

Liechtenstein to act on banking secrecy

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Prince Alois, hereditary ruler of Liechtenstein, confirmed on Friday that his tiny Alpine state was poised to seize the initiative after mounting international challenges to its financial sector's controversial bank secrecy.

"The time has come for us to base our system of mutual legal assistance and administrative assistance in tax matters on a new foundation," he said in his traditional national day speech to the people.

Prince Alois, a trained accountant, did not spell out details of an initiative that could see Liechtenstein provide tax information about foreign account holders in return for guarantees they would not be punished unduly. "In the future, we should offer all states comprehensive co-operation if they are willing to find sensible solutions with us for the client relationships we have built up, and if they are interested in fair and constructive co-operation for the future," he said.

The move marks the latest in a series of steps taken since 2000 by Otmar Hasler, Liechtenstein's long-serving prime minister, to align the principality's financial sector more closely with international standards.

Measures have included laws on money laundering and terrorist financing, as well as creating an independent financial services watchdog. "Liechtenstein has shown in the past eight years that it is prepared to co-operate. We are ready to adopt European standards," said Mr Hasler in an interview with the FT.

The prime minister stressed that, while Liechtenstein might be best known abroad for its secretive trusts and foundations, industry was actually more important. While financial services accounted for about 29 per cent of gross domestic product, manufacturing, led by a disproportionately large number of high tech companies, comprised 39 per cent in the tiny principality sandwiched between Switzerland and Austria.

"You have to see the whole question of undeclared money not just as a Liechtenstein problem, but as an international one," said Mr Hasler.

The new readiness to co-operate on tax follows the work of a high-level, seven-member committee, including the prime minister. The so-called Futuro initiative, established in 2006, was designed to consider the future of Liechtenstein.

"We saw that Liechtenstein was not only becoming increasingly integrated economically, but also that the financial world was changing. So we had to ask: 'What response should Liechtenstein make?'"

Mr Hasler recognises that even the hint of tax co-operation could unsettle many members of the principality's large financial services sector – which has flourished over the years on the back of its secrecy laws – not to mention long-standing foreign clients. The government faces elections next February, and bank secrecy remains a highly sensitive issue. "We are in a pre-election period. So such a proposal is extremely controversial. But I'm convinced it's essential to implement this strategy for Liechtenstein's future," said Mr Hasler.

Leading financiers recognise they risk losing business if rich foreigners decide to move their funds elsewhere. But they also see big opportunities in helping clients – who may have inherited undeclared assets but would like to regularise their affairs – adjust to a more transparent world.

"I can understand that some clients would like to maintain the status quo. But in today's world, they are well advised to review their arrangements to meet tax compliance in their home countries," said Fritz Kaiser, a leading Liechtenstein financier and member of the Futuro group.

“We want to continue doing a good job managing the wealth of families who’ve given us their trust for decades. With the right steps, Liechtenstein could become a major centre for wealth management, maintaining privacy, but respecting the highest international standards of transparency.”

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