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Corporate Governance 2025

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Liechtenstein: Law and Practice

Alexander Appel, Andreas Schurti and Hemma Kohlfürst
Schurti Partners Attorneys-at-Law Ltd.

LIECHTENSTEIN

Law and Practice

Contributed by:
Alexander Appel, Andreas Schurti and Hemma Kohlfürst
Schurti Partners Attorneys-at-Law Ltd.

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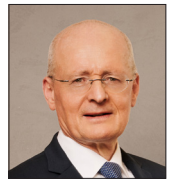
Schurti Partners Attorneys-at-Law Ltd. is a Liechtenstein-based full-service law firm with a strong focus on cross-border matters. The firm's lawyers were trained and are qualified in several jurisdictions (Austria, California, England and Wales, Germany, Ireland, Liechtenstein, New York and Switzerland), and have gained work experience abroad in some of the most prestigious international law firms. The firm was founded in 1991 as a partnership and incorporated in 2015. Over the years, it has grown to become one of the largest and most renowned law firms in Liechtenstein. Schurti Partners has established a solid track record of supporting clients with businesses and/or assets across the world, drawing on the support of the firm's well-established networks of leading independent law firms based in other jurisdictions. Today, it is one of the leading Liechtenstein law firms in the area of corporate and commercial law and M&A transactions and regularly handles complex matters in these areas for large corporate clients and regulated financial service providers in these areas.

Authors

Alexander Appel is a partner at Schurti Partners Attorneys-at-Law Ltd. and has more than 25 years of professional experience in the areas of corporate and commercial law, as well as M&A transactions. His practice focuses particularly on cross-border and multi-jurisdictional corporate transactions, such as share and asset deals (often with a regulatory element), mergers/spin-offs, corporate re-domiciliations and complex finance transactions. He has advised both domestic and foreign clients in a number of noteworthy M&A transactions in Liechtenstein. Alexander also regularly advises large Liechtenstein companies and employers and their majority shareholders on intra-group restructurings and corporate governance matters (including shareholder structures/agreements). He also practises as notary public in corporate law and other legal matters.



Andreas Schurti is a senior partner at Schurti Partners and is one of the leading corporate lawyers on the Liechtenstein market. His wealth of experience and sophisticated legal knowledge allow him to advise both domestic and foreign clients on the most complex mandates, including cross-border restructuring and corporate transactions. Andreas also acts on multi-jurisdictional M&A cases (contentious and non-contentious) and negotiates commercial agreements. In addition to his corporate practice, Andreas Schurti is a renowned expert in private wealth and foundation law and an experienced commercial litigator.

Hemma Kohlfürst is a junior associate at Schurti Partners Attorneys at Law. Before joining the firm in 2022, she studied business law in Vienna, Austria, and gained relevant practical experience in the areas of corporate and competition law, as well as in M&A transactions, in some of the largest law firms in Austria.

Schurti Partners Attorneys-at-Law Ltd.

Zollstrasse 2
9490 Vaduz
Liechtenstein

Tel: +41 442 442 000
Web: www.schurtipartners.com

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1. Introductory

1.1 Forms of Corporate/Business Organisations

The predominant form is the corporation (*Aktiengesellschaft*). For smaller business entities the Liechtenstein establishment (*Anstalt*) is also quite common; however, it is less popular in an international context. The limited company (*Gesellschaft mit beschränkter Haftung*) plays a less significant role in practice. Likewise, the European Company (*Societas Europaea*/SE) is not very common in Liechtenstein.

1.2 Sources of Corporate Governance Requirements

There is no separate piece of legislation or special code for corporate governance rules in Liechtenstein. Therefore, the key legislative source is the Liechtenstein Persons and Companies Act (PCA), which is not only the fundamental piece of legislation for Liechtenstein companies of any type, but also provides the legal framework for Liechtenstein corporations.

Due to Liechtenstein's EEA membership, the SE EU Council Regulation (EC) 2157/2001 of 8 October 2001 applies directly in Liechtenstein. As a result, Liechtenstein enacted its national SE Act, which complements the aforementioned EU Regulation.

At present, Liechtenstein does not have a stock exchange of its own. However, recently the Liechtenstein legislature enacted a Trading Place and Exchange Act (TPEA) which entered into force on 1 February 2025. The TPEA lists rules and provisions of best practice for listed companies. Furthermore, the TPEA includes the regulatory framework for the operation of stock exchanges and other trading venues in Liechtenstein. It remains to be seen to what extent the TPEA will become relevant in practice. To date, and in the absence of a Liechtenstein stock exchange, only a small number of Liechtenstein companies have been listed on foreign stock exchanges in Switzerland or in EEA member states.

Furthermore, there are a number of laws that deal with similar rules, such as the Takeover Act (*Übernahmegesetz*) and the Disclosure Act (*Offenlegungsgesetz*). In addition, such Liechtenstein companies are subject to certain Liechtenstein law requirements (Article 1096a PCA), one of which constitutes the obligation to prepare a corporate governance report.

In addition, for supervised corporations, such as banks, life insurers or asset managers, additional laws that form part of the financial services regulation are relevant, such as the Banking Act, the Insurance Supervision Act and the FMA Act.

1.3 Corporate Governance Requirements for Companies With Publicly Traded Shares

As only very few Liechtenstein companies have issued shares which are publicly traded, there is no comprehensive specific corporate governance legislation in separate laws or rules.

The PCA also includes a few mandatory corporate governance requirements. In particular an undertaking of public interest must have a separate committee of its supreme executive body (*Prüfungsausschuss*). It is the task of this committee to review and supervise the internal accounting, control and risk management systems as well as the sustainability reporting and to report to the supreme executive body of the company about its findings.

Furthermore, Liechtenstein companies which have issued shares that are publicly traded in another EEA member state must issue a corporate governance report as part of their annual report. This corporate governance report must include, inter alia, all relevant information on the corporate governance policies and practices (including any specific corporate governance code) that the company is subject to.

Under the TPEA, there are noteworthy corporate governance requirements for stock exchange operator companies.

2. Corporate Governance Context

2.1 Hot Topics in Corporate Governance

It is expected that Liechtenstein will implement EU Directive 2019/2121 on cross-border conversions, mergers and spin-offs before the end of 2025. The resulting new provisions in the PCA will provide Liechtenstein corporations and their shareholders and board members with additional options for domestic and cross-border M&A transactions, which may contribute to the more effective implementation of corporate governance systems.

Furthermore, hot topics include environmental, social and governance (ESG) issues, corporate social responsibility (CSR) and the implementation and adaptation of the sanction regime triggered by the conflict between Russia and Ukraine.

Comprehensive amendments to the PCA have been enacted to implement Directive (EU) 2019/1151. These new rules permit the possibility of digitally incorporating certain companies. Furthermore, certain digital notarisation and certification services have been introduced since 1 May 2025.

The cross-border exchange of information via the European System of Register Interconnection is intended to be expanded.

After the COVID-19 pandemic, the Liechtenstein legislature decided to maintain certain transitional provisions aimed at facilitating the holding of shareholder and board meetings. Consequently, the PCA was amended to permit virtual board and shareholder meetings and to provide enhanced legal certainty for hybrid shareholder and board meetings.

2.2 ESG Considerations

Due to Liechtenstein's EEA membership, ESG issues have become very relevant for Liechtenstein companies in relation to reporting. Liechtenstein continuously implements pertinent EEA/EU directives dealing with ESG matters. Therefore, it is not a surprise that recent legislative changes to the PCA provide for various obligations in this regard. Article 1096b PCA lists the factors that a Liechtenstein company must comply with in relation to reporting and auditing. The specific obligations of a Liechtenstein company depend on such company's size. It is fair to conclude that ESG-related matters nowadays constitute important elements in the corporate governance system of Liechtenstein companies. Public companies must also report on sustainability matters in their annual corporate governance report.

3. Management of the Company

3.1 Bodies or Functions Involved in Governance and Management

The fundamental structure of a Liechtenstein corporation (AG) is not very complex. The vast majority of Liechtenstein corporations have a one-tier system which provides for a board of directors. The supreme executive/management body of a Liechtenstein corporation is the board of directors. Additional supervisory bodies are not common in Liechtenstein, but are permissible under statutory law.

It is possible for the board of directors to directly manage the corporation. Alternatively, as it is the case in larger corporations, the board of directors can delegate operations and daily management to the executive management (*Geschäftsleitung*). Liechtenstein law allows such delegation to be very comprehensive. However, the general supervision duty and the ultimate responsibility to keep the corporation in a financially sound condition must not be delegated. A delegation to the executive management must be dealt with in separate organisational regulations (*Organisationsreglement*). It is also possible that such regulations permit *"personal overlapses"* so that a board member can also be a member of the executive management. The organisational regulations must define the powers which remain with the board of directors and the powers that are delegated to the executive management body.

Liechtenstein law does not require board members to comply with any statutory independence requirements. Nonetheless, case law has adopted, in some decisions, the principle that in order to avoid or mitigate personal liability, a board member must have sufficient availability, capacity, and time to duly and carefully fulfil its obligations as a board member in a corporation.

Employees are not entitled to send representatives to sit on the board of directors of a Liechtenstein corporation. Nonetheless, it is possible that the articles of a corporation provide that a member of the employees is entitled to a seat on the board.

3.2 Decisions Made by Particular Bodies

Under statutory law the board of directors is obligated to prepare any business for the general meeting of shareholders and to carry out the resolutions to set up any regulations which are necessary for an orderly business activity, to supervise the persons trusted with the management and the representation of the company and to supervise the implementation of any legal requirements, articles and internal regulations, to advise regularly on the management of the business and take any necessary measures, and, where applicable, inform the court in the event of any approaching insolvency of the company.

A supervisory board (*Aufsichtsrat*) is optional under Liechtenstein law. If installed, the task of this board is to supervise the management and the administration of the company.

The board of directors and, where applicable, the supervisory board, can opt to install one or more committees with specific tasks.

Furthermore, the general meeting of shareholders is the supreme body of a corporation. Its tasks under statutory law are the election of the board of directors, the appointment of the auditors, the approval of the annual accounts and the assessment of the results and dividends, the discharge of the board of directors, the passing of resolutions regarding any amendment of the

articles and the passing of resolutions on matters which are reserved to the general meeting by law or by the articles of the company.

3.3 Decision-Making Processes

The shareholders' meeting, as the supreme body of a Liechtenstein corporation, passes its resolutions by way of ordinary or extraordinary meetings. Typically, the articles of association and the PCA spell out the specific rules for the convocation and the holding of such meetings (see **5.3 Shareholder Meetings**).

Conversely, Liechtenstein statutory law provides for only a very limited number of general rules in relation to the meetings and resolutions of the board of directors and the executive management body. Additional statutory provisions exist for companies that are under the supervision of the Liechtenstein financial market authority (FMA). However, the corporation's articles of association or internal specific relations can include detailed provisions in this regard.

4. Directors and Officers

4.1 Board Structure

Please see **3.1 Bodies or Functions Involved in Governance and Management**. The board of directors of a corporation that does not have/does not require any Liechtenstein licence must include at least one member who possesses the qualification or licence to act as a professional trustee (see **4.4 Appointment and Removal of Directors/Officers**).

4.2 Roles of Board Members

Typically, a board of directors consists of a chairman/president and other board members. The chairman is usually in charge of organising the board meetings. In many boards there is also usually a vice president/vice chairman who steps in when the chairman is absent. The other members can also be allocated specific tasks. In large boards there can also be internal committees provided that the articles of association permit this.

Although not mandatory, it is a common task of the chairman of the board of directors to also preside over the shareholder meetings of the company. Frequently, the corporation's articles of association allocate additional roles to the chairman, the vice chairman and/or the other board members.

4.3 Board Composition Requirements/Recommendations

Please see **4.2 Roles of Board Members**.

4.4 Appointment and Removal of Directors/Officers

Basically, it is the task of the general meeting of shareholders to elect and re-elect the members and the chairman of the board of directors. To the extent not dealt with differently in the corporation's articles, a simple majority of the votes is required for such election.

As far as the removal of members of the board of directors and the executive management is concerned, corporate decisions to remove such members are the exception rather than the rule. It is more common for a member to resign unilaterally or not to stand for re-election.

In the vast majority of cases, the board of directors appoints the members of the executive management body. However, there are corporations that also require a shareholder vote for the appointment of such members.

Under Liechtenstein law, there is no general obligation for the board of directors to consist of more than one member. However, for corporations with a nominal share capital exceeding the amount of CHF1 million, the board of directors must consist of at least three members. Board members can either be individuals or legal entities/corporate directors. For certain regulated companies (such as banks, insurers or asset managers), specific requirements apply pursuant to the pertinent legislation.

It should be noted that the board of directors is free to organise itself within the ambit of statutory law. Consequently, the board of directors can also set up internal committees for specific purposes in order to enhance the corporate governance and organisation of the corporation.

For corporations that are not subject to any licence requirement to carry out its activities, the law requires that at least one board member must be a citizen of Switzerland or an EEA state and in possession of a licence as a professional trustee, or a licence pursuant to Article 180a PCA.

4.5 Rules/Requirements Concerning Independence of Directors

In general, members of the board of directors are not under a statutory law requirement to be independent from any shareholder of the respective corporation. Nonetheless, the PCA contains specific rules regarding independence requirements within the specific audit committee (*Prüfungsausschuss*): in a nutshell, these rules require that the majority of the members of this committee must be independent of the respective corporation (including the chairman of this committee).

General company rules in the PCR further include mandatory requirements regarding the voting rights on matters or business transactions between the company and him-/herself or a person close to him/her if such transaction results in a personal advantage for such board member. Furthermore, board members may not or must not participate in any shareholder vote on their discharge.

4.6 Legal Duties of Directors/Officers

Under Liechtenstein law, board members must act in accordance with the principles of the business judgement rule. When doing so, they must safeguard the best interests of the corporation and act on the basis of adequate information, without bias and free of any conflict of interests. When doing so, they must also consider the interests of the employees and other stakeholders. The general legal duties of the board members include their statutory duty of care and loyalty to the corporation. Furthermore, the members of the board must treat the shareholders of the corporation equally in the same circumstances.

The above rules apply accordingly to members of the executive management body.

4.7 Responsibility/Accountability of Directors

Under Liechtenstein law, the board of directors is responsible for ensuring sufficient corporate governance. However, statutory law does not include explicit provisions that would constitute a specific legal obligation for the board in this regard. The law, however, contains various single tasks that must be duly organised and complied with by the board of directors. Such tasks include the overall management, financial situation, and organisation of the corporation, as well as the supervision of the members of the management body. The board must also ensure

that the corporation's financial documents are in line with the applicable accounting standards.

4.8 Consequences and Enforcement of Breach of Directors' Duties

Depending on the claim at hand, the corporation itself or, alternatively, the creditors of the corporation can enforce such a breach. If such breach can be proven, the main consequence for the respective board member will be an obligation to pay damages. For board members of regulated companies, additional sanctions may apply. To the extent the breach also qualifies as a crime under the Liechtenstein Criminal Code, the sanctions can also include fines and imprisonment.

Liechtenstein law provides for the personal liability of board members in the event they have infringed their legal obligations and duties. For such liability, not only damage must be proven, but also that the board member acted intentionally or negligently, and that such conduct caused the damage. The liability of various board members is of joint and several nature. Board members are liable for their wilful or intentional misconduct and their negligence. If a board member is liable for damages, the legal entity can only assert such damages against a board member if such board member has not been released from liability due to a discharge resolved by the shareholder meeting. If the corporation has no claim for damages, it is possible that the shareholders can directly enforce their claim for damages against the board members.

4.9 Other Bases for Claims/Enforcement Against Directors/Officers

It is common for board members and/or the members of the management of larger corporations to be insured under a D&O insurance. In this context, it is acceptable that the respective company pays the insurance premium for the board members and the members of the management.

However, it would not be compatible with the law if the company accepted an obligation to indemnify the board members, and the members of the management against any and all liabilities that they incur towards the company or its shareholders. Nonetheless, it is possible for a company to agree to such indemnity in a specific case/lawsuit.

4.10 Approvals and Restrictions Concerning Payments to Directors/Officers

This depends on the size of the company. For smaller companies there are no major statutory law restrictions, but market practice will frequently set the limits for the respective remuneration/fee amounts. Conversely, for public companies a number of statutory law restrictions exist under the PCA and under certain regulatory laws. The latter, however, apply only to the respective regulated companies, such as banks or insurers. For listed companies, shareholder approval may be required for the remuneration of board members and members of the management.

4.11 Disclosure of Payments to Directors/Officers

Publicly traded companies must disclose this information in their annual report. For regulated companies, such as banks and insurers, additional specific requirements exist in this regard (also regarding the structure and the degree of detail for such disclosure).

5. Shareholders

5.1 Relationship Between Companies and Shareholders

Under Liechtenstein law, shareholders do not owe any duty of care, loyalty, or any other duty to the corporation. This principle applies to both minority and majority shareholders in their capacity as shareholders.

Conversely, shareholders, in proportion to their voting powers, can influence the key decisions to be taken in relation to corporate governance issues at the level of the shareholder meeting. In this regard, their voting rights can prove a useful tool to supervise and influence the board of directors and its strategy. However, under Liechtenstein law, a shareholder is neither required to participate in the shareholder meeting, nor to exercise his/her voting right on any agenda item of such meeting.

Depending on the scope of their participation, shareholders are subject to certain statutory disclosure requirements as regards their shareholdings. Such obligations apply to shareholders of listed corporations, or companies that are regulated by and under the supervision of the Liechtenstein FMA.

5.2 Role of Shareholders in Company Management

Liechtenstein law does not impose on the shareholders of a Liechtenstein company any duty or obligation except for the obligation to pay up the shares that they subscribed. In particular, the shareholders do not owe the company a duty of care or loyalty. It should be noted that, under Liechtenstein law, a shareholder cannot be forced to exercise his/her voting rights.

However, if a shareholder is also a member of the board of directors, he/she will be subject to the duties owed by board members to the corporation, in particular, a duty of care and loyalty.

5.3 Shareholder Meetings

Unless a company's articles require a larger number of meetings, there shall be at least one shareholder meeting per year (annual shareholder meeting/ordinary shareholder meeting). At the occasion of such annual general meeting, the key decisions are taken by the shareholders on financial matters (annual accounts, use of profits, other financial aspects for which a shareholder vote can be required under a corporation's articles, etc). In addition, the shareholders at such meeting decide on the discharge of the board of directors and, in some instances, of the management board and, to the extent necessary, elect or re-elect members of the board of directors and the auditor of the corporation.

If all shareholders are present or validly represented by a proxy, the shareholder meeting qualifies as *"universal/full shareholder meeting"* for which the requirements and timelines regarding the calling of a shareholder meeting do not apply. Shareholders who jointly hold 10% of all countable votes arising from the share capital are entitled to request the calling of a shareholder meeting. In addition, shareholders of at least 5% of all the votes arising from the corporation's share capital are entitled to request that an item be placed on the shareholder meeting agenda.

Furthermore, it is possible to hold additional/extraordinary general shareholder meetings. Such meetings can be convened by the board of directors in accordance with the articles and statutory law. It is also permissible for a shareholder who represents at least 10% of the corporation's share capital to request the board to

convene such extraordinary shareholder meeting. For publicly traded companies, this threshold is lower.

It is now possible to hold virtual shareholder meetings provided that the articles of a corporation permit the holding of such virtual meetings.

It should be noted that, for certain material shareholder resolutions, simple majorities are not sufficient. For such resolutions, a qualified majority (as defined in the articles or by statutory law) will be required. This can de facto result in a blocking power of majority shareholders, the consent of whom would be required to reach a qualified majority.

5.4 Shareholder Claims

For instance, a shareholder can be entitled to sue a member of the board of directors or the corporation's auditor on the shareholder's own behalf or, in a scenario of the corporation's financial distress, on behalf of the corporation – eg, for breach of duties (see **4.8 Consequences and Enforcement of Breach of Directors' Duties**).

Furthermore, a shareholder can challenge a shareholder resolution, provided that such legal action complies with the statutory requirements and (relatively short) timelines.

However, a shareholder cannot challenge a decision of the board of directors or of the management body. Nonetheless, the law grants protection since board resolutions that infringe basic rules qualify as null and void. A shareholder can therefore submit such resolution to the court and request that the court declare such resolution null and void.

5.5 Disclosure by Shareholders in Publicly Traded Companies

There are no such limitations as far as the maximum number or percentage of shares or securities held by a shareholder is concerned. However, it is possible that a corporation's articles include such limit, as far as the exercise of voting rights is concerned (also by introducing different share categories with different voting rights).

Conversely, Liechtenstein laws provide for certain disclosure obligations. Such obligations mainly concern listed companies and other companies that are regulated by and supervised by the Liechtenstein FMA. If an investor acquires or sells, directly or indirectly, shares in such company so that his/her voting rights reach, depending on the type of target, exceed or fall below 5%, 10%, 15%, 20%, 25%, 33%, 50% or 66%, such transaction and the resulting new shareholdings must be notified in advance to the FMA and to the target company. The Disclosure Act (*Offenlegungsgesetz*) further provides very detailed disclosure rules for a number of different scenarios. However, these rules only apply to Liechtenstein corporations that are listed on a stock exchange.

In accordance with anti-money laundering legislation, a corporation must register, on a timely basis, those of its shareholders/beneficial owners that hold more than 25% of the voting rights/share capital (or do otherwise control the corporation) in the Register of Beneficial Owners, which is maintained by the Office of Justice in Vaduz.

6. Corporate Reporting and Other Disclosures

6.1 Financial Reporting

The ultimate responsibility for disclosure and transparency lies with the board of directors. In particular, the board is responsible for drawing up the annual report. The auditors must review this annual report.

Liechtenstein law does not impose a general obligation on a Liechtenstein corporation to disclose its corporate governance or to report thereon. However, Liechtenstein corporations that have issued securities listed on the regulator market in the EEA must include and publish a specific corporate governance report in their annual report. Article 1096a PCA lists in detail the required content for such corporate governance report.

Pursuant to Article 182a PCA, the members of the board of directors of a legal entity have a collective duty to ensure that the required accounting documents, as well as the corporate governance report, are prepared and disclosed in accordance with the provisions on accounting.

Furthermore, institutional investors and asset managers shall develop and publicly disclose a participation policy. The participation policy shall describe how institutional investors and asset managers monitor the companies in which they have invested with regard to important matters, in particular with regard to corporate governance. Liechtenstein companies that are subject to foreign listing rules, due to their listing on a foreign stock exchange, are subject to such foreign listing rules.

6.2 Disclosure of Corporate Governance Arrangements

Please see **1.3 Corporate Governance Requirements for Companies With Publicly Traded Shares**.

6.3 Companies Registry Filings

The Office of Justice (*Amt für Justiz*) in Vaduz maintains the commercial register in Liechtenstein. Liechtenstein corporations must be registered in this commercial register in order to come into legal existence. Furthermore, any subsequent changes of the articles of association of such corporation must be registered as well. Additional filings which a Liechtenstein corporation is obligated to submit to the Office of Justice include the appointment (and any subsequent changes) of the persons who can represent that corporation, their signing powers, the annual accounts and any change in such company's structure, such as a liquidation, merger or spin-off.

The consequences of failing to make such filings include the nullity of the respective appointments and changes towards third parties. The Office of Justice has supervisory powers in relation to the due organisation of a Liechtenstein corporation. Therefore, it can intervene and request a corporation to rectify any non-compliance with the minimal standards set forth by Liechtenstein statutory law – eg, a sufficient number of board members or representatives.

7. Audit, Risk and Internal Controls

7.1 Appointment of External Auditors

A Liechtenstein corporation must have an external auditor that meets the statutory requirements of independence. Such an auditor is an external organ/body of the corporation. For smaller cor-

porations/companies, it is possible to opt out of the auditor requirement.

7.2 Requirements for Directors Concerning Management Risk and Internal Controls

The board of directors is responsible for drawing up the annual accounts/report of the corporation, which must then be reviewed by the auditors.

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