legislation means that any fund can join forces with one or more other funds within the context of a domestic or cross-border merger, irrespective of the legal form and the domiciliary state of the host fund or transferring fund. In the case of the non-cash contribution/non-cash transfer, the non-domestic

Asset structuring

Clients with substantial assets tend to distribute these amongst several banks. Different intermediaries exercise different functions and are compensated for their work in accordance with different remuneration models. At the same time, there are often complex beneficiary as well as ownership circumstances on the client side, which need optimum long-term structuring and focusing. The investment fund can bring these various interests together. Fund subscribers may be private persons, companies or foundations. Succession planning and settlement can be massively simplified if assets that are difficult or impossible to separate, such as for example family-owned companies, are brought into the investment fund, and then fund units are distributed in various quotas to the individual beneficial owners. The client receives a supervised product, audited by an auditor that provides the highest degree of investor protection. Reducing complexity by holding the assets for safekeeping and then pooling these at one depository bank or custodian leads on the one hand to a transparent set up, and on the other also tends to cut costs for the client. The financial intermediary remains the client's contact and can fulfill a variety of functions in the above constellation.

Flexible statutory provisions mean that existing investment funds can be transferred from abroad to Liechtenstein with ease.

tic investment fund buys 100% of the units of the Liechtenstein fund with a non-cash contribution. The non-domestic investment fund then goes into liquidation and the investors receive fund units in the Liechtenstein fund as liquidation proceeds in the form of a non-cash transfer.

All re-domiciling variants are realised in accordance with a precise plan. In order to safeguard the interests of investors, the plan is developed by the management company and is overseen by an auditor.

Re-domiciling



"When expanding Craton Capital in Europe, we compared the established fund domiciles and came down unequivocally in favour of Liechtenstein. Professional, uncomplicated, personal, pragmatic and above board are the attributes that we associate with Liechtenstein as a place to do business."

Markus Bachmann, Craton Capital

Master-feeder structures

The regulatory framework enables the efficient implementation of master-feeder structures.

by Jean-Claude Spillmann and Philipp Rosenauer, PwC Switzerland/Liechtenstein

The UCITS V Directive permits the use of master-feeder structures. These structures enable funds' assets to be pooled and managed in a centralised manner. This allows, in particular, management costs and other administrative costs to be spread across a larger pool of assets.

The basic design of a master-feeder structure is relatively simple. One or more feeder funds invest in a master fund at least 85% of the assets received from their own investors. Thus, it's a dual-level fund structure. The master fund is a diversified investment fund supplied with capital from its feeder funds. The obligatory 85% investment threshold is a characteristic feature of the feeder fund. A fund that invests less than 85% of its assets in a master fund is not a feeder fund per se. The result is that the feeder fund can hold units in only one master fund. To protect the investors in the feeder fund and for reasons of transparency, any investment in a master fund must be approved first by the relevant authority in the feeder fund's country of origin.

Besides the above-mentioned management and administrative cost savings, master-feeder structures offer other benefits compared with direct investments. From a sales perspective, each

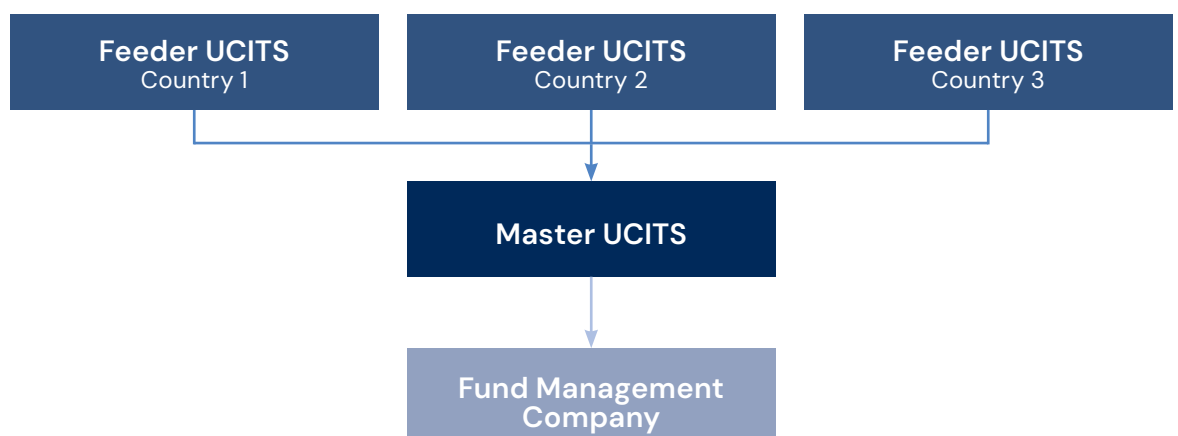
product can be designed differently. Local feeder funds can be offered under an independent brand name or under their own name in the various countries in which they are distributed ("white labelling"). On the other hand, a master fund manages the assets centrally. In this way, international asset managers, in particular, can address investors' preferences for national products as well as taxation aspects. The feeder fund and the master fund may be subject to different regulations, for example with regard to the fund currency, fee structure and distribution policy.

Because of the high degree of involvement of the feeder fund in the master fund, the former doesn't just contribute strongly to the economic growth of the master fund. Rather, the existence of the feeder fund itself depends on the existence of the master fund.

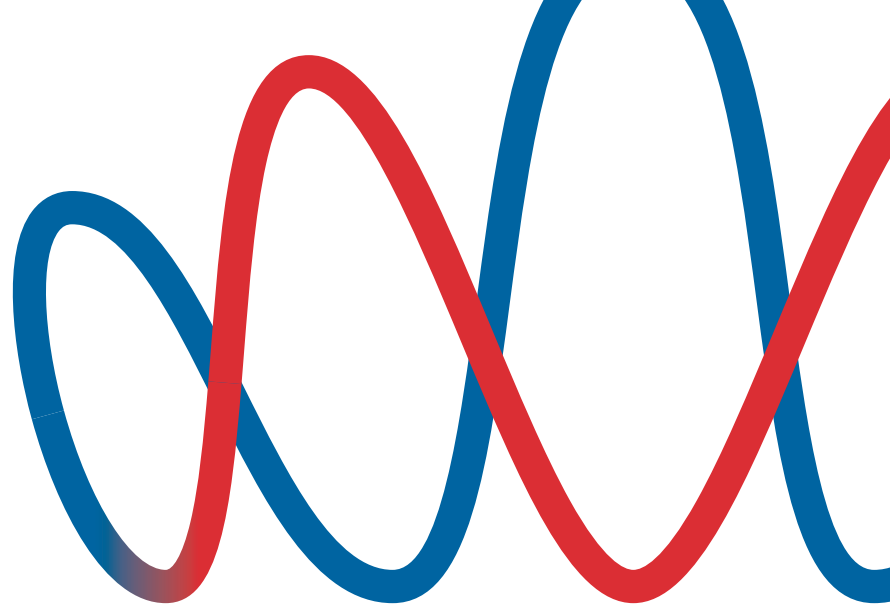
Significant cost savings

Given the broad flexibility of Liechtenstein law, the use of master-feeder structures can generate significant cost savings. By pooling funds' assets, synergies can be realised, which can be passed on as higher returns for investors.

Typical master-feeder fund structures



Source: Dobrauz/Igel, Liechtensteinisches Investmentrecht, p. 81



The Liechtenstein Investment Funds Association

An industry association that always has an open ear for members and fund promoters and their wide-ranging interests and concerns.

The Liechtenstein Investment Funds Association (Liechtensteinischer Anlagefondsverband – “LAFV”) is the official industry representative for the Liechtenstein investment fund sector. Its members include all UCITS management companies, most AIFM and fund sector service providers, such as e.g. custodian banks, law firms, auditors, specialised IT service providers or training institutions.

Responsibilities

- The LAFV promotes the development of the Liechtenstein investment fund centre and works to continuously boost its attractiveness for fund providers and investors. It aims to achieve this in particular by means of the active further development of the investment fund legislation to meet the needs of the sector, in cooperation with the government, the FMA as well as other Liechtenstein financial associations.
- The LAFV monitors developments at the national and European level that are of relevance to the investment fund centre and keeps its members informed about these.
- The LAFV promotes training in the investment fund field.
- The LAFV represents the interests of the Liechtenstein investment fund sector at national level and abroad.
- With its website www.lafv.li the LAFV exercises the function of the official organ of publication for the Liechtenstein investment fund industry.

The LAFV is an active member of the European Fund and Asset Management Association (EFA-MA), of the International Investment Funds Association (IIFA) and one of the patrons of the LIFE Climate Foundation.

Do you have any further questions about Liechtenstein investment funds? Visit our website www.lafv.li or contact us directly.



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Links to the Liechtenstein investment fund and financial centre

Investment fund sector

LAFV website
www.lafv.li/en/

Register for the newsletter **LAFVaktuell**
www.lafv.li/en/newsletter

Financial centre

At a glance
www.finance.li/en/

Liechtenstein Financial Market Authority
www.fma-li.li/en/

Important financial sector events

Finance Forum Liechtenstein
www.finance-forum.li

Liechtenstein Fund Day | Fund evening
www.uni.li/de/alle-veranstaltungen

Sustainability

LIFE Climate Foundation
www.klimastiftung.li

About the Principality of Liechtenstein

The Principality
www.liechtenstein.li/en/

Liechtenstein as a place to do business
www.liechtenstein-business.li/en/

Holidays and leisure opportunities in Liechtenstein
www.tourismus.li/en/

Other industry associations

LBV Liechtenstein Bankers Association
www.bankenverband.li/en

LVV Liechtenstein Insurance Association
www.lvv.li

THK Liechtenstein Institute of Professional Trustees and Fiduciaries
www.thk.li/en/

VLGST Association of Liechtenstein Charitable Foundations and Trusts e. V.
www.vlgst.li/en

VuVL Association of Independent Asset Managers in Liechtenstein
www.vuvl.li/en/

WPV Liechtenstein Auditors Association
www.wpv.li



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