

### **VP Bank Ltd, Vaduz, is constituted as a joint-stock company under Liechtenstein law. It is the parent company of VP Bank Group. The competent supervisory body in the country of its registered office is the Liechtenstein Financial Market Authority (FMA).**

As the registered shares A of the parent company are listed on the SIX Swiss Exchange, VP Bank is also subject to the rules and regulations issued by SIX on the basis of the legislation pertaining to stock exchanges, in particular, the Swiss Federal Act of 19 June 2015 on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinMIA). 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, branches 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 Banking Act lays down the framework for the supervisory activities of the FMA. The latter – 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 supervision.

Under the Banking Act, banks and securities firms in Liechtenstein can offer a comprehensive array of financial services. The Law of 11 December 2008 on Professional Due Diligence to Combat Money Laundering, Organised Crime and Terrorist Financing (Due Diligence Act, DDA) and its related Ordinance of 17 February 2009 (Due Diligence Ordinance, DDO) – in conjunction with the provision on money laundering contained in Art. 165 of the Liechtenstein Criminal Code – constitute the relevant legal basis governing the entire financial services sector in Liechtenstein subject to the due diligence requirements. These were revised on repeated occasions and comply with international requirements and standards.

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)
- Ordinance on Certain Undertakings for Collective Investments in Transferable Securities (UCITSA)
- Investment Undertakings Act (IUA)
- Act on Alternative Investment Fund Managers (AIFMA)
- 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, BRRA)
- 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.

#### **Federal Act on Financial Services (FinSA)**

In principle, the Financial Services Act, which came into force in Switzerland on 1 January 2020, pursues the same goals as MiFID II with regard to investor protection, but it is not identical. VP Bank (Switzerland) Ltd complies with the requirements of FinSA as of 1 January 2022 by implementing, with some exceptions, the more stringent EU Directive on Markets in Financial Instruments (MiFID II). However, the new FinSA legislation affects not only VP Bank (Switzerland) Ltd but also the servicing of Swiss-domiciled clients of VP Bank Ltd and VP Bank (Luxembourg) SA.

#### **Payment Accounts Directive**

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

- Right to access a payment account with basic functions (so-called “basic account”) in order to guarantee access to a payment account (keyword “financial inclusion”) by all legitimate consumers

- Transparency and comparability of fees for payment accounts (fee information and fee overview as well as a website with comparative details)
- Provision of payment account exchange services 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 is expected to enter into force at the same time as the corresponding EEA acquisition decision (expected in 2022, exact date not yet known).

### **Mortgage Credit Directive (MCD)**

The Mortgage Credit Directive (Directive 2014/17/EU, MCD) took effect in the EU on 20 March 2014 and complements the existing guidelines on consumer protection, misleading and comparative advertising, and unfair business practices in the area of residential real estate loans. The directive is designed to enhance information for consumers on mortgages and similar credit products and aims to establish a single market for residential real estate loans.

The MCD has been implemented in Liechtenstein through the creation of the Mortgage and Real Estate Credit Act (MRECA), which entered into force on 1 April 2021.

### **EBA Guidelines on Lending and Supervision**

The EBA Guidelines on Lending and Supervision (2020/06) touch on 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)**

As of 1 April 2021, the full implementation of the 5th Money Laundering Directive was implemented within the framework of the Due Diligence Act (DDA). Key topics were the expansion of the list of persons or entities covered by the legislation and the application of enhanced due diligence in relation to countries with increased risks and the use of virtual currencies. In addition, the powers of the central financial intelligence units were also expanded. As a member of Moneyval, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, Liechtenstein

was audited in 2021 in the context of regular audits with regard to compliance with international regulations, in particular the recommendations of the Financial Action Task Force (FATF) and the European requirements (directives and regulations).

### **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 1 January 2021, the relevant data were exchanged with 114 AEOI partner countries. However, Liechtenstein will unilaterally 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 closely follow developments in this area. As an EU member, Luxembourg is subject to this directive and has already implemented it.

### **The impact of Brexit**

As of 1 January 2021, the United Kingdom is considered a third country. The EU and the UK concluded a trade and cooperation agreement on 24 December 2020. The EU-UK Trade and Cooperation Agreement governs the exchange of cross-border financial services on a minimal basis only. It is foreseeable, however, that bilateral relations in the context of financial services will essentially take place on the principle of equivalence in the future. EU equivalence decisions in the financial services sector are applied in Liechtenstein via the EEA Agreement. The United Kingdom, for its part, has already issued several unilateral equivalence decisions that also apply to Liechtenstein.

In July 2021, the free trade agreement between the United Kingdom and EEA EFTA states was also concluded, which, in addition to cross-border trade in services (including financial services), also covers areas such as investment, protection of intellectual property, digital trade and capital movements. In particular, the agreement prevents discrimination against companies from the EU and offers Liechtenstein companies preferential market access vis-à-vis companies from countries that do not have an agreement with the United Kingdom.

## Foreign Account Tax Compliance Act (FATCA)

In an effort to combat tax evasion, the HIRE (Hiring Incentives to Restore Employment) Act was signed by the US government on 18 March 2010. The HIRE Act contained the Foreign Account Tax Compliance Act (FATCA), which introduced a new reporting system aimed at the disclosure of US persons with accounts and investments outside the US. Liechtenstein has concluded an Intergovernmental Agreement (IGA) according to Model 1. VP Bank Ltd fulfils the resulting legal obligations and submitted the reporting to Liechtenstein's tax administration in a timely manner.

## 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 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 bank clients went into effect. VP Bank Ltd implemented this amended directive in a timely manner.

## 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.

## Shareholder Rights Directive II (SRD II)

The second EU Shareholder Rights Directive's overall aim is to further improve shareholder participation in listed companies and to facilitate the provision of cross-border information and exercise of shareholder rights. Internal processes are to be adapted accordingly until the expected entry into force in 2022.

## Markets in Crypto Assets Regulation (MiCAR)

Back at the end of 2020, the European Commission published a proposal for the regulation of markets in crypto assets and thus took an important initial step towards the uniform regulation of all types of crypto assets, services and issues at Union level. MiCAR is intended to answer the open questions and create legal certainty throughout the Union in the public offering of crypto assets. Although the Regulation will not come into force until 2024, it will be necessary to start with implementation 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	<a href="http://www.lafv.li">www.lafv.li</a>
Liechtenstein Bankers' Association, LBA	<a href="http://www.bankenverband.li">www.bankenverband.li</a>
Deposit Guarantee and Investor Compensation Foundation PCC	<a href="http://www.eas-liechtenstein.li">www.eas-liechtenstein.li</a>
Liechtenstein Financial Market Authority, FMA	<a href="http://www.fma-li.li">www.fma-li.li</a>
Official website of the Principality of Liechtenstein	<a href="http://www.liechtenstein.li">www.liechtenstein.li</a>
Body of Liechtenstein law	<a href="http://www.gesetze.li">www.gesetze.li</a>
Liechtenstein Chamber of Industry and Commerce	<a href="http://www.lihk.li">www.lihk.li</a>
Liechtenstein Landesverwaltung, LLV	<a href="http://www.llv.li">www.llv.li</a>
Landtag of the Principality of Liechtenstein	<a href="http://www.landtag.li">www.landtag.li</a>
Liechtenstein Institute of Professional Trustees and Fiduciaries	<a href="http://www.thv.li">www.thv.li</a>
Association of Liechtenstein Charitable Foundations and Trusts e.V.	<a href="http://www.vlgst.li">www.vlgst.li</a>
Association of Independent Asset Managers in Liechtenstein	<a href="http://www.vuvl.li">www.vuvl.li</a>
Liechtenstein Insurance Association	<a href="http://www.lvv.li">www.lvv.li</a>
Liechtenstein Economics Chamber	<a href="http://www.wirtschaftskammer.li">www.wirtschaftskammer.li</a>
Liechtenstein Association of Auditors	<a href="http://www.wpv.li">www.wpv.li</a>