

VP Bank Ltd in Vaduz is a Liechtenstein-based joint-stock corporation and the head office of VP Bank Group. The Financial Market Authority Liechtenstein (FMA) is the competent supervisory authority in the country of its headquarters.

Bearer shares of the head office are listed on the SIX Swiss Exchange, meaning that VP Bank Ltd is also subject to the rules and regulations issued by SIX on the basis of the legislation pertaining to stock exchanges, in particular, the Financial Market Infrastructure Act. The business activities of VP Bank Group are supervised by the local competent authorities of each country in which the Group is active through subsidiary companies, branch establishments and/or representative offices.

General information

In Liechtenstein, the activities of VP Bank Ltd are subject primarily to the Act of 21 October 1992 on Banks and Securities Firms (Banking Act, BankA) and the Ordinance of 22 February 1994 on Banks and Securities Firms (Banking Ordinance, BankO). The FMA monitors compliance with the requirements of banking legislation.

Ongoing supervision is ensured on the basis of legally required reports to be submitted by the banks, as well as through direct and periodic contact with the boards of directors and management of the banking institutions. With regard to auditing and review of compliance by banks with their legal requirements, the FMA relies primarily on the audit reports prepared by external auditors, which act as an "extended arm" of the FMA. The FMA may also carry out its own audits or accompany external audits. The FMA – together with the external banking-law auditors, who must in turn possess a licence from the FMA and are also under its supervision – constitutes the main pillar of the Liechtenstein system of dual supervision.

As an EEA member state, Liechtenstein has implemented the 4th and 5th EU Anti-Money Laundering Directives as well as Regulation (EU) 2015/847 on information accompanying transfers of funds. The relevant implementation provisions are found in the national Law of 11 December 2008 on Professional Due Diligence for the Prevention of Money Laundering, Organised Crime and Financing of Terrorism (Due Diligence Act, DDA) and the associated Ordinance of 17 February 2009 (Due Diligence Ordinance, DDO). Together with the offence of money laundering set down in Section 165 of the Liechtenstein Criminal Code, these constitute the relevant legal bases for entities in the finan-

cial services sector in Liechtenstein that are subject to due diligence obligations. The provisions have been revised on repeated occasions and comply with international requirements and standards.

Pursuant to banking legislation, banks and securities firms in Liechtenstein can offer and provide a comprehensive array of financial services. Within the scope of its business activities, and the financial services offered by it, VP Bank Ltd must observe, in particular, the following laws and related ordinances:

- Payment Services Act (PSA)
- Act on Settlement Finality in Payment and Securities Settlement Systems (Finality Act)
- Act on Alternative Investment Fund Managers (AIFMA)
- Ordinance on Certain Undertakings for Collective Investments in Transferable Securities (UCITSA)
- Investment Undertakings Act (IUA 2015)
- Act on the Disclosure of Information Concerning Issuers of Securities (Disclosure Act, DA)
- Act on the Implementation of Regulation (EU) No. 596/2014 on Market Abuse (EEA Market Abuse Regulation Implementation Act, EWR-MDG)
- Act on Deposit Insurance and Investor Compensation at Banks and Securities Firms (Deposit Insurance and Investor Compensation Act, DIICA)
- Act on the Recovery and Resolution of Banks and Securities Firms (Bank Recovery and Resolution Law, BRR)
- Act on the Supplementary Supervision of Undertakings in a Financial Conglomerate
- Persons and Companies Act (PCA)

The following discusses several developments of relevance from the perspective of regulating financial markets and related pertinent legal bases which, during the past financial year, have been revised, enacted or are likely to be of relevance in the future.

Payment Accounts Directive

On 23 July 2014, the EU issued Directive 2014/92/EU (Payment Accounts Directive). This directive essentially encompasses the following points:

- Right to access a payment account with basic functions (known as "basic account") in order to guarantee access to a payment account by all entitled consumers (keyword "financial inclusion")
- Transparency and comparability of fees for payment accounts (fee information and fee overview as well as a website with comparative details)
- Provision of a payment account exchange service by banks

The EU directive has been implemented in Liechtenstein through the creation of the new Payment Accounts Law (PAL) of 30 September 2021. This law is expected to enter into force at the same time as the corresponding EEA acquisition decision (expected in 2023, exact date not yet known).

EEA Financial Services Sustainability Implementing Act (EEA FSSIA)

The EEA FSSIA is designed to implement Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector and Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

For reasons of legal certainty and due to the significance of the EEA FSSIA for the Liechtenstein financial market, as well as in order to ensure equality of competition with the EU member states, Liechtenstein decided on early implementation of the Disclosure and Taxonomy Regulation into national law. The EEA FSSIA entered into force on 1 May 2022.

EU banking package (Capital Requirement Regulation, Capital Requirement Directive and Bank Recovery and Resolution Directive)

The banking package was published in the EU Official Journal in May 2019. This package comprises amendments to key EU banking rules (CRD IV and CRR) and to the EU resolution regime (BRRD). The aim of the entire banking package is to further minimise risks in the European banking sector by adopting into European and national law the international reforms initiated by the Basel Committee for Banking Standards and the Financial Stability Board (FSB).

Liechtenstein opted for a two-step procedure for implementation. The first step addressed the implementation of CRD V and the transposition of CRR II. The associated legislative modifications entered into force on 1 May 2022.

A second step will implement the requirements of BRRD II in national law. In addition, adjustments will need to be made to the Bank Recovery and Resolution Act (BRRR) and to the Banking Act (BankA). Through BRRD II, the standard of the international Financial Stability Board (FSB) for total loss-absorbing capacity is in particular to be integrated into existing rules on the minimum requirement for own funds and eligible liabilities (MREL) of credit institutions. The pertinent adjustments are expected to enter into force during 2023.

Basel IV

In the coming years, the revision of the major European regulations within the framework of Basel IV will bring about far-reaching changes.

The focus on the calculation of equity requirements and on medium- to long-term liquidity risk will increase. In the case of equity, the emphasis is on the denominator of the capital ratio: In some cases, the calculation of risk exposure in credit, market and operational risk will change significantly. For liquidity risk, the observation period is extended from one month to one year, so that a structural liquidity ratio will finally be rolled out.

EBA Guidelines on Lending and Supervision

The EBA Guidelines on Lending and Supervision (2020/06) deal with a very wide range of requirements related to supervisory and credit decision-making processes (including internal governance regulations, processes and mechanisms for credit and counterparty risk management, or specified requirements related to consumer creditworthiness).

The requirements were to be implemented for newly originated loans by 30 June 2021. For existing loans, the new standards will apply from no later than 30 June 2024.

Due Diligence Act (DDA) and the Due Diligence Ordinance (DDO)

There were no relevant changes to due diligence legislation in the reporting year. However, the Moneyval report was published, which acknowledges that Liechtenstein has improved its defensive measures with respect to the combating of money laundering and financing of terrorism.

Also noteworthy is the adjustment of FMA Guideline 2018/7, which added a new chapter with specifications concerning source of wealth. In particular, this guideline thus helps to create and maintain business profiles by explaining the terms and the meaning of the term "source of wealth".

Automatic exchange of information (AEOI)

On 1 January 2016, Liechtenstein introduced the automatic exchange of information (AEOI). The initial AEOI reporting for the 2016 reporting period took place in 2017 and then continued accordingly in subsequent years. Starting on 30 June 2022, the relevant data were exchanged with 114 AEOI partner countries for the 2021 reporting year. However, Liechtenstein unilaterally did not provide data to a total of 12 permanently non-reciprocal states.

EU Directive on Administrative Cooperation (DAC 6)

As Liechtenstein is not an EU member state, VP Bank Ltd is not subject to any notification obligations for cross-border tax arrangements as provided for in the sixth amendment to the EU Directive on Administrative Cooperation (DAC) from 1 July 2020.

VP Bank Ltd will however closely follow developments in this area. As an EU member, Luxembourg is subject to this directive and has already implemented it.

Qualified Intermediary (QI)

In 2001, the US Internal Revenue Service (IRS) implemented the Qualified Intermediary (QI) regime to (i) identify US persons investing in US securities through foreign intermediaries and (ii) ensure that US withholding tax on non-US resident aliens is properly applied by foreign intermediaries to US withholding income when paid to non-US persons.

Foreign intermediaries that assume QI status may apply a lower withholding tax rate on US source income under an applicable double taxation agreement (DTA) for eligible non-US persons under a relief at source procedure (i.e. without the need for a refund procedure and without disclosure of the non-US persons to the IRS).

VP Bank Ltd and its affiliated companies within VP Bank Group are QIs and thus subject to QI regulations.

Taxation of the digitised economy

On 31 May 2019, the Organisation for Economic Co-operation and Development (OECD) published a work programme on the tax challenges associated with the digitisation of the economy. Taxation even without physical market presence (pillar 1) and minimum taxation (pillar 2) are envisaged. The first decisions were taken in mid-2021. VP Bank Ltd will closely follow further developments in this area.

Tax compliance guideline of the Liechtenstein Bankers' Association

On 1 January 2021, the updated guideline of the Liechtenstein Bankers' Association regarding tax compliance of clients went into effect. VP Bank Ltd implemented this amended directive in a timely manner.

Shareholder Rights Directive II (SRD II)

The EU Shareholder Rights Directive II is intended to facilitate direct communications between a corporation that is exchange-traded in the EEA and its shareholders and thus to make it easier for shareholders to exercise their rights. In this regard, custodian banks are obligated, inter alia, to send certain information from such companies to the shareholders or from the shareholders to such companies. VP Bank Ltd has made comprehensive arrangements for this purpose and adjusted its internal processes.

In the 2022 reporting year, the Office of Justice had compliance with the SRD II requirements reviewed in Liechtenstein for the first time.

EU Regulation on markets in crypto assets (MiCA)

A little over two years after its first proposal, the EU published the final text of the new regulation on markets in crypto assets (MiCA) in early December 2022. MiCA is intended to create a legal framework in the EU for issuing, brokering and trading crypto assets. It will introduce licensing and good conduct requirements, as well as rules on market abuse with respect to crypto assets.

Although the regulation will not come into force in the EU until 2024, it will be necessary to start with implementation of the requirements at an early stage, as the regulation entails far-reaching changes in the area of crypto assets.

Important links to legislation and the Liechtenstein financial centre

Liechtenstein Investment Fund Association	www.lafv.li
Liechtenstein Bankers Association, LBA	www.bankenverband.li
Deposit Guarantee and Investor Compensation Foundation PCC	www.eas-liechtenstein.li
Liechtenstein Financial Market Authority, FMA	www.fma-li.li
Official website of the Principality of Liechtenstein	www.liechtenstein.li
Body of Liechtenstein law	www.gesetze.li
Liechtenstein Chamber of Industry and Commerce	www.lihk.li
Liechtenstein Landesverwaltung, LLV	www.llv.li
Landtag of the Principality of Liechtenstein	www.landtag.li
Liechtenstein Institute of Professional Trustees and Fiduciaries	www.thv.li
Financial Services Conciliation Board	www.schlichtungsstelle.li
Association of Liechtenstein Charitable Foundations and Trusts e.V.	www.vlgst.li
Association of Independent Asset Managers in Liechtenstein	www.vuvl.li
Liechtenstein Insurance Association	www.lvv.li
Liechtenstein Economics Chamber	www.wirtschaftskammer.li
Liechtenstein Association of Auditors	www.wpv.li