

Moneyval: Fifth Round Evaluation Report on Liechtenstein



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News

On 29 June 2022, MONEYVAL published its [fifth round evaluation report](#) on Liechtenstein. The fifth evaluation round builds on previous MONEYVAL assessments by strengthening the examination of how effectively Member States prevent and combat money laundering (ML) and terrorism financing (TF).

MONEYVAL acknowledges for Liechtenstein a substantial level of effectiveness, including the following:

- Understanding of ML/TF risks;
- Setting national AML/CFT policies and co-ordination;
- Use of financial intelligence;
- Confiscation of proceeds of crime;
- TF investigations and prosecution;
- International cooperation.

However, it calls for further improvements in enhancing supervision, application of AML/CFT preventative measures by the private sector, transparency of beneficial ownership (BO) of legal persons and legal arrangements, money laundering investigation and prosecution, and implementation of targeted financial sanctions.

Overall, the authorities have a good understanding of the key ML and TF risks. Nevertheless, some threats and important inherent risks have not been fully assessed. These include an estimate of the extent to which the Liechtenstein financial sector could be used to launder the proceeds of tax crimes committed abroad and of information on the types/location of non-bank assets held by trust and company service providers. Despite the success in addressing TF risk by means of national AML/CFT policies, there are still exemptions that are not supported by a country risk assessment, such as the widely used exemption for investment funds.

The Financial Intelligence Unit (FIU) in Liechtenstein is an important source of financial information and its analytical reports are an inevitable part of any investigation/operational activity carried out by law enforcement authorities. Suspicious Activity Reports (SARs)/Suspicious Transaction Reports (STRs) submitted by persons subject to the Due Diligence Act (DDA) are generally commensurate with the prevalence of revenue-generating crimes in the country, although they have rarely targeted some of the higher risk predicate offences, such as tax offences. Although the FIU has so far produced several comprehensive strategic analysis reports, further reports on TF, the laundering of proceeds of foreign tax crimes, and the adequacy of SAR/STR reporting on these crimes could be useful.

The country's legal and institutional framework allows for the effective investigation and prosecution of all types of ML. The authorities are largely aware of the need for consistent prosecution of all ML-related

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activities but are lacking in investigations involving potentially complex legal structures established and managed in Liechtenstein.

The risks and threats identified in the national risk assessment reflect the typologies already observed in the country, with the exception of threats posed by tax offences committed abroad. There have been convictions for all types of ML, of which self-laundering of proceeds from foreign fraud remains predominant, as opposed to third-party ML and prosecution of stand-alone ML cases.

Liechtenstein has introduced and applies criminal law measures in the form of non-conviction based confiscation and addresses failure to report suspicious transactions by a person subject to the DDA, where, for justifiable reasons, a ML conviction cannot be secured. However, the sanctions imposed are not sufficiently dissuasive and proportionate. Confiscation of the proceeds of crime is pursued as a policy objective in Liechtenstein and confirmed through a comprehensive legal framework. The outcome of the authorities' actions, both in terms of assets seized and assets confiscated, is generally in line with the country's risk profile.

The lack of TF prosecutions in Liechtenstein is in line with the country's risk profile. Although there was only one prosecution in this respect but this confirmed the competent authorities' skills and knowledge on how to detect the collection, movement, and use of funds for TF purposes. The initiatives taken in the area of CFT demonstrate a sufficient level of commitment, even in the absence of a specific counter-terrorism strategy.

The non-profit organisations (NPOs) that the experts met "on the spot" showed a good awareness of the risks they face. This was not the case for NPOs operating as associations, as the one organisation the experts met on site was not aware of its obligations in relation to CFT measures and how associations can be misused for TF.

The understanding of ML/TF risks and liabilities in the private sector is now generally good. Banks and large trust and company service providers (TCSPs) have the best understanding of the risks associated with private banking and wealth management and have put in place sophisticated measures to mitigate them. In general, risk mitigation measures are now effectively applied and proportionate to the existing risks, although, until recently, less attention was paid to the identification and confirmation of source of wealth and source of funds and the possible illicit use of "shell" companies.

The authorities are well aware of the risk that legal persons (and legal arrangements) can be used to launder the proceeds of crime. However, they generally have a less detailed and documented knowledge of TF. A number of effective measures are in place to prevent misuse, including the obligation for legal entities (around 80% of legal entities), which are predominantly non-trading and wealth management structures, to appoint a "qualified member" (TCSP) to the governing body. Timely access to basic and BO information on legal entities and legal structures did not cause any difficulties. The basic information held by these sources is generally accurate and up to date. However, there is no evidence that this is the case for BO information.

Compliance with reporting obligations was limited, and fewer tax offences were reported than expected. Many persons subject to the DDA never filed SAR/STRs, e.g. some TCSPs and asset managers and some banks and TCSPs were reported to the Office of the Public Prosecutor for failure to report.

International cooperation is an important part of Liechtenstein's AML/CFT scheme, given that the predicate offences for ML are predominantly committed abroad. Certain issues relating to the double criminality requirements for tax evasion and the obligation to hear the eligible party before providing evidence to a foreign jurisdiction may have an impact on effective cooperation. In recent years, however, a number of measures have minimised the risks posed by these legal provisions.

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