Chambers
AND PARTNERS

CHAMBERS GLOBAL PRACTICE GUIDES

Sanctions 2026

Definitive global law guides offering comparative analysis from top-ranked lawyers

Liechtenstein: Law and Practice
& Trends and Developments

Lukas-Florian Gilhofer and Mathias Bitschnau
Ospelt & Partner Attorneys at Law Ltd

LIECHTENSTEIN

Law and Practice

Contributed by:
Lukas-Florian Gilhofer and Mathias Bitschnau
Ospelt & Partner Attorneys at Law Ltd

Contents

Ospelt & Partner Attorneys at Law Ltd is a full-service law firm established in 1997. Its 12-strong team includes four partners, who have extensive experience representing ultra-high net worth individuals, serving both international and national clients. The firm has strong roots in Liechtenstein, where it provides dedicated services to local and international clients and companies. Jointly with its affiliated trustee and corporate services provider Legacon Treuhand Anstalt, Ospelt & Partner Attorneys at Law employs high levels of expertise to support its clients.

Authors

Lukas-Florian Gilhofer joined Ospelt & Partner Attorneys at Law in 2025, and has since strengthened the firm's M&A and insurance and reinsurance practice. He also serves as a public notary in the Principality of Liechtenstein. Before relocating from Austria to Liechtenstein in 2021, he worked with renowned business law firms in Vienna, Tyrol and Salzburg, and he continues to advise on matters with an Austrian nexus. He regularly publishes scholarly articles in national and international journals and lectures at various universities. He completed his academic education in Tyrol (Austria) and Copenhagen (Denmark), with a focus on both legal and economic studies.

Mathias Bitschnau has been an associate at Ospelt & Partner Attorneys at Law in Schaan since spring 2026. He holds a law degree and doctorate, complemented by expertise in finance and compliance. His career includes roles as COO of a Vaduz trust office (2012–2019), managing director of a public bonded warehouse (2019–2021), and CEO of a mid-sized trust company (2022–2025). He has also served on supervisory boards of an Austrian bank and an energy producer (2015–2020). His practice focuses on compliance, risk management, sanctions law, FATCA/AIA and legal counsel for financial and fiduciary clients.

Ospelt & Partners Attorneys at Law Ltd

Landstrasse 99
9494 Schaan
Liechtenstein

Tel: +423 236 1919
Email: info@ospelt-law.li
Web: www.ospelt-law.li

OSPELT & PARTNER
RECHTSANWÄLTE AG / ATTORNEYS AT LAW LTD.

1. Trends and Overview

1.1 Sanctions Market

As a member of the European Economic Area (EEA), Liechtenstein autonomously transposes the sanctions imposed by the Council of the EU into its national legal order. The sanctions have continued to expand over the last 12 months due to the numerous new EU sanctions packages in the context of the war in Ukraine (the 16th, 17th, 18th, 19th, 20th and 21st sanctions packages). Energy-related sanctions have been expanded, particularly targeting liquefied natural gas (LNG), and hundreds of new Russian and Belarusian individuals and entities have been listed under amended or newly introduced criteria.

In the field of sanctions, Liechtenstein has experienced a marked intensification of regulatory activity over the past 12 months. The continuous expansion of Russia-related sanctions in response to the ongoing war in Ukraine has led to increased compliance demands on financial intermediaries, fiduciaries and legal advisers. The Liechtenstein government and the Financial Market Authority (FMA) have stepped up their supervisory activities, in particular with regard to the identification of sanctioned persons and the reporting of frozen assets. Compared to the previous year, the number of enquiries received by the FMA as well as the number of frozen accounts and assets has increased significantly. It should be noted, however, that the majority of cases in Liechtenstein do not involve the direct freezing of bank accounts held by listed individuals, but rather affect legal entities and structures – such as foundations, establishments and trusts – in which a sanctioned person holds a beneficial interest or exercises control. In such constellations, the assets are frozen indirectly, as the relevant legal vehicle becomes ownerless or unmanageable in practice, rendering any disposition over the underlying assets legally impermissible. At the same time, the growing complexity of the sanction's regimes — in particular through the broadening of anti-circumvention provisions and the introduction of new sectoral sanctions – has substantially increased the demand for professional advice in practice.

In particular, recent listing criteria introduced under the Russian sanctions regime, which Liechtenstein has also transposed into national law through its autonomous adoption process, now allow for restrictive measures against:

- persons who own, control, manage or operate vessels transporting crude oil or petroleum products originating in or exported from Russia (since 24 February 2025) (Article 3 (k) of Council Regulation (EU) No 269/2014);
- persons involved in, supporting or benefitting from Russia's military-industrial complex (since 24 February 2025) (Article 3 (l) of Council Regulation (EU) No 269/2014); and
- persons who have facilitated transfers of ownership, control or economic benefits for sanctioned businesses, especially those linked to individuals designated under criterion (g) (Article 3 (m) of Council Regulation (EU) No 269/2014, since 13 May 2025).

Regarding ancillary sanctions obligations, reporting requirements for financial intermediaries and fiduciaries have become stricter. In addition, the phenomenon of so-called "orphaned legal entities" – triggered by the extraterritorial effect of US OFAC sanctions, which has caused numerous Liechtenstein fiduciaries to resign from mandates with Russian connections – has posed structural challenges to the Liechtenstein financial centre that remain unresolved to this day. According to the Liechtenstein government, several hundred foundations and establishments are currently blocked without functioning governing bodies; they can neither be continued nor wound up. The government is currently examining various legislative and supervisory measures to address this situation.

1.2 Key Trends

Over the past 12 months, Liechtenstein's sanctions landscape has been shaped by a notable expansion and intensification of implementation and compliance activity. The key developments in this period include:

- intensified adoption of EU sanctions packages against Russia and Belarus, which Liechtenstein transposes autonomously by virtue of its close economic and legal ties to the EU and the EEA;

- heightened supervisory activity by the FMA, including targeted reviews of sanctions compliance at regulated institutions;
- increased awareness of the risk of sanctions circumvention, in particular through third country connections;
- strengthened international co-operation within the framework of FATF and the Egmont Group; and
- growing demand for specialised compliance services and training in the field of sanctions law.

In addition, the phenomenon of so-called "orphaned legal entities" – triggered by the extraterritorial effect of US OFAC sanctions, which has led numerous Liechtenstein fiduciaries to resign from mandates with Russian connections – has emerged as one of the most pressing structural challenges for the Liechtenstein financial centre. The aim of the measures currently under discussion is to restore the legal capacity of affected foundations and establishments and to ensure that asset management structures can be properly continued or wound up in full compliance with applicable sanctions law.

1.3 Key Industries

Sectors in Liechtenstein particularly affected by sanctions regulations include:

- the financial sector (banks, insurance companies, fund companies and asset managers);
- the fiduciary sector (trustees, foundations and establishments);
- the legal and advisory sector (lawyers, tax advisers and auditors); and
- the export sector – in particular companies with supply chains or customer relationships in sanctioned countries or with sanctioned persons.

Sectors in which sanctioned individuals are – or were previously – active are equally affected, as third-party actors such as fiduciaries, banks and legal advisers refuse to engage with any natural or legal person even remotely connected to them, regardless of whether that connection is purely historical or indirect in nature.

The fiduciary sector has been hit hardest by the tightening sanctions regime. Trustees face direct regulatory and liability pressure from both the Liechtenstein Chamber of Professional Trustees (THK) and the FMA. Resignations from mandates with Russian connections have frequently been driven by regulatory considerations rather than by an actual sanctions risk on the client's part. Each case requires individual analysis and a legally sound path to resolution.

Even where trustees resigned under regulatory pressure or as a precautionary measure, the affected foundations and establishments often continue to hold substantial assets yet are no longer able to act. This has created an increased need for legal intervention and a growing volume of mandate requests. While the process of restoring the legal capacity of such entities – or winding them up in an orderly manner – can be complex, a well-established practice has developed in Liechtenstein in recent months that allows these situations to be handled efficiently and in full compliance with applicable sanctions law.

1.4 Overview

1.4.1 Types of Sanctions

Liechtenstein implements both individual sanctions, targeting natural and legal persons, and sectoral sanctions, decided at the UN and EU levels and transposed into national law through autonomous adoption.

Individual sanctions include the freezing of funds and economic resources belonging to listed persons and organisations, as well as travel restrictions in the form of bans on entry and transit. Sectoral sanctions encompass goods and technology embargoes – including export control measures for dual-use items and military equipment – service prohibitions with respect to financial, transport, IT and advisory services provided to sanctioned countries or persons, and sector-specific measures targeting particular areas of the economy such as energy and defence.

These sanctions are based on resolutions of the UN Security Council as well as on measures adopted by the EU, which Liechtenstein implements within the framework of the EEA Agreement and through bilateral arrangements with Switzerland.

1.4.2 Scope of Sanctions

Liechtenstein implements both individual sanctions, targeting natural and legal persons, and sectoral sanctions, decided at the UN and EU levels and transposed into national law through autonomous adoption.

Individual sanctions include the freezing of funds and economic resources belonging to listed persons and organisations, as well as travel restrictions in the form of bans on entry and transit. Sectoral sanctions encompass goods and technology embargoes – including export control measures for dual-use items and military equipment – service prohibitions with respect to financial, transport, IT and advisory services provided to sanctioned countries or persons, and sector-specific measures targeting particular areas of the economy such as energy and defence.

These sanctions are based on resolutions of the UN Security Council as well as on measures adopted by the EU, which Liechtenstein implements within the framework of the EEA Agreement and through bilateral arrangements with Switzerland.

1.4.3 Domestic and/or Supranational Measures

In Liechtenstein, sanctions are imposed at three different levels.

- UN – as a member of the United Nations since 1990, Liechtenstein is bound by resolutions of the UN Security Council adopted under Chapter VII of the UN Charter. These are transposed into national law by means of government ordinances issued on the basis of the International Sanctions Act (ISG). In certain cases – particularly following the legislative reform introducing Article 14a ISG – the relevant UN sanctions lists are incorporated automatically and with immediate legal effect.
- EU – although Liechtenstein is not an EU member state, its membership of the European Economic Area (EEA) and its close economic ties with the EU mean that EU restrictive measures are adopted autonomously through decisions of the EEA Joint Committee and corresponding government ordinances. In practice, this results in Liechtenstein's sanctions landscape being almost entirely aligned with that of the EU, encompassing the full range of country-specific regimes – including those targeting Russia, Belarus and Iran – as well as thematic measures such as those addressing terrorism financing and human rights violations.
- Switzerland – a further layer arises from the customs union with Switzerland. Since Liechtenstein and Switzerland form a single customs territory, Swiss sanctions administered by the State Secretariat for Economic Affairs (SECO) are equally applicable in Liechtenstein, adding a third strand of supranational measures that shapes the practical compliance environment.

At the purely domestic level, Liechtenstein formally maintains its own national sanctions list, published as annexes to ordinances issued under the ISG. In practice, however, this list is of limited autonomous significance, as it constitutes in substance a verbatim transposition of the EU sanctions list, adopted without independent screening or additional designations. The government does retain a limited power under the ISG to designate persons directly in the annexes to national ordinances – notably in the context of counter-terrorism measures under UN Security Council Resolution 1373 (2001), where it may act on the basis of decisions by competent domestic or foreign authorities. However, such autonomous national designations remain the exception rather than the rule, and the Liechtenstein list derives its practical content almost exclusively from the EU framework.

The overall picture is therefore one of a jurisdiction that operates primarily as an implementing jurisdiction: the substantive designation decisions are made at the UN or EU level, while Liechtenstein's role is to transpose and enforce those measures through its national legal framework, with the ISG and the government's ordinance-making power forming the central instruments of implementation.

2. Overview of Regulatory Field

2.1 Primary Regulators

The primary regulators for sanctions activity in Liechtenstein are:

- the Financial Market Authority (FMA);
- the Office of Foreign Affairs;
- the Financial Intelligence Unit (FIU); and
- the Government of the Principality of Liechtenstein.

Within this framework, each authority handles distinct aspects of sanctions implementation and enforcement:

- the FMA acts as the primary supervisory authority for the financial sector, monitoring sanctions compliance at regulated institutions including banks, insurance companies, fund management companies and trustees, and may impose administrative measures such as fines and licence revocations;
- the Office of Foreign Affairs shares responsibility at government level for the co-ordinated implementation of international sanctions measures;
- the FIU is responsible for receiving and processing suspicious transaction reports and corresponding sanctions reports, and disseminates relevant financial intelligence to competent authorities; and
- the government of the Principality of Liechtenstein, acting through the Ministry of Foreign Affairs, issues the sanctions ordinances through which UN and EU restrictive measures are transposed into national law.

As such, these authorities are the competent bodies for enforcing sanctions and granting derogations and serve as the primary interlocutors for all sanctions-related issues in Liechtenstein.

2.2 Enforcement

2.2.1 Enforcement Responsibilities

In Liechtenstein, responsibility for enforcing sanctions is divided between civil and criminal authorities, each operating within a clearly defined institutional framework.

Civil Enforcement of Restrictive Measures

The FMA is the primary responsible authority. The FMA supervises regulated institutions – including banks, insurance companies, fund management companies, fiduciaries and asset managers – for compliance with applicable sanctions obligations. Where violations are identified, the FMA may impose administrative measures, including:

- financial penalties and fines;
- formal reprimands and remediation orders; and
- suspension or revocation of operating licences.

Administrative breaches of financial sanctions are accordingly investigated and sanctioned by the FMA acting in its capacity as Liechtenstein's financial regulatory authority.

Criminal Enforcement of Sanctions

The Public Prosecutor's Office of the Principality of Liechtenstein is responsible for initiating and leading criminal proceedings in cases of sanctions violations. As the authority in charge of the investigation, it directs the investigative process. Investigative steps – including searches and seizures – are carried out by:

- the National Police of Liechtenstein, acting on the instructions of the Public Prosecutor's Office; and
- the FIU, which provides financial intelligence and supports the identification and analysis of sanctions-related offences.

Reports and referrals from the FMA or other competent authorities may form the basis for criminal proceedings initiated by the Public Prosecutor's Office where the circumstances of a violation warrant criminal rather than merely administrative sanction.

2.2.2 Breaching Sanctions

Violations of sanctions provisions constitute a criminal offence in Liechtenstein under the International Sanctions Act (*Internationales Sanktionsgesetz*, ISG, LGBl. 2009 No 41).

At the criminal level, the ISG criminalises breaches of applicable sanctions obligations, regardless of whether the underlying measure originates from a UN Security Council resolution or from EU law transposed into Liechtenstein law by government ordinance. Potential penalties for natural persons include:

- custodial sentences of up to three years; and
- monetary penalties.

Legal persons may be subject to fines.

At the civil and administrative level, the FMA may impose administrative sanctions against regulated institutions that breach or circumvent applicable financial sanctions. These include:

- warnings;
- fines of up to CHF250,000; and
- partial or full withdrawal of authorisation to operate.

Administrative sanctions imposed by the FMA may apply in addition to any applicable criminal penalties and are published on the FMA's website in accordance with its transparency and enforcement policy.

2.2.3 Civil Enforcement Action

The FMA's enforcement role is confined to the entities it supervises – including banks, insurance companies, fund management companies, fiduciaries and asset managers – with particular focus on compliance with asset-freeze obligations derived from UN and EU restrictive measures as transposed into Liechtenstein law.

Publicly known civil enforcement actions in Liechtenstein over the past three years have been limited to administrative measures taken by the FMA, the majority of which are not made public. The FMA has issued warnings and ordered remedial measures in several cases, in particular against financial intermediaries in connection with inadequate sanctions screening processes. Publicly accessible fine decisions have not come to light in significant numbers, as Liechtenstein tends to follow a relatively discreet supervisory practice compared to larger financial centres. In the context of the Russia-related sanctions, several asset freezes have been ordered and enforced by the competent authorities.

A particular development that has brought civil enforcement consequences into sharp focus for market participants is the listing of individual financial service providers – both in a personal capacity and with respect to their companies – on the OFAC sanctions list. The immediate practical consequences of such listings, including the effective operational incapacity of the affected persons and entities, have significantly heightened awareness of sanctions law and its real-world impact among decision-makers across the Liechtenstein financial sector.

Indirectly, the Trustees Act (*Treuhändergesetz*, TrHG) has been tightened in this context – or is currently in the process of being amended through the legislative procedure – so as to make it considerably easier for the FMA to withdraw licences from regulated fiduciaries where sanctions-related compliance failures are identified. This legislative development underlines the extent to which sanctions enforcement has become a central element of the broader regulatory framework governing the Liechtenstein financial centre.

2.2.4 Criminal Enforcement Action

No publicly known judgments of the ordinary courts concerning violations of the International Sanctions Act (ISG) are currently available. As matters stand, no final and binding judgments of the Princely Court of Justice, the Court of Appeal or the Supreme Court are known that deal specifically with violations of the ISG.

There are several reasons for this.

- Enforcement in Liechtenstein takes place primarily through administrative channels via the FMA. The FMA files a criminal complaint with the Public Prosecutor's Office only where, in its assessment, the objective elements of a criminal offence are likely to be met, and a criminal conviction cannot be ruled out in light of existing court practice. The threshold for filing a criminal complaint is therefore deliberately set at a high level.
- FMA fines are indeed imposed – for example, on 14 January 2026 the FMA imposed a fine of CHF100,000 on a legal person for breach of due diligence obligations in conjunction with Article 11 (1a)(c) ISG read in conjunction with Art 12 (2)(b) ISG – but these are administrative in nature and do not constitute criminal judgments of an ordinary court.
- Sanctions law in its current complexity and intensity only gained real significance with the Russia-related sanctions from 2022 onwards. Criminal proceedings before ordinary courts typically take several years to result in a final and binding judgment.

More generally, the adoption of the Russia sanctions triggered a genuine structural crisis in the Liechtenstein financial centre. Trustees resigned in large numbers from foundations and establishments with Russian connections – including entities that were not themselves sanctioned – out of fear of exposure to US OFAC secondary sanctions. Hundreds of legal entities were affected, and some remain in liquidation or without active management to this day. This massive practical impact has, however, not yet resulted in any publicly known criminal judgments before the ordinary courts.

The absence of published criminal case law therefore reflects the specific architecture of sanctions enforcement in Liechtenstein – one in which the FMA acts as the primary enforcement body through administrative proceedings, and where the criminal law dimension, while formally available and enforceable, has not yet produced a body of publicly accessible court decisions comparable to those of larger jurisdictions.

2.2.5 Mitigation

Under Liechtenstein law, various mitigating factors are available to persons facing sanctions enforcement proceedings, whether before the FMA in an administrative context or before the ordinary courts in a criminal context:

- voluntary self-disclosure – a person who reports a violation on their own initiative before the competent authorities become aware of it can expect a significant reduction in the penalty imposed;
- co-operation with the authorities – comprehensive co-operation with the FMA and the Public Prosecutor's Office has a mitigating effect on the sanction imposed;
- subsequent compliance measures – the implementation of improved internal control systems following a violation may be taken into account favourably by the competent authority;
- absence of intent – negligent violations are generally subject to lesser penalties than intentional acts; and
- limited harm – a restricted economic impact or a low transaction value may also operate as a mitigating factor in the determination of the appropriate sanction.

These mitigating factors reflect a graduated approach to sanctions enforcement that distinguishes between deliberate misconduct and deficient but good faith compliance and incentivises early disclosure and remediation.

2.2.6 Strict Liability

Liechtenstein sanctions law does not provide for strict liability. Criminal liability under the International Sanctions Act (ISG) requires either intent or, in certain cases, negligence, depending on the nature of the offence.

The ISG draws a clear distinction between two categories of sanctions-related offences.

- Article 10 ISG (criminal offences/*Vergehen*) – a wilful violation of the provisions of an ordinance issued pursuant to Article 2 (2) ISG is punishable by a custodial sentence of up to three years or a monetary penalty of up to 360 daily rates. Where the offence is committed negligently, the maximum penalty is reduced by half. Negligent violations are therefore criminally punishable, but subject to a lower penalty ceiling.
- Article 11 ISG (regulatory infractions/*Übertretungen*) – sanctions infractions under Article 11 – including the refusal to provide information to the competent enforcement authorities and breaches of provisions of ordinances classified as infractions – require wilful intent. Negligence does not suffice for liability under this provision.

A significant additional protection is provided by Article 2a ISG, which expressly exempts from civil and criminal liability any person who, acting in good faith, takes steps in compliance with a coercive measure under the ISG. This good faith defence is of particular practical relevance for financial intermediaries and fiduciaries who act on the basis of the applicable sanctions lists and internal screening processes, without knowledge of facts that would call their compliance into question.

In the administrative sphere, the standard differs from the criminal law position. The FMA applies a heightened due diligence standard when supervising regulated institutions for sanctions compliance. Administrative measures may be imposed in cases of negligent violations – that is, where an institution has failed to maintain adequate screening and monitoring processes, even without any deliberate intent to breach sanctions. In practice, this means that financial intermediaries must be able to demonstrate comprehensive and documented due diligence and sanctions screening processes in order to exculpate themselves in the event of unintentional violations. The burden of proof in practice frequently lies with the regulated institution to show that adequate care was exercised.

The overall framework therefore operates on a graduated basis: wilful violations attract criminal liability under Articles 10 and 11 ISG; negligent violations may give rise to criminal liability under Article 10 ISG at a reduced penalty level; and failures of due diligence, even absent intent or negligence in the strict criminal law sense, may attract administrative sanctions by the FMA.

2.3 Licensing

2.3.1 Derogation

Liechtenstein applies the derogations provided by the relevant EU Decisions and Regulations in the context of its autonomous adoption of EU sanctions regimes. In addition, the Liechtenstein government may grant exceptions under national law on specific grounds set out in the applicable ordinances.

Currently, most sanctions-related matters concern Russia. In this regard, the Ukraine Ordinance – through which Liechtenstein has transposed the EU's restrictive measures in view of Russia's actions destabilising the situation in Ukraine – provides for several derogations, including:

- the release of frozen funds, the transfer of frozen assets and payments from frozen accounts for the purpose of avoiding hardship cases;
- the fulfilment of obligations arising from existing contracts concluded prior to the imposition of the relevant sanctions measure;
- the satisfaction of claims that are the subject of an existing decision of a court, administrative authority or arbitral tribunal rendered prior to the listing of the person concerned;
- the payment of reasonable fees and reimbursement of costs reasonably incurred in connection with the provision of legal services; and
- the safeguarding of Liechtenstein interests, in particular where Liechtenstein-specific considerations require a measured application of the restrictive measures.

Such derogations must be applied for with the competent national authorities. In Liechtenstein, applications for exceptions from sanctions measures under the Ukraine Ordinance must be submitted to the FIU, which serves as the procedural point of contact for the receipt of applications. The substantive decision-making power rests with the government of the Principality of Liechtenstein, which holds the power to grant individual authorisations under Article 2 (1) of the ISG and the applicable ordinances. In certain areas – in particular with respect to goods and trade sanctions – the Swiss State Secretariat for Economic Affairs (SECO) may also have competence by virtue of the customs union treaty with Switzerland. The government may attach conditions to any authorisation granted, and retains discretion in each individual case.

2.3.2 Provision of Legal Services

Unlike certain other jurisdictions, Liechtenstein does not provide for a general licence permitting the provision of legal services to sanctioned persons. The general principle is that such services are permissible in principle, but subject to clear limits.

A lawyer in Liechtenstein may advise and represent a sanctioned person; however, this is restricted to certain categories of activity.

- Criminal defence and representation in proceedings is permitted. The right to legal counsel and an effective defence is a fundamental right guaranteed by the Liechtenstein constitution and by international human rights law, and a sanctioned person is equally entitled to representation in criminal and other court proceedings. The Ukraine Ordinance expressly provides for this, allowing the government to authorise exceptionally the release of funds from frozen accounts for the purpose of paying reasonable fees and reimbursing costs incurred in connection with the provision of legal services – an approach consistent with the derogation enshrined in Article 5n(5) of EU Regulation 833/2014, which permits services strictly necessary for the exercise of the right of defence in judicial proceedings.

- A lawyer may advise a sanctioned person on their legal position, in particular with regard to delisting procedures, exemption authorisations and permissible activities under the applicable sanction's regime.
- A lawyer may submit exemption applications on behalf of the sanctioned person to the FIU or to the government.

2.4 Reporting

Reporting obligations in connection with sanctions in Liechtenstein arise from several complementary provisions of the ISG and the relevant implementing ordinances.

As a general matter, Article 2b ISG establishes a duty to provide information: any person directly or indirectly affected by measures under the ISG must, upon request, provide the competent enforcement authorities and the due diligence supervisory authorities with all information required for the performance of their duties, and must transmit relevant documents and copies accordingly. Any reporting obligations set out in the relevant ordinances must furthermore be complied with promptly and in writing.

With regard to frozen funds and economic resources specifically, all persons and institutions that hold or manage funds, or that have knowledge of economic resources presumed to fall within the scope of a freeze, must report this to the FIU without delay. Such reports must include the names of the beneficiaries as well as the subject matter and value of the frozen funds and economic resources – an obligation closely mirroring the reporting requirements imposed at EU level under Articles 8 and 9 of Council Regulation (EU) No 269/2014, which similarly require sanctioned persons and central securities depositories to supply information on frozen assets to the competent national authority.

Further periodic reporting obligations exist in the context of the Ukraine sanctions regime. An existing obligation under the Ukraine Ordinance covers the reporting of all deposits held by Russian nationals or by natural or legal persons resident or established in Russia in excess of CHF100,000, as well as deposits held by persons in possession of so-called golden passports or golden visas. In addition, with effect from 14 February 2025, the government adopted an amendment to the Ordinance on Measures in connection with the situation in Ukraine, autonomously implementing the quarterly transaction reporting obligation introduced at EU level. This obligation applies to all legal persons, organisations and entities established in Liechtenstein that are over 40% directly or indirectly held by a legal person, organisation or entity established in the Russian Federation, a Russian national or a natural person resident in the Russian Federation – tracking closely the corresponding provision of Council Regulation (EU) No 833/2014, which requires entities in the Union with more than 40% Russian ownership to report quarterly any transfer of funds exceeding EUR100,000 out of the Union.

Finally, Article 2c ISG imposes special review and reporting obligations on persons subject to due diligence within the meaning of the Due Diligence Act. Those persons who are affected by measures under the ISG must, in the area of capital and payment transactions, subject customer- and transaction-related documents to appropriate review, having particular regard to the contractual partner, the beneficial owner and the effective contributor, the distribution recipient of discretionarily structured legal entities, the business profile and the transactions concerned.

3. Recent and Future Legal Developments

3.1 Significant Court Decisions or Legal Developments

As no published court decisions on sanctions matters have been issued in Liechtenstein over the past three years, the most significant developments during this period have taken place at the regulatory and legislative level.

- FMA guidance of September 2024 and the "orphaned entities" crisis – following US OFAC sanctions targeting Liechtenstein-based trustees and fiduciaries with Russian connections, the FMA declared in September 2024 that severing ties with exposed clients was the only appropriate means of mitigating the associated risk. This triggered mass

resignations by trustees, leaving up to several hundred foundations and establishments effectively paralysed – without functioning governing bodies and unable either to continue operations or to be wound up. The government established an emergency inter-agency task force in response. The legal significance of this development lies in the fact that the FMA effectively incorporated US secondary sanctions into Liechtenstein supervisory practice without any express statutory basis for doing so, raising fundamental questions about the boundaries of the FMA's supervisory mandate and the extraterritorial reach of foreign sanctions regimes.
- Intensification of FIU proceedings and first ISG-based FMA fines (2022–2025) – sanctions-related cases reported to the FIU rose sharply, from 23 cases in 2021 to 222 cases in 2024. In parallel, the FMA began actively enforcing ISG-specific compliance obligations, imposing fines of up to CHF100,000 on legal persons for violations of the screening and review obligations under Article 2c in conjunction with Article 11 (1a) ISG. This marks the transition from a largely passive to an actively enforced sanctions compliance regime in Liechtenstein, and represents the first systematic use of the ISG's administrative penalty provisions by the FMA as a supervisory tool.
- Directive (EU) 2024/1226 and its relevance for Liechtenstein – Directive (EU) 2024/1226, adopted in April 2024, criminalised the violation and circumvention of EU sanctions at the EU level. As an EEA member state, Liechtenstein is required to transpose this Directive into national law within the prescribed implementation period. This represents a significant development for the Liechtenstein sanctions framework, as it will require the ISG to be reviewed and, where necessary, amended to ensure full alignment with the EU's minimum criminal law standards in the sanctions field.
- Total revision of the FIU Act (2025–2026) – the ongoing total revision of the FIU Act represents the most significant institutional restructuring of Liechtenstein's sanctions enforcement framework since the ISG was enacted in 2009. The revision clearly separates the FIU's dual functions as both a financial intelligence unit and an ISG enforcement authority, expands its powers to suspend transactions and impose asset freezes, and establishes a framework for public-private partnerships for the exchange of sanctions-related typologies and red flags. Once enacted, this reform will materially alter the institutional architecture of sanctions enforcement in Liechtenstein.

3.2 Future Developments

The 20th EU sanctions package against Russia was adopted on 23 April 2026, and Liechtenstein transposed the first part of this package into national law on 28 April 2026. Liechtenstein implemented the 21st sanctions package on 28 July 2026. Additional sanctions packages are expected to follow in the coming months, as they have been released on a regular basis for the past four years. Liechtenstein is expected to continue its practice of autonomous and timely transposition of each successive package.

At the national level, several further developments are anticipated:

- the ongoing adaptation of national law to new EU sanctions packages, in particular in the Russia and Belarus context, will continue to require regular amendments to the Ukraine Ordinance and related instruments;
- a continuing tightening of compliance requirements for financial intermediaries is expected, in particular in the areas of sanctions screening and transaction monitoring, driven both by FMA supervisory practice and by the transposition of Directive (EU) 2024/1226;
- legislative revisions currently in progress are aimed at strengthening the FMA's powers to withdraw licences from regulated fiduciaries in the sanctions context – in particular through amendments to the Trustees Act (TrHG) – and these reforms are expected to be enacted in the near term; and
- increasing regulation of the cryptocurrency and digital asset sector with regard to sanctions compliance is anticipated, in line with the entry into force of the EEA MiCA implementation framework and corresponding supervisory guidance from the FMA.

On the institutional side, the total revision of the FIU Act – currently progressing through the legislative procedure – is expected to produce the most significant restructuring of Liechtenstein's sanctions enforcement architecture in over a decade, with material implications for the powers of the FIU and the obligations of reporting entities.

4. Delisting Challenges

4.1 Process

The legal remedies available to sanctioned persons in Liechtenstein vary depending on the source of the measure.

- Domestic Liechtenstein measures – while Liechtenstein formally publishes its own national sanctions list under the ISG, this list constitutes in practice a verbatim transposition of the EU list, without autonomous listings or independent screening. Domestic remedies against measures appearing exclusively on the Liechtenstein national list are therefore of limited practical relevance.
- EU-level listings (the most practically significant case) – since Liechtenstein adopts EU sanctions autonomously rather than as a matter of binding EU law, a two-track approach is required. At the EU level, an action for annulment may be brought directly before the Court of Justice of the European Union (CJEU) – specifically the General Court – challenging the EU listing decision itself. At the national Liechtenstein level, an application may be made to the government under Article 8a ISG, seeking in particular the non-application of the adopted EU measure in the individual case. In practice, this avenue is difficult to pursue, as Liechtenstein is unlikely to declare an autonomously adopted EU measure inapplicable on a unilateral basis.
- UN-level listings – where a person is listed on a UN sanctions list, the available remedy at the international level depends on the relevant regime. For general UN Security Council sanctions, an application may be made to the Focal Point for Delisting established by the Security Council. For sanctions imposed in connection with ISIL/Al-Qaeda, the competent authority is the Office of the Ombudsperson. At the national level, the same three-stage domestic appeal procedure applies as described above, although the scope for national review of UN-mandated measures is limited by Liechtenstein's obligations under the UN Charter.

4.2 Remedies

As a preliminary observation, it should be noted that the question of available remedies is largely of hypothetical relevance in the Liechtenstein context with respect to purely domestic listings. While Liechtenstein formally publishes its own national sanctions list under the ISG, this list constitutes in practice a verbatim transposition of the EU list, without autonomous listings or independent screening. Accordingly, the domestic procedure described below is most likely to be invoked not to challenge a Liechtenstein-specific listing, but to seek the non-application of an autonomously adopted EU measure in an individual case – an avenue that is in practice difficult to pursue, as Liechtenstein is unlikely to declare such a measure inapplicable on a unilateral basis.

In procedural terms, Article 8a of the International Sanctions Act (ISG) provides that natural and legal persons, groups, companies and organisations may at any time – without being bound by any time limit – submit a reasoned application to the government seeking removal of their name from the annex of an ordinance based on the ISG. The government then examines whether the conditions for the coercive measure continue to be met and issues a reasoned decision in accordance with the provisions of general administrative law.

What may be achieved through such a procedure depends on the outcome of that examination. In the most favourable case, a full delisting is granted, with the consequence that all coercive measures – in particular asset freezes, transaction prohibitions and entry bans – cease to apply in their entirety. Alternatively, an application may be made for the coercive measure not to be applied in a specific individual case; this remedy is of particular relevance for indirectly affected parties, such as legal entities in which a listed person holds a beneficial interest and thereby exercises indirect control.

Insofar as damages are concerned, no such claims against the Liechtenstein state are provided for under the ISG. In theory, the general rules on state liability could apply; however, such a claim would in practice be very difficult to enforce, since the listing is based on a lawful act of public authority and the claimant would bear the burden of demonstrating unlawful conduct on the part of the authorities.

4.3 Timing

As a preliminary observation, the practical relevance of purely domestic remedies in the Liechtenstein context is limited. While Liechtenstein formally publishes its own national sanctions list under the ISG, this list constitutes in practice a verbatim transposition of the EU list, without autonomous listings or independent screening. A purely domestic listing – one that would not simultaneously reflect an EU or UN measure – is therefore unlikely to occur. The domestic framework described below is accordingly most relevant not as a remedy against a Liechtenstein-specific listing, but as a potential avenue for seeking the non-application of an autonomously adopted EU measure in an individual case.

For the domestic legal avenue, a person wishing to obtain their delisting may submit a reasoned application to the government at any time under Article 8a ISG, without being subject to any time limit. The government then examines whether the conditions for the coercive measure continue to be met and issues a reasoned decision. Should that decision prove unfavourable, the applicant may subsequently appeal to the Administrative Court (*Verwaltungsgerichtshof*, VGH). Taking into account both stages of this procedure, a total timeframe of between six months and two years is realistic in complex and contested cases.

For the international legal avenue – that is, in respect of EU- or UN-based listings adopted by Liechtenstein by virtue of its international obligations – the applicable time limits are those of the originating legal order. At the EU level, for instance, a sanctioned person has two months from the publication or personal notification of the listing decision to bring an action before the Court of Justice of the European Union, whereas no time limit applies to a request for administrative reconsideration before the Council of the EU. In practice, delistings before both the court and the Council have taken around two years. This timeframe is structurally longer and falls entirely outside the sphere of influence of the Liechtenstein authorities.

5. Trade and Export Restrictions

5.1 Services

Economic sanctions against Russia include a broad prohibition on providing, directly or indirectly, certain advisory and other services to the Russian government and to legal persons, entities and bodies established in Russia, as provided by Council Decision 2014/512/CFSP and Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine. The prohibited services include, among others, accounting and auditing services (including statutory audit, bookkeeping and tax consulting), business and management consulting, public relations services and IT consulting services.

In addition, the sanctions regime prohibits the provision of technical assistance, brokering or financing services in connection with sanctioned goods and technologies, as well as the transfer of intellectual property rights or trade secrets relating to such goods and technologies. Further restrictions apply to software for business management, industrial design and manufacturing, as well as software intended for use in the banking and financial sector.

5.2 Goods

Under the ISG as the national implementing statute, and by virtue of Liechtenstein's membership of the EEA and its customs union with Switzerland, the regulatory framework governing goods prohibitions derives from two principal sources: EU sanctions law as incorporated through the EEA, and Swiss economic sanctions measures applied by virtue of the customs union. Liechtenstein implements UN sanctions as a matter of international obligation and, as an EEA member, voluntarily adopts EU restrictive measures in addition.

While Liechtenstein does not maintain an autonomous export control system in the strict sense, it implements a comprehensive goods embargo regime that meets international standards through three legislative instruments:

- the International Sanctions Act (ISG);
- the War Materials Act (*Kriegsmaterialgesetz*, KMG); and
- the Nuclear and Dual-Use Goods Control Act (*Kernenergiegesetz und Güterkontrollgesetz*, KEGKG).

Prohibited goods subject to this regime include, in line with the corresponding EU measures, items such as dual-use goods and technology for military use, war materials and nuclear-related goods and technologies.

6. Civil Litigation and Arbitration

6.1 Force Majeure

Under Liechtenstein law, the courts have not yet developed any express case law on sanctions as a bar to the performance of contractual obligations, at least in published decisions.

Nevertheless, the close alignment of Liechtenstein with EU sanctions law and Swiss practice suggests that Liechtenstein courts would in principle recognise sanctions-related refusals to perform as lawful and as excluding contractual liability. This approach finds support in the clear legislative policy decision expressed in Article 2a ISG, which reflects the underlying public-interest rationale of the sanctions regime. Much as the French *Cour de cassation* declined in 2020 to allow sanctioned persons to invoke asset freezes as a case of force majeure – on the ground that doing so would have enabled debtors to rely on restrictive measures to justify non-compliance with their obligations, thereby undermining the legitimacy of the sanctions – Liechtenstein courts would similarly be unlikely to permit the sanctions regime to be instrumentalised in favour of the very persons it targets.

For Liechtenstein economic actors, it is accordingly recommended that contractual arrangements include a clause expressly foreseeing the possible imposition of sanctions on either contracting party and providing for a solution should such a scenario occur, thereby avoiding legal uncertainty as to the consequences of non-performance in a sanction's context.

6.2 Enforcement

No specific Liechtenstein court decisions addressing the enforcement of foreign judgments in circumstances where sanctions issues arise have been published to date. In the absence of express case law, the general framework applicable in Liechtenstein would nonetheless lead to a comparable outcome to that reached in other jurisdictions.

7. Designation, Compliance and Circumvention

7.1 Executive Body

Unlike certain other jurisdictions – such as the United States, where designation decisions are taken by the Office of Foreign Assets Control (OFAC) – the European Union, where the Council of the EU decides which natural and legal persons to subject to restrictive measures, or the United Kingdom, where the Office of Financial Sanctions Implementation (OFSI) plays a comparable role – Liechtenstein does not as a rule make autonomous designation decisions and does not maintain its own public sanctions list.

The designation process in Liechtenstein is accordingly not political in the domestic sense. Rather, designation decisions are made at the international or supranational level, and Liechtenstein subsequently implements them at the national level through the ISG and the relevant implementing ordinances. Concretely, Liechtenstein implements UN sanctions as a matter of international obligation and, as an EEA member, voluntarily adopts EU restrictive measures. In addition, by virtue of its customs union with Switzerland, Liechtenstein takes into account Swiss economic sanctions. The process is therefore, in each case, driven by the originating international or European body – whether the UN Security Council, the Council of the EU, or the Swiss authorities – rather than by any autonomous Liechtenstein decision-making procedure.

7.2 Scope of Designation

The principle of indirect capture of legal entities that are owned or controlled by a designated person is recognised and applicable in Liechtenstein, deriving from two complementary sources of law.

First, as an EEA member state, Liechtenstein adopts EU restrictive measures directly. Under the applicable EU framework, operators are prohibited from dealing with funds and economic resources that are owned, held or controlled by designated persons. The sanctions extend not only to directly listed persons but also to legal entities owned or controlled by such persons, as well as to those acting on their behalf or at their direction. Since Liechtenstein adopts EU sanctions law in full, the guidelines of the European Commission and the EU Best Practices are directly applicable in the Liechtenstein context.

Second, at the national level, the ISG serves as the domestic implementing statute for international sanctions. The legislative materials accompanying the ISG reform expressly acknowledge that financial intermediaries may conclude that a listed person indirectly controls assets entrusted to them and that those assets must consequently be frozen. A liability exemption for intermediaries acting in good faith was introduced for this purpose through Article 4a ISG.

Regarding ownership, Liechtenstein applies, through its adoption of EU sanctions law, a rule analogous to that found in other major sanctions regimes: sanctions extend to any legal entity in which a designated person holds more than 50% of the proprietary rights or a majority interest. The aggregated holding is relevant in this context, meaning that the interests of multiple designated persons may be combined to determine whether the threshold is met – a position consistent with the EU Best Practices definition of ownership as the possession of 50% or more of the proprietary rights of an entity or the holding of a majority interest in it.

Regarding control, the assessment is factual in nature and conducted on a case-by-case basis, having regard to a non-exhaustive set of criteria. Relevant indicators include, among others, the power to appoint or remove the majority of board members, or the sharing of a common business address or other indicia suggesting that two entities form part of the same undertaking de facto. Once any one criterion is met, control is deemed to be established, and the assets of the controlled entity must be frozen without delay.

Practical guidance for financial intermediaries is provided by FMA Guidance 2018/7, which contains a dedicated section on the obligations of persons subject to due diligence requirements in the field of international sanctions and sets out in concrete terms how those intermediaries are to fulfil their review obligations under the ISG.

7.3 Circumvention

7.3.1 Prohibiting Provisions

The ISG forms the central legal basis in Liechtenstein for the implementation and enforcement of trade, financial and personal sanctions, obliging both companies and private individuals to comply with the prohibitions and restrictions laid down therein. Violations of these provisions, including circumvention, may be prosecuted as criminal offences; where a violation is committed negligently, the law provides for reduced penalties.

The anti-circumvention framework arises from an interplay of general clauses in the ISG, specific sanctions ordinances and directly applicable EU sanctions law. The asset freeze covers funds and economic resources that are directly or indirectly owned or controlled by natural persons, legal entities and organisations subject to the relevant ordinances. It is further prohibited to transfer funds to sanctioned persons, entities or organisations, or to make funds or economic resources available to them in any other way, whether directly or indirectly. The term “indirectly” is of particular significance in this context: any transaction that is formally routed through non-sanctioned third parties but economically benefits a sanctioned person falls within the scope of and is prohibited under the regime – a position analogous to the behaviours targeted at EU level by Directive 2024/1226, which since April 2024 criminalises the circumvention of EU sanctions, including the concealment of frozen assets and the provision of false or misleading information as to the ultimate beneficial owner of funds subject to a freeze.

At the institutional level, Article 2c ISG contains specific preventive obligations for financial intermediaries that are structurally designed to combat circumvention. The Financial Market Authority (FMA) has emphasised the review obligation under Article 2c(1)(a) ISG, clarifying that a review is required in particular upon the establishment of a new business relationship, upon changes such as the addition of new authorised signatories or agents, and immediately following the adoption or amendment of the relevant sanction's ordinances. Regular review of the client base – for example on a weekly basis – is recommended.

The prohibition on circumventing sanctions in Liechtenstein is thus enshrined at multiple levels: in the ISG itself, through the individual sanction's ordinances, and through directly applicable EU sanctions law adopted by virtue of Liechtenstein's EEA membership.

7.3.2 Criminal Penalties

Violations of the provisions of the ISG, including circumvention, may be prosecuted as criminal offences. The ISG distinguishes between two categories of offence: misdemeanours under Article 10 ISG and contraventions under Article 11 ISG, with the distinction determined by the severity of the violation and the authority competent to impose the sanction.

Under Article 10 ISG, any person who intentionally violates the provisions of a coercive measures ordinance based on the ISG – the violation of which is expressly declared to be a criminal offence – shall be punished by the Court of Justice with a custodial sentence of up to three years or a monetary penalty of up to 360 daily rates. This provision addresses the most serious intentional breaches of the sanction's regime.

Article 11 (1) ISG covers less serious violations where no misdemeanour under Article 10 is present; jurisdiction likewise lies with the Court of Justice, and the applicable sanction is a fine of up to CHF200,000.

In addition, Article 11 (1a) ISG establishes a parallel regime of administrative criminal law, under which the Financial Market Authority (FMA) acts as the competent authority in its capacity as the due diligence supervisory authority. This provision applies to any person who intentionally violates the special compliance obligations under Article 2c ISG – in particular the obligation to review customers and transactions and to maintain appropriate internal control measures – and likewise provides for a fine of up to CHF200,000. This framework is broadly comparable to the minimum standards for criminal sanctions established at EU level by Directive 2024/1226 of 24 April 2024, which introduced minimum rules on the definition of criminal offences and sanctions for violations of EU restrictive measures, including measures concerning the freezing of funds and economic resources and prohibitions on making funds or economic resources available.

Trends and Developments

Contributed by:
Lukas-Florian Gilhofer and Mathias Bitschnau
Ospelt & Partner Attorneys at Law Ltd

Ospelt & Partner Attorneys at Law Ltd is a full-service law firm established in 1997. Its 12-strong team includes four partners, who have extensive experience representing ultra-high net worth individuals, serving both international and national clients. The firm has strong roots in Liechtenstein, where it provides dedicated services to local and international clients and companies. Jointly with its affiliated trustee and corporate services provider Legacon Treuhand Anstalt, Ospelt & Partner Attorneys at Law employs high levels of expertise to support its clients.

Authors

Lukas-Florian Gilhofer joined Ospelt & Partner Attorneys at Law in 2025, and has since strengthened the firm's M&A and insurance and reinsurance practice. He also serves as a public notary in the Principality of Liechtenstein. Before relocating from Austria to Liechtenstein in 2021, he worked with renowned business law firms in Vienna, Tyrol and Salzburg, and he continues to advise on matters with an Austrian nexus. He regularly publishes scholarly articles in national and international journals and lectures at various universities. He completed his academic education in Tyrol (Austria) and Copenhagen (Denmark), with a focus on both legal and economic studies.

Mathias Bitschnau has been an associate at Ospelt & Partner Attorneys at Law in Schaan since spring 2026. He holds a law degree and doctorate, complemented by expertise in finance and compliance. His career includes roles as COO of a Vaduz trust office (2012–2019), managing director of a public bonded warehouse (2019–2021), and CEO of a mid-sized trust company (2022–2025). He has also served on supervisory boards of an Austrian bank and an energy producer (2015–2020). His practice focuses on compliance, risk management, sanctions law, FATCA/AIA and legal counsel for financial and fiduciary clients.

Ospelt & Partners Attorneys at Law Ltd

Landstrasse 99
9494 Schaan
Liechtenstein

Tel: +423 236 1919
Email: info@ospelt-law.li
Web: www.ospelt-law.li

OSPELT & PARTNER
RECHTSANWÄLTE AG / ATTORNEYS AT LAW LTD.

Contributed by: Lukas-Florian Gilhofer and Mathias Bitschnau, **Ospelt & Partner Attorneys at Law Ltd**

Liechtenstein in the International Sanctions Framework

The ongoing war of aggression against Ukraine has established Liechtenstein as a small but determined actor within the international sanctions architecture. As a member of the European Economic Area (EEA) without full EU membership, the Principality pursues a consistent policy of autonomously adopting successive EU sanctions packages – a course that increasingly gives rise to domestic political and economic challenges. At the same time, Liechtenstein's financial centre faces a structural challenge of a different nature: the extraterritorial reach of the United States sanctions regime administered by the Office of Foreign Assets Control (OFAC). Two developments therefore define Liechtenstein's sanctions law landscape in 2026: the seamless transposition of escalating EU sanctions packages, now reaching the 21st package against Russia, and a serious crisis of so-called "orphaned legal entities" within the financial centre, the resolution of which remains one of the most pressing regulatory and legal challenges the Principality has faced in recent years.

Trend one: autonomous adoption of EU sanctions packages

Liechtenstein is not an EU member state but is closely integrated into the European legal area through the EEA and its customs union with Switzerland. In the field of sanctions, there is no direct obligation to implement decisions adopted by the EU under the Common Foreign and Security Policy (CFSP). Nevertheless, since the outbreak of the Ukraine war in 2022, the Liechtenstein government has committed to a policy of autonomous adoption: EU sanctions regulations are as a rule transposed rapidly and comprehensively into the national Ordinance on Measures in connection with the Situation in Ukraine, covering both designated persons lists and sectoral measures in the fields of trade, energy and finance.

This practice distinguishes Liechtenstein from other third states that either adopt no sanctions or do so only selectively. It places the Principality in a position of de facto political solidarity with the EU that goes well beyond its formal legal status and reflects a deliberate strategic choice to align Liechtenstein's international posture with that of its closest partners.

The pace and comprehensiveness of adoption have intensified markedly over recent months, signalling not merely a reactive compliance exercise but an increasingly proactive commitment to the broader European sanctions effort.

Timeline of recent packages

The most significant transposition steps taken since mid-2025 are as follows.

- May 2025: Transposition of the remaining elements of the 16th EU sanctions package (adopted by the EU on 24 February 2025), targeting economic sectors generating significant foreign revenues for Russia, including measures against vessels of the Russian shadow fleet and transaction prohibitions vis-à-vis banks using Russian financial messaging services.
- March 2026: Adoption of an ordinance amendment implementing the 19th sanctions package (adopted by the EU on 23 October 2025), including a general prohibition on the purchase and import of Russian liquefied natural gas (LNG), alongside the second and final part of the EU's October 2025 Belarus sanctions package aimed at preventing the circumvention of Russia-related measures.
- 28 April 2026: Adoption of the first part of the 20th sanctions package – only five days after the Council of the EU adopted it on 23 April 2026 – imposing financial and travel sanctions on 120 individuals and entities supporting Russia's military-industrial complex and enabling its continued military aggression against Ukraine.

The speed with which the 20th and 21st package were transposed – just five days in each case, from EU adoption to national ordinance – is particularly noteworthy. It reflects both the political will of the Liechtenstein government and the administrative capacity that has been built up over successive rounds of adoption. For financial intermediaries and legal advisers operating in the Principality, this pace underscores the importance of maintaining real-time monitoring of EU sanctions developments, as the window between EU adoption and domestic applicability has become extremely narrow.

Recognition at EU level

A noteworthy development is Liechtenstein's inclusion in the EU's list of partner countries implementing EU sanctions on iron and steel imports from Russia on an equivalent basis. As a result, Liechtenstein exports in this area are treated in the same manner as intra-EU exports, removing a potential competitive disadvantage for Liechtenstein-based businesses operating in these sectors. This recognition is not merely symbolic: it demonstrates that the EU regards Liechtenstein's autonomous adoption practice as substantively equivalent to its own implementation, and that consistent alignment can yield concrete practical benefits for the Principality's economy.

Compliance challenges for the financial centre

Of particular relevance for the Liechtenstein financial centre is the substantive expansion of EU sanctions packages, which is equally transposed through autonomous adoption. Recent EU packages have increasingly targeted not only Russian nationals and entities but also actors in third countries – such as Chinese technology companies, Iranian arms manufacturers and Central Asian logistics operators – that materially support Russia's war effort or contribute to the circumvention of sanctions.

This expansion presents a specific and growing compliance challenge for Liechtenstein financial intermediaries. Clients and structures that were previously outside the scope of the sanctions regimes may now be indirectly affected by the listing of third-country actors with whom they maintain business relationships. Due diligence processes must therefore look beyond the immediate client relationship and examine the broader network of counterparties, suppliers and business partners. For trustees, asset managers and banks operating in Liechtenstein, this requires investment in robust screening systems and ongoing monitoring processes that are capable of capturing these indirect exposure risks in a timely manner.

Trend two: the crisis of "orphaned legal entities" – US secondary sanctions as a structural threat

The most serious challenge currently facing the Liechtenstein financial centre does not emanate from the EU but from the United States. OFAC has placed dozens of Russian individuals and entities on its sanctions list in the context of the Russia sanctions regime. Many of these individuals had over the years established foundations, establishments and other legal entities in Liechtenstein, administered by Liechtenstein trustees as part of legitimate wealth structuring and succession planning arrangements. The existence of these structures was, at the time of their formation, entirely consistent with applicable law and regulatory requirements.

Although foreign sanctions are formally not directly applicable in Liechtenstein – as the Financial Market Authority (FMA) confirmed in a communication to market participants in 2024 – OFAC sanctions nonetheless produce factual effects of considerable reach. Any trustee who continues to act for OFAC-sanctioned persons risks not only significant reputational damage but potentially being listed on the OFAC sanctions list themselves. This threat of so-called secondary sanctions has led many Liechtenstein trustees to adopt a risk aversion that extends well beyond cases of direct sanctioned status, often encompassing situations where the sanctions nexus is indirect, unclear or even merely speculative.

What are orphaned legal entities?

The consequence is a phenomenon with no prior equivalent in Liechtenstein legal practice: the emergence of so-called "orphaned legal entities" or "governing-body-less entities". These are foundations and establishments whose trustees were required to resign their mandates under a directly applicable directive of the Liechtenstein Chamber of Professional Trustees, issued on sanctions compliance grounds. The affected structures find themselves in a state of legal paralysis, characterised by the following features.

- They can neither be properly administered on an ongoing basis nor formally dissolved.
- Without functioning organs, they are capable neither of taking operational decisions nor of carrying out liquidations.
- Assets held within these structures are effectively frozen in practice, even where no formal asset freeze has been imposed under applicable Liechtenstein law.

- According to the Liechtenstein government, several hundred foundations and establishments are currently affected.

What makes this situation particularly acute is its apparent legal intractability. The formal liquidation procedure cannot be conducted because no trustee is willing to accept the corresponding mandate. Even court appointment as liquidator is widely declined by trustees, as that role is equally perceived as carrying the risk of attracting OFAC scrutiny. The result is a structural impasse in which the normal mechanisms of Liechtenstein law – resignation, replacement, court appointment, liquidation – are rendered inoperative by the shadow of a foreign legal regime that is not itself directly applicable.

Regulatory responses

The FMA and the Liechtenstein Chamber of Trustees have responded to the situation with warnings and a binding guidance note for their members. The FMA emphasises on the one hand that foreign sanctions are formally inapplicable, while on the other recommending the immediate termination of business relationships with OFAC exposure as the only viable risk-mitigation measure. This contradictory message – formally non-binding, but to be observed in practice – places trustees in a legal grey zone from which they seek to extricate themselves through pre-emptive mandate resignation, thereby contributing to the very problem the guidance is intended to address.

The government has identified the need for action and is examining a range of solutions, including the following.

- Providing legal certainty to lawyers willing to wind up affected foundations, so as to protect them from the risk of themselves being listed by OFAC.
- Initiating direct contact with OFAC on this point, with a view to obtaining clarification or comfort letters that would enable Liechtenstein-based professionals to act as liquidators without fear of secondary sanctions exposure.
- Strengthening the FMA's supervisory powers, so that the authority may in future actively order the termination of business relationships and provide a regulatory basis for the orderly wind-down of affected structures.

The outcome of these efforts remains uncertain. Direct engagement with OFAC is a complex undertaking, and the United States sanctions authority has not historically been forthcoming with blanket comfort to third-country advisers seeking to wind down sanctioned structures. Nevertheless, the government's willingness to engage directly with Washington on this issue reflects an understanding that a purely domestic legal solution is unlikely to be sufficient.

Reputational risk for the financial centre

This crisis strikes at a sensitive point for the Liechtenstein financial centre, which in recent years has made considerable efforts to strengthen its reputation as a transparent, rule-of-law-based centre for asset management and foundation law. The threat of OFAC secondary sanctions and the resulting paralysis of hundreds of legal entities represent a serious stress test for that reputation. The United States sanctions authority has already warned Liechtenstein on several occasions regarding possible violations and has openly threatened secondary sanctions should trusts with Russia-related connections continue to be maintained. This illustrates a broader dynamic in which small financial centres can become mere enforcement objects of competing foreign legal regimes, without having participated in the formulation of those rules or having any meaningful avenue of objection.

Outlook: between sovereignty and sanctions pressure

For Liechtenstein, the strategic question is how to preserve its reputation as a clean, legally secure financial centre without becoming a mere instrument for the implementation of competing foreign sanctions regimes. The answer does not lie in national legislation alone; it requires constructive dialogue with the United States, the EU and the international sanctions authorities – a dialogue that Liechtenstein must be prepared to conduct with the self-confidence of a small but legally sovereign state. The Principality's track record of consistent and rapid autonomous adoption of EU sanctions packages provides a strong foundation for that dialogue, demonstrating that Liechtenstein takes its international obligations seriously and is not a jurisdiction of convenience.

The issue of orphaned legal entities is by no means resolved. The number of governing-body-less structures remains high, regulatory solutions are in some cases still at the examination stage, and for the beneficial owners and beneficiaries concerned, the incapacity of their legal entities represents an ongoing and, in some cases, existential burden. In constellations of this kind, sanctions frequently do not strike the individuals they were originally intended to target, but rather downstream beneficiaries or uninvolved third parties who have no direct connection to the political purpose underlying the sanctions.

Room for manoeuvre in individual cases

From a practical perspective, a critical insight is that not every orphaned legal entity must necessarily remain orphaned. The dividing line between a legal entity that must be wound down by reason of a direct sanctions nexus and one that has merely become governing-body-less as a result of excessive caution is frequently unclear – but it is precisely for that reason that genuine room for manoeuvre exists. Through a thorough legal analysis of the specific case, targeted communication with the FMA and – where necessary – direct dialogue with foreign sanctions authorities, it is in many cases possible to identify paths that:

- restore the operational capacity of affected structures;
- allow assets to be administered in an orderly manner; and
- safeguard the interests of beneficial owners on a lasting basis.

The reintegration of orphaned legal entities into the active legal system is therefore not a mere administrative exercise but a demanding advisory task. It requires in-depth knowledge of Liechtenstein company and foundation law and of international sanctions law, as well as a well-established network of relationships with supervisory authorities and foreign legal experts. For those affected, this means that qualified advice – advice that examines the individual case closely, makes full use of the available regulatory latitude and actively seeks dialogue with all relevant authorities – can make the difference between lasting paralysis and the orderly restoration of legal capacity.

CHAMBERS GLOBAL PRACTICE GUIDES

Chambers Global Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email Luke.Wilson@Chambers.com