

Embargoed until: Thursday, 21 February 2008, 11 a.m.

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**S P E E C H**

**BY HIS SERENE HIGHNESS  
HEREDITARY PRINCE ALOIS VON UND ZU LIECHTENSTEIN**

**AT THE OPENING SESSION  
OF PARLIAMENT**

**21 FEBRUARY 2008**

Honorable Members of Parliament

Today, we are celebrating the first Opening of Parliament in the new Parliament Building, but also the last of this legislative term. Over the past three years, much has been accomplished. The Government and the National Administration have once again prepared extensive reform proposals, which you will now consider. I hope that the upcoming election year will not be a year of campaigning, but rather a year of reforms.

An important part of the reform proposals concerns our financial center. The Liechtenstein financial center has already undertaken considerable reform efforts in recent years, but more reforms will be necessary, not only to ensure the competitiveness of the financial center for the future, but also to enhance it. Other financial centers have caught up by creating new, attractive business environments, while the international pressure has risen on locations offering a high level of protection of privacy.

In recent years – starting with the financial center crisis in 1999 and 2000 – we were forced mainly to react, and to catch up on what we had missed. In particular, the supervision of the financial center had not grown sufficiently in parallel with the financial service firms, and did not have a sufficient number of specialists working for it. Within a short time period, not only did we strengthen our courts, the Office of the Public Prosecutor, and the police with substantial new staff, but we also created a Financial Intelligence Unit and a fully integrated Financial Market Authority. This, as well as the further legislative improvements, has met with a positive response abroad, especially our rapid implementation of the various measures.

The reforms now facing us, such as those elaborated in the context of the

Futuro Project, should allow us to achieve further improvements for our financial center in a proactive and autonomous manner. Particularly now, in light of the recent developments, comprehensive implementation of these reforms is especially important. Some of the reforms have been underway for a long time, such as tax reform and the reform of foundation law. But also many of the other initiatives included within the Futuro Project are not new. Many of them have already been discussed once before in the context of a previous project on the financial center. Unlike then, the Government, National Administration, and business organizations have succeeded this time, together with experts, in developing a comprehensive overall strategy that gives us a whole bouquet of initiatives. I would now like to pick out a few of these initiatives that appear especially important to me.

The protection of privacy and property must be strengthened, while at the same time, mutual legal assistance must be optimized. Particularly at a time when other States are increasingly invading the privacy of their own citizens – and are even paying millions for stolen data – the need of citizens for a stronger protection of their privacy is great. The protection of privacy should not be understood narrowly in terms of strong bank secrecy in tax matters, but rather broadly in terms of a culture of privacy, which must be upheld even if bank secrecy in tax matters may someday be less comprehensive than it is today, as a consequence of international treaties. For instance, privacy should not be interfered with without judicial review. Since, however, in cases of justified interference, the necessary data must often be obtained quickly, this also requires a precise but fast mutual legal assistance process. The financial center crisis was precipitated not least of all because our system of mutual legal assistance functioned poorly. This was recognized, and mutual legal assistance was significantly improved. Even today, however, up to eight appeals are still required in some cases. We have to think differently

in this regard and identify procedures that are just as fast as issuing a search or arrest warrant by an investigating judge, without encroaching upon the quality of the judicial review of legal assistance requests by a judge who is completely independent of the requesting authority. Like privacy, the protection of property must also be strengthened, and interference with property rights should be a narrow exception.

Also important are the various initiatives to strengthen Liechtenstein foundations and trusts. One of the first significant reforms will concern the law governing foundations. This is also a reform that has been underway for a long time, and it should be completed quickly in the interest of the financial center. Additionally, this area of the law could be strengthened by expanding research and teaching, and by instituting specialized courts or arbitration boards for foundation and trust law. We are the leading financial center for foundations, and we could expand our position not only through initiatives to improve the framework conditions for family foundations, but also for charitable foundations. In this way, we could establish an additional pillar in the field of philanthropy.

For an even longer period – more than 20 years – we have been working on a fundamental reform of our tax law. It is probably unrealistic to expect that such a reform could be introduced before parliamentary elections. Nevertheless, I would like to emphasize that a fundamental tax reform – leading to a self-contained tax system built on clear basic principles, and thereby eliminating all ring-fencing and abatement problems – is also of crucial importance to the future of the financial center.

In addition, improved supervision of the fiduciary sector is necessary. Although – as mentioned before – we have succeeded in significantly

improving overall supervision of the financial center, we are in danger of gambling away this success if we are unable to eliminate some weaknesses that have been identified in the supervision of professional trustees in the near future.

I would like to take this occasion to recommend a further reform project that I hope will still come before Parliament this year: the introduction of a truly independent national audit office. This project is not directly related to the financial center, but a thorough and independent audit of State conduct is of particular importance precisely when, in the coming months, many initiatives arising from the Futuro Project are launched that entail higher investment in the future than we have been used to in the past. Such an audit system is also generally needed, however, since modern industrial States like Liechtenstein have taken on a multitude of tasks over the past few decades, and since national administrations have become extremely complex organizations, comparable in their complexity with large international corporations, which have long had internal audit offices that are independent of management. Large international corporations have more employees than the administration of a very small State like Liechtenstein, but they also have two crucial advantages.

First, large international corporations are usually able to focus on a very limited number of products or services, which the administration of a modern industrial State cannot do. Citizens expect a multitude of services, which seriously complicates the clarity and efficiency of administration.

Second, even the largest corporations must face international competition in a market economy. On the market, the customer decides what service he or she wants to purchase at what price. The State is by nature, however, a

monopoly. The government and parliament decide what services are offered by the State at what price. As a rule, the taxpayer must pay the price, whether or not he or she utilizes any given service offered by the State. The State as a service enterprise, with its broad offering of services, can therefore not draw on information from the market in the same way as a private service enterprise, which can determine rapidly whether its service offerings correspond to the price-performance ratio envisioned by the customers. Moreover, competition constantly forces private service enterprises to review their offerings as well as the individual products with respect to quality and price, and to adjust them to the market and the desires of consumers.

One approach to minimizing this problem is to create an independent national audit office or an independent court of audit. In past centuries, when the domestic policy of States was largely limited to sustaining law and order, an independent judiciary evolved. It turned out to be useful to create an institution that was independent of the legislative and executive branches. Now that States have taken on a multitude of responsibilities, this concept should also be applied to the national audit.

The Principality of Liechtenstein already has a National Audit Office, but its scope of responsibility is limited, and its independence does not correspond to international standards. It would therefore be important to transform the National Audit Office – as in other modern industrial States – into a truly independent audit office or an independent court of audit, comparable with our Administrative Court or our Constitutional Court. A national audit office immediately subordinate to the Government or Parliament does not enjoy the requisite independence. With respect to the appointment procedure, the new rules for courts can be applied, which have proven their worth since their introduction a few years ago. Where special rules are necessary, they can be

contained in a separate law, as is the case today with the special rules for the Constitutional Court and the Administrative Court.

The political parties agree in principle that our State needs an independent national audit office, and they have included this idea in the Government Program. An independent national audit office or an independent court of audit – the terminology is not essential – raises a whole series of questions that must be carefully thought through in order to successfully realize this reform project.

For instance: Should the scope of responsibilities of the national audit office only cover the National Administration, or rather all areas of responsibility of the public sector in which tax money is used? Should the municipalities also be subject to the national audit office? Should the national audit office be activated only upon application, or should it be able to act within its legally mandated scope *ex officio*? Should the national audit office be bound by a mandate? Who can submit an application? Only the institutions of the State, such as the Government, Parliament, and the Head of State, or – if they are subject to the national audit office – also the municipalities, or even every taxpayer? Must the reports of the audit office be published once they are completed, or should the audit office only submit an annual report on its activities to the public? Should the audit office – as in other States – be enshrined in the Constitution to ensure its independence, or is a simple law enough?

Honorable Members of Parliament

I wish you wisdom, determination, and God's blessings for your work in the coming year.