

enstein has developed into a prosperous, well-diversified and highly industrialised economy. Its major economic sectors include manufacturing, tourism and financial services. Additionally, it is one of very few countries in the world still ruled by a prince. Moreover, in contrast to the British royal family for example, the Prince of Liechtenstein has some actual political power. After all, he possesses a veto to every legislation that is passed by the government (The Government of the Principality of Liechtenstein, 2003, Chapter II, Art.9). In table A1 in appendix A, one can find a fact sheet with some additional information about the country from where evidence is presented in this thesis.<sup>1</sup>

Measured by GDP per capita, Liechtenstein is the richest country in the world, with the lowest unemployment rate. A comparison of these two economic indicators can be found in table 2.1 below. This does not come as a surprise, since the country offers as many jobs as there are inhabitants. This also means that a great portion of the workforce working daily in Liechtenstein comes from commuters from its neighbour countries Austria and Switzerland or even Germany (Central Intelligence Agency, 2018).

Country / Aggregate	GDP per capita (current US\$)	Unemployment, total (% of total labor force)	Individuals using the internet (% of population)
Liechtenstein	164'437	2.3	98.1
Luxembourg	100'739	6.3	97.5
European Union	32'250	8.5	80.8
High income	40'826	6.2	82.0
OECD members	38'881	6.3	78.6
World	10'192	5.7	45.9

**Table 2.1.** Comparison of economic indicators.

*Notes:* This table demonstrates the economic soundness of the Principality of Liechtenstein in comparison to other countries. As a benchmark aggregates such as the European Union, High Income States, OECD members and the World average are used. In our comparison, we further make use of another small European country - Luxembourg. The figures depicting the GDP per capita, as well as the numbers reflecting the total unemployment rate are from the year 2016. To give an indication about internet usage in general, the indicator in the last column shows the percentage of individuals using the internet in the year 2016.

*Sources:* The World Bank Group (2018), Trading Economics (2018) and Kushnir (2018).

Another astonishing feature of the Liechtenstein economy is the fact that the country is one of only four countries in the world which does not have any debt obligations (Central Intelligence Agency, 2018). This great economic success is also due to the importance of the financial center. We will now turn to a discussion of said financial center in the subsequent subsection.

## 2.2 The Financial Center

The Financial Center Liechtenstein e. V., the Liechtenstein Bankers Association as well as the Financial Market Authority are the main authorities regarding the financial services industry in Liechtenstein. Their publications are the main sources of information to provide an overview of the country's financial center in particular. This subsection presents the main characteristics of the banking industry in Liechtenstein and thus, allows the reader to gain some essential background information and insights.

There are currently 15 banks in Liechtenstein, which are under the supervision of the Financial Market Authority (Financial Center Liechtenstein, 2017). At the end of 2016 these 15 licensed

<sup>1</sup>For further information on the Principality of Liechtenstein see <https://www.liechtenstein.li/>