

## Liechtenstein puts its focus on values

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Klaus Tschütscher seeks to place Liechtenstein's financial market into a new context. In the future Liechtenstein's financial market should be associated with responsible investing and sustainable development. "Ecological values and economic gains are not contradictory, the opposite is true" said Liechtenstein's prime minister within his opening speech mid September at the Liechtenstein Congress on Sustainable Development and Responsible Investing" at the University of Liechtenstein in Vaduz. "We are talking about old values that experience a new momentum." Tschütscher pointed out that the Government together with others has launched two initiatives that planted new topics into the Principality.



### Microfinance as a new Asset Class

In 2006 the Microfinance Initiative Liechtenstein (MIL) was founded by the Office of Foreign Affairs, Liechtenstein Development Service and the University of Liechtenstein on one Site. Supporters from the financial market side were Hilti Family Foundation, Medicor Foundation and Liechtenstein's Bankers Association. MIL was initiated by Oliver Oehri, a former lecturer at the University of Liechtenstein. He examined whether microfinance could be transformed into a new asset class. Together with MIL he worked out a solution combining the legal form of a foundation with traditional wealth management, both internationally known strengths of Liechtenstein's financial market. According to Oehri microfinance offers more than just some niche activity. The impact of investments has become an important issue for investors.

"That kind of asset always becomes interesting for foundations where invested capital may show concrete effects", explains Oehri.

Many foundations often only use realized gains from their assets to do good – but they could also use the capital itself to cause sustainable results. Especially in this context microfinance

proved to be a suitable ingredient within a portfolio of assets. There is a clear and present demand from investors' side.

However, the market needs more supplier of such products and services. Project development generally needs two to three years while investing takes only months.



### Three Emissions Trading Schemes

Together with the Liechtenstein Banker's Association, the Association of Professional Trustees, the Investment Fund Association and the University of Liechtenstein the Government was also Co-Founder of LIFE Climate Foundation Liechtenstein. The aim of LIFE is the promotion of emissions trading and other market based environmental approaches on Liechtenstein's financial market. To this respect the country seeks to take advantage of its unique position. Liechtenstein, as an industrialized country participates within the UN mechanism of Emissions Trading between States. As a member to the European Economic Area part of Liechtenstein's industry is covered under the EU Emissions Trading Scheme. Last but not least Liechtenstein shares one economic area with its neighbour Switzerland and therefore also participates in the Swiss domestic emissions trading scheme.

According to Sven Braden, representative of the Office of Environmental Protection and co-initiator of LIFE Climate Foundation the concept of emissions trading provides a broad spectrum of potential activity fields. The EU's Scheme, for example, is already set up until 2020. Moreover from 2013 the majority of Europe's big enterprises will have to effectively consider the costs of carbon within future investments (since the majority of emission rights will be auctioned instead of given away for free). China has also recently announced the introduction of such scheme starting 2011.



### Responsible Investing

Liechtenstein's financial market, however, is not only focussing on new topics. The example of the Kaiser Ritter Partner Group may serve to this respect. The Group, which in the current form only exists since 2006, originated from one of the country's oldest trust companies, the 1931 founded Präsidualanstalt. The Kaiser Ritter Privatbank AG serves as the other column of the new founded group. Fritz Kaiser, CEO and chair of the group's board, has early put a focus on what later become a substantial part of the so called Liechtenstein Declaration: (Ab) Using the country's bank secrecy in order to avoid taxes abroad is not suitable to serve as a sustainable business model. Fritz Kaiser early eyed investments that consider the ecological and social impacts. That approach not only ensures a long-term security of invested wealth but may also provide for higher investment returns. "We are not talking about donations as initiated by billionaires like Bill Gates or Warren Buffet. Responsible investors make more money by promoting and supporting long-term and sustainable developments".

### Demand for new Ideas

The Congress was initiated and organised by Peter Droege. In 2008 the Professor from the Institute for Architecture came from the Australian city of Newcastle to Liechtenstein. The first Congress was held in 2009 and was dedicated to the real estate business. "We had so many representatives from the financial market in 2009 that we decided to dedicate one Congress day to the financial sector this time. The situation seems to have proven Prof. Droege right – the auditorium of the University that day was packed – there was a visible demand for new ideas.

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