

Liechtenstein as a jurisdiction for wealth and investment management

Why would wealthy individuals choose wealth management services from Liechtenstein based asset managers? Liechtenstein is a small country, where many people in the business environment still know and respect each other. It is situated right in the heart of Europe.



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Liechtenstein has no sovereign debt and its currency, the Swiss Franc, is among the most stable ones worldwide. During the Great Financial Crisis of 2007/2008 none of the large Liechtenstein banks needed government support. Healthy balance sheets, realistic risk aversion and prudent management helped avoiding the sort of calamities that happened to financial institutions in other financial centres. The country is almost run like a business. Competition and transparency are seen as something quite positive and according to the Liechtenstein constitution individual municipalities are even entitled to secede from the union if they do not agree with the principality's politics anymore and a majority of the people from within vote for it.

Since Liechtenstein is a member of the European Economic Area (EEA), including all EU nations, Iceland, Liechtenstein and Norway, it follows European Financial Markets Law. The Markets in Financial Instruments Directive II (MiFID II) and Markets in Financial Instruments Regulation (MiFIR) provide for a harmonised regulatory environment for investment services across the member states of the European Economic Area. It is this directive's main objectives to increase competition and consumer protection in investment services across the EEA member states. These laws are not applicable in Non-EEA member states and especially when it comes to consumer protection, regulation in countries outside the EEA is lagging behind at current stage.

Its financial centre possesses some very unique features in its organisational architecture that make it a prime location for financial services. First of all, the Financial Services Industry of Liechtenstein has a long and prominent history



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and Liechtenstein based asset managers are generally very knowledgeable. Furthermore, the University of Liechtenstein has a well-established faculty for financial sciences researching new

trends and challenging existing financial markets theories. Asset management and investment services providers in Liechtenstein, as in the rest of the EEA, need approval by Financial Markets Authorities (FMA). The system of “self-regulating organisations” as applied in other financial centres is not legit within the EEA member states and leads to better enforcement of control mechanisms by the regulator and thus should to guarantee higher levels of consumer protection. In addition, all financial intermediaries in the EEA need to affiliate with a “Deposit Guarantee and Investor Compensation Foundation” as in Liechtenstein or a local equivalent of it, again very much unlike in many other global financial centres.

All in all, this makes Liechtenstein a great place for investment management services for private and institutional investors. **EG**

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