

Andorra

RISK & COMPLIANCE REPORT

DATE: March 2019

Executive Summary - Andorra	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Offshore Finance Centre
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Weakness in Government Legislation to combat Money Laundering Corruption Index (Transparency International & W.G.I.) Failed States Index (Political Issues) (Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: small quantities of rye, wheat, barley, oats, vegetables; sheep</p> <p>Industries: tourism (particularly skiing), banking, tobacco, cattle raising, timber, furniture</p> <p>Exports - commodities: tobacco products, furniture</p> <p>Imports - commodities: consumer goods, food, electricity</p>	
<p>Investment Restrictions:</p> <p>In July 2012, Andorra's Parliament adopted the new Foreign Investment Law, which completely opened the economy to foreign investors. Foreigners, whether resident or not, may now own 100% of any company.</p> <p>Few State-Owned Enterprises (SOEs) compete with private enterprises without restriction. The only exception is the telecommunications industry: Andorra Telecom handles telephone and internet services as well as maintains the television and radio broadcast infrastructure.</p>	

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Section 1 - Background

The landlocked Principality of Andorra is one of the smallest states in Europe, nestled high in the Pyrenees Mountains between the French and Spanish borders. For 715 years, from 1278 to 1993, Andorrans lived under a unique co-principality, ruled by French and Spanish leaders (from 1607 onward, the French chief of state and the Spanish bishop of Seu d'Urgell). In 1993, this feudal system was modified, with the titular heads of state retained, but the government transformed into a parliamentary democracy. In the late 20th century, Andorra became a popular tourist destination. An estimated 10 million people visit each year drawn by the winter sports, summer climate, and duty free goods. Andorra has also become a wealthy international commercial center because of its banking facilities, low taxes, and lack of customs duties. However, recent economic hardships have required Andorra to start taxing foreign investments and to implement stricter economic policies. Andorra is not a member of the European Union, but enjoys a special relationship with it and uses the Euro as its national currency.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Andorra is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The latest follow-up to the Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Andorra was undertaken in 2019. According to that Evaluation, Andorra was deemed Compliant for 10 and Largely Compliant for 24 of the FATF 40 Recommendations. It was also deemed Highly Effective for 0 and Substantially Effective for 4 with regard to the 11 areas of Effectiveness of its AML/CFT Regime..

Key Findings from last MER

Andorra adopted its national risk assessment (NRA) and action plans for addressing the risks in December 2016. It is a candid assessment, and, taking into account that it is its first wholesale exercise to consider the money laundering (ML) and financing of terrorism (TF) risks it faces, it is reasonably comprehensive. Where there are shortcomings, it is in relation to the activities of foreign subsidiaries of Andorran banks.

It is evident that there has been the political commitment to make sweeping changes to Andorran legislation. It was not clear though what political oversight will apply in relation to monitoring implementation of key aspects of the action plans. Despite this, legislation to criminalise tax crimes and revise the Law on international cooperation in criminal matters and the fight against money laundering and the financing of terrorism 20 December 2000, as amended (AML/CFT Act), all part of action plans, was already well advanced at the time of the on-site visit.

The authorities systematically use financial intelligence and other information provided by the Unitat d'Intelligència Financera d'Andorra (the UIFAND) in developing investigations of ML cases. The good ratio of suspicious activity report (SARs) submitted against the number of investigations initiated based on them supports law enforcement authorities' (LEA) view that the UIFAND's analyses/disclosures are of a high quality.

Cooperation and communication between the UIFAND and LEAs seems to be intensive and fruitful. It, inter alia, includes face-to-face meetings which enable the interlocutors to discuss all aspects of the case(s) and to preserve the confidentiality of information.

Andorra has a small law enforcement and magistrates' community, which has facilitated good cooperation and coordination, effective investigation and prosecution of complex cases. These cases have generated uniform ML case law and reflect high professional standards. Currently, the criminal justice system investigates and prosecutes a wide range of

ML cases which are consistent with the country's threats and risk profile. Nevertheless, the ratio between investigations/prosecutions initiated and subsequent convictions obtained appears to be modest.

The ML threats that the country faces, the current workload judiciary and law enforcement are exposed to, the complexity of cases, certain shortcomings in the legal framework, and court proceedings that appear to be exceptionally long are key concerns which call for further reforms by the authorities.

Imprisonment sanctions imposed by the courts on natural persons are proportionate and dissuasive and are cumulated with fines which can amount up to 3 times the value of the laundered funds.

The authorities seem to apply a reasonably proactive approach in pursuing the confiscation of assets. This means that assets obtained or laundered are pursued even in cases when the dual criminality principle could prevent that.

Searching for criminally obtained property is quite a complex process. Although parallel financial investigations are systematically carried out, a lack of human resources and limited access to databases by some LEAs cast doubt on effectiveness in identifying proceeds.

Cash smuggling has been identified as a vulnerability in the NRA. Nonetheless, the cross-border identification and seizure of cash does not seem to be sufficiently prioritised by Duana d'Andorra (Customs Department).

Andorra has enacted a robust legal framework for criminalising TF, which is largely in line with international standards.

The absence of prosecutions and convictions for TF appears to be broadly in line with the risk-profile of the country.

The authorities have conducted a detailed analysis of wire transfers with other jurisdictions, including high-risk countries, within the framework of the NRA. However, the possibility to monitor wire transfers data to and from high-risk jurisdictions from the TF perspective has not been fully explored by the UIFAND prior to the NRA.

The framework for targeted financial sanctions (TFS) seems complete, and capable of applying sanctions promptly. Nevertheless, the possibility of recognising TFS lists of the European Union (EU) and neighbouring countries (Spain and France) has not been considered by Andorra, despite close political, economic and social ties.

A limited regulatory regime for registration and supervision of non-profit organisations (NPOs) does not fully target, and does not seem to be proportionate to, the risk of abuse of NPOs for TF purposes.

There is a system in place to freeze property and assets of persons identified under United Nations Security Council Resolutions (UNSCR) lists for financing of proliferation of weapons of mass destruction (PF). However, Andorra is not taking sufficient steps to address all the issues surrounding proliferation.

Large financial institutions (FIs) assess and broadly understand their ML/TF risks, but it seems that they may be down-played to some extent. Smaller FIs and designated non-financial businesses and professions (DNFBPs) appeared less clear about risks, but operate

straightforward business models for a limited number of customers. Most FIs and DNFBPs classify their clients into risk categories in order to apply appropriate customer due diligence (CDD) measures. However, some of the methodologies followed for classifying risk are not yet fully adapted to the specificities of their customers and their activities. FIs and DNFBPs generally demonstrated a strong commitment to applying AML/CFT obligations.

There are some technical deficiencies in the licensing and registration controls to prevent criminals and their associates from holding positions of control or management in FIs and DNFBPs. Except for banks, those holding senior compliance roles are not vetted by supervisors.

Taking into account the size of the UIFAND's supervisory unit during the period under review, the UIFAND is to be commended on what it has achieved since the last evaluation. Nevertheless, the limited resources available to the UIFAND have hampered supervision and there is significant key-man risk present. The UIFAND had to curtail a large part of its inspection programme in 2015 and 2016 to deal with a bank failure and the NRA. Risk-based supervision is not fully applied to FIs and DNFBPs.

There is a need for better strategic engagement and coordination of activities between the supervisory authorities. Whereas the UIFAND relies extensively upon the cooperation of the Institut Nacional Andorrà de Finances (the INAF) with foreign regulators in order to exercise consolidated supervision of the significant overseas activities of subsidiaries, it does not seem that there is adequate engagement on AML/CFT matters between the prudential supervisor and its counterparts abroad.

The NRA includes quite a comprehensive assessment of ML risks involved in the use of shell companies created in Andorra. It also considers TF risks presented by foundations and associations (NPOs). It does not consider how companies may be used more generally for TF. The past and current involvement of banks, lawyers, accountants and gestorias in the formation of legal persons, and possibility that some professional trustees resident in Andorra are administering foreign legal arrangements have not been considered sufficiently.

Measures are in place to prevent misuse of Andorran companies. A combination of: (i) controls exercised over foreign investment by the Ministry of Tourism and Commerce; (ii) use of notaries (which are subject to AML/CFT Act); and (iii) requirement for companies with foreign ownership to hold a bank account (nearly always in Andorra) are the key elements of a comprehensive process for mitigating the risk of misuse.

Gestorias are commonly used to incorporate companies in Andorra. Whilst they are subject to the AML/CFT Act, supervision of this sector is insufficient.

International cooperation constitutes a significant part of the Andorran AML/CFT system, given that most of the predicate crimes to ML are committed abroad. Andorra proactively seeks legal assistance from foreign authorities. All competent authorities demonstrated a very good level of direct communication with their counterparts. However, the use of diplomatic channels with countries with which Andorra does not cooperate frequently sometimes takes a slower course.

Although being a formal reason for which mutual legal assistance (MLA) requests can be refused, the dual criminality requirement in cases of tax crimes is strictly applied only if no link with another predicate offence can be identified.

Risks and General Situation

Andorra has a low level of domestic crime. Its main ML threat originates from foreign criminals who use the Andorran financial system to launder proceeds from foreign predicate crimes. The NRA identifies that tax evasion, fraud, corruption, drug trafficking and tobacco smuggling pose a threat to Andorra. Many predicate offences are committed in Spain and France, and Andorra cooperates closely with these countries. Tobacco smuggling is the only domestic threat rated as high.

Andorra's position as a regional financial centre, with an increasingly international dimension, presents a potential for illicit funds to enter the Andorran economic system, particularly as part of the layering process. Tax evasion was not a predicate crime to ML at the time of the on-site visit and this increases Andorra's vulnerability to ML. As a finance centre, it could also be used to collect funds and then to transfer them to foreign countries in order to use them for terrorist purposes.

The banking sector offers a broad range of services, including private banking, to a significant pool of non-residents. It is involved in more than 80% of ML cases and has had greatest exposure to the proceeds of tax crime. Whilst the failure of a bank during the period under review is considered by the authorities to be an isolated case, it serves to highlight the threats and vulnerabilities to which banks are exposed.

US Department of State Money Laundering assessment (INCSR)

Andorra was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Although the Principality of Andorra is not a regional financial center, it has a well-developed financial infrastructure. The non-financial crime rate is low in Andorra, with few instances of drug-related offenses or other serious crimes. As of the end of 2015, the Andorran banking system is comprised of four banking groups.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks; leasing and factoring firms; asset, mutual fund, and risk capital management firms; exchange houses; financial advisors and intermediaries; insurance companies; lawyers, notaries, accountants, and tax advisors; dealers of precious metals and stones; real estate agents; and bingo establishments

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 52 in 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; leasing and factoring firms; asset, mutual fund, and risk- capital management firms; exchange houses; financial advisors and intermediaries; insurance companies, accountants, and tax advisors; real estate agents; notaries and other legal professionals; bingo establishments; and dealers in precious stones and metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2015

Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Andorra is a member of the Council of Europe Committee of Experts on the Evaluation of Anti- Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Andorra continues to make progress in its efforts against money laundering. Andorra adopted Law 8/2015 of April on Urgent Measures to Implement Mechanisms for the Restructuring and Resolution of Banking Institutions. The Law establishes the Agency for Resolution of Banking Entities and allows for the creation of a "bridge bank" into which the government would transfer the legitimate banking business of a failed bank or one taken into receivership, after rigorous AML/CFT screening. The Andorran Financial Intelligence Unit (FIU) has seen its work and resources increase as Andorra has increased its efforts to combat money laundering and terrorism financing. For the first time, the Andorran judiciary appointed two judges who specialize in economic and organized crimes.

On July 16, 2015, Andorra amended the 1989 law regulating the activity of insurance companies, introducing fit and proper criteria for natural and legal persons engaged in private insurance activities. In order to improve national and international cooperation, the Andorran parliament has also approved a series of laws that amend the Penal Code as well as the Law on International Penal Coordination. Andorra has twenty ratified, active bilateral agreements for the exchange of fiscal information upon prior request. Andorra also has signed non-double taxation agreements with France, Spain, Luxembourg, Liechtenstein, Portugal, and United Arab Emirates, and is working toward signing other such agreements.

The Government of Andorra should continue to examine bank secrecy laws carefully to ensure privacy protections are not exploited in favor of criminal activity. Andorra should

consider the adoption of a large currency transaction reporting system. Andorra also should become a party to the UN Convention against Corruption.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Andorra does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

States Party to United Nations Convention Against Corruption - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Andorra is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Andorra is considered to be an Offshore Financial Centre

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	88

Corruption and Government Transparency - Report by US State Department

Andorran legal and financial systems are highly transparent. The laws penalize corruption, money laundering, drug trafficking, hostage taking, sales of illegal arms, prostitution, terrorism, and the financing of terrorism. In 2008 additional amendments were added to the Criminal Code and the Criminal Procedure Code that modify and introduce provisions to money laundering and financing of terrorism offences.

GOA created in 2008 the Unit for the Prevention and the Fight against Corruption (UPLC) within the Ministry of Finance to centralize and coordinate actions that might concern local administrations, national bodies, and entities with an international scope.

There are explicitly defined rules for the ethical behavior of all participating bodies within the Andorran financial system. The Andorran National Institute of Finance (INAF) (as mentioned in 'capital markets') has also established rules regarding ethical behavior in the financial system.

GOA has modified and implemented new laws in order to comply with international standards on corruption. The Andorran Financial Intelligence Unit (UIF) was created in 2000 under the Law for International Cooperation on Criminal Matter and the Combat against the Laundering of Money or Securities arising from International Crime, as an independent body established to foster and coordinate measures to prevent money laundering and terrorist funding (www.uif.ad).

Section 3 - Economy

Tourism, retail sales, and finance are the mainstays of Andorra's tiny, well-to-do economy, accounting for more than three-quarters of GDP. Andorra's duty-free status for some products and its summer and winter resorts attract millions of visitors annually, although the economic downturn in neighboring countries has curtailed the number of tourists. Agricultural production is limited - only about 5% of the land is arable - and most food has to be imported, making the economy vulnerable to changes in fuel and food prices. The principal livestock is sheep. Manufacturing output and exports consist mainly of perfumes and cosmetic products, products of the printing industry, electrical machinery and equipment, clothing, tobacco products, and furniture. Andorra is a member of the EU Customs Union and is treated as an EU member for trade in manufactured goods (no tariffs) and as a non-EU member for agricultural products. Andorra uses the euro and is effectively subject to the monetary policy of the European Central Bank. Andorra's comparative advantage as a tax haven eroded when the borders of neighboring France and Spain opened; its bank secrecy laws have been relaxed under pressure from the EU and OECD.

Slower growth in Spain and France has dimmed Andorra's economic prospects. Since 2010, a drop in tourism contributed to a contraction in GDP and a sharp deterioration of public finances, prompting the government to begin implementing several austerity measures to reduce the budget deficit, including levying a special corporate tax. The Government is also planning to institute an income tax at the behest of the Organization for Economic Cooperation and Development. The new tax will apply to anyone who lives in the principality for at least 183 days in a calendar year. The first \$30,000 of income will be tax free, with the next \$20,000 taxed at 5%. The balance of income exceeding the initial \$50,000 will be taxed at 10%, which is still less than in most West European countries. Andorra's Government also relaxed its residency and investment laws in 2012 to make the country more attractive to foreign investors. A person now must spend 90 days a year in the principality to qualify for residency, compared with the previous 180-day requirement. Foreigners now have the same property ownership rights as citizens. In addition, three new categories of residency permits were introduced. Anyone who is retired or at least not working in Andorra can obtain a permit in the first category by making a financial investment in the country of at least €400,000, which can include a property purchase.

Agriculture - products:

small quantities of rye, wheat, barley, oats, vegetables, tobacco; sheep, cattle

Industries:

tourism (particularly skiing), banking, timber, furniture

Exports - commodities:

tobacco products, furniture

Imports - commodities:

consumer goods, food, fuel, electricity

Banking

The Andorran banking system is small and highly concentrated, with seven licensed banks, which offer traditional banking services through a network of about 55 branches, including both locally and foreign owned entities. Traditionally, the banking system had significant links to Spain, however these links have been decreasing.

The Institut Nacional Andorrà de Finances (INAF) is the supervisor for the whole financial sector, including banks and non-bank financial companies

Section 4 - Investment Climate

Andorra is open to, and actively seeking to attract, foreign investment. The Andorran economy is undergoing a process of diversification centered largely on the sectors of tourism, trade, property, and finance. To provide incentives for growth and diversification in the economy, the Andorran government began sweeping economic reforms in 2006. The Parliament approved three main regulations to complement the first phase of economic openness: the law of Companies (October 2007), the Law of Business Accounting (December 2007), and the Law of Foreign Investment (April 2008 and June 2012). From 2011 to 2015, the Parliament approved direct taxes in the form of a corporate tax, tax on economic activities, tax on income of non-residents, tax on capital gains, savings taxation, and tax on individual incomes. These regulations aim to establish a transparent, modern, and internationally comparable regulatory framework.

The principal objectives of the economic reforms are to attract those investments and businesses which can contribute most to Andorra's economic development, offer greater diversification of the economy, and contribute high added value. Prior to 2008, when the first law on investment was approved, Andorra had limited foreign investment opportunities, mainly due to concerns about the impact of foreign firms on such a small economy. As a consequence, non-citizens were allowed to own no more than 33 percent of a company. Only after residing in the country for a minimum of 20 years were foreigners entitled to own 100 percent.

Andorra has a developed economy and a free market, with per capita income above the European average and above the level of its neighbors, Spain and France. The country has developed a sophisticated infrastructure including a one-of-a-kind micro-fiber-optic network for the entire country. Andorra's retail tradition is well known around Europe, thanks to more than 1,400 shops and business, the quality of their products, and competitive prices. Products taken out of the Principality are tax-free up to certain limits, after which the purchaser has to declare those which exceed the allowance.

The country is seeking to attract entrepreneurs, talent, innovation, and knowledge. In doing so, Andorra has been seeking the advice of American consultancies and has fostered an important project with MIT on innovation and big data.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index		Not available	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"		Not available	doingbusiness.org/rankings
Global Innovation Index		Not available	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country		Not available	BEA/Host government

(\$M USD, stock positions)			
World Bank GNI per capita	2013	USD \$43,270	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Andorra wants to attract foreign investment. In June 2012, the Parliament adopted the new Foreign Investment Law, which came into force in July 2012 and completely opens the economy to foreign investors. Foreigners, whether resident or not, may now own up to 100 percent of any Andorra-based company. The law also liberalizes restrictions on foreign professionals seeking to work in Andorra. Previously, a foreigner could only begin to practice in Andorra after twenty years of residency. Under the new regulations any Andorran legal resident from a country that has a reciprocal standard can work in Andorra.

As a result of the changes in the economic framework, the Andorran legal framework is also being adapted to international standards. The most relevant laws passed by Parliament to accompany the economic openness include the law of Companies (October 2007), the Law of Business Accounting (December 2007), and the Law of Foreign Investment (April 2008 and June 2012). From 2011 to 2015, the Parliament also approved direct taxes in the form of a corporate tax, a tax on economic activities, a tax on the income of non-residents, capital gains tax, savings taxation, and individual income tax on. These regulations aim at establishing a transparent, modern, and internationally comparable regulatory framework.

Andorra has a more advantageous direct business profits tax, in terms of the scope and the overall tax rate, than its neighboring countries. Direct taxes include a tax on corporations, a tax on economic activities, and a tax on the income of non-residents. The fiscal pressure is approximately 10%, well below the European average. Andorra was removed from the OECD "tax haven list" in 2009 after signing the Paris Declaration, which formally committed the Principality to providing information on certain fiscal matters when the requests are justified, well founded, and comply with OECD principles.

The Andorran Companies law establishes two types of companies. Private Limited Liability Companies (Societat de Responsabilitat Limitada - SL), which are the norm for small family business enterprises, have a limited number of shareholders and a minimum capital requirement of 3,000 euros.; Public Liability Companies (Societat Anonima -SA) typically have multiple shareholders, and have a minimum capital requirement of 60,000 euros.

In accordance with the new Accounting Law 20/2007, Andorran companies are obliged to keep and retain accounting records, and prepare and sign annual accounts and proposed distribution of profit within six months from year end. They must then submit these annual accounts to audit when two of the following circumstances prevail during two consecutive years: a) total assets exceed 3,600,000 Euros; b) net sales exceed 6,000,000 Euros; or c) the company has over 25 employees.

In the past three years neither the government nor any international authority conducted an investment policy review (IPR) through the Organization for Economic Cooperation and Development (OECD); World Trade Organization (WTO); or United Nations Conference on Trade and Development (UNCTAD).

2. Conversion and Transfer Policies

Andorra adopted the use of the Euro in 2002 and in 2011 signed a new Monetary Agreement with the European Union (EU) making the Euro the official currency. Since July 1, 2013, Andorra has had the right to coin Euros. Since the country has no currency of its own, no exchange or capital controls exist. There are no limits or restrictions on remittances provided that they correspond to a company's official earning records.

3. Expropriation and Compensation

According to the Law of Expropriation of September 3, 1993, private property may be expropriated for public purposes, in a non-discriminatory manner, and in accordance with established principles of international law. As far as can be determined, no incidents of expropriation involving the United States have occurred in Andorra. Private investors are entitled to compensation by law.

4. Dispute Settlement

Andorran legislation establishes mechanisms to solve disputes if they arise. The judicial system is open and transparent. The Constitution guarantees an independent judiciary which is overseen by a High Council of Justice. The prosecution system allows for successive appeals to higher courts of Justice. The European Court of Justice can hear the final appeal. The judicial process is fair and efficient.

Andorra became a party to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards in September 2015. Andorra is not a member of the International Center for the Settlement of Investment Disputes (ICSID).

Parties to a dispute can also, through a contract, decide to resolve disputes by means of arbitration of an international organ. Contractual disputes between American individuals or companies and Andorran entities are generally rare, but when they arise these disputes are handled appropriately. There have been no reported cases of U.S. investment disputes.

5. Performance Requirements and Investment Incentives

The Government of Andorra created the Office of Andorran Development and Investment (ADI) (www.adi.ad) in order to provide counseling services, through their program ACTUA (<http://actua.ad/>) to both Andorran companies willing to grow and foreign investors wanting to start new businesses in Andorra. The private and public sectors have joined to maximize the potential of the Andorran economy. Actua's main objective is the diversification of the economy and attraction of foreign investment. ADI's work revolves around four clusters: innovation, health and welfare, sports, and education, for which ADI is fostering new partnerships between public and private sectors.

Andorra has long been known for its favorable tax regime which has been used to promote sales of products such as tobacco, alcohol, jewelry, cosmetics, and dairy. In recent years, Andorra has reached agreements with neighboring countries to limit and regulate duty-free sales with a view towards promoting economic integration, though smuggling continues to be an issue. Andorra is a member of the European Customs Union and therefore has no tariffs on EU manufactured goods.

The Andorran Chamber of Commerce, Industry, and Services of Andorra (www.ccis.ad) is a public body that aims to promote and strengthen Andorra's financial and business activity as well as supply services to foreign companies. The Chamber's activities include the creation of a census of commercial, industrial and service activities; the protection of the general interests of commerce, industry, and services; promoting fair competition, and issuing certificates of origin and other commercial documents.

6. Protection of Property Rights

The Constitution guarantees the right to private ownership for citizens and residents. Both domestic and foreign private entities have the right to establish and own business enterprises. Recently approved legislation encourages foreign investment and ownership in Andorra. Foreigners may now own 100 percent of a trading enterprise or a non-trading holding company in Andorra. The establishment of any new company must first be approved by the government. For a foreign resident, the process for obtaining permission takes up to one month and is automatically approved if there are no objections. An application can be rejected if the proposal is found to threaten the environment, public order, or the general interests of the principality. As soon as the foreign investor receives authorization to invest in the country, national laws are applicable just like any other national investor.

Real Property

Andorran law protects property rights with enforcement carried out at the administrative and judicial levels. Andorra has been a member of the World Intellectual Property Organization (WIPO) since 1994. In 2004, Andorra became party to the Paris Convention, the Bern Convention, as well as the Rome Convention. Although the government took some steps to become a member of the World Trade Organization (WTO) in 2003, the country is not a full member. Andorra holds observer status in the WTO and has yet to ensure compliance with the Agreement on Trade Related Aspect of Intellectual Property Rights (TRIPS).

Secured property loans are available through the Andorran banking sector. Mortgage oversight is conducted by the Andorran National Institute of Finance (INAF).

Intellectual Property Rights

Protection of intellectual property in Andorra is weak. The legal framework includes the Law on Trademarks of May 1, 1995 and the Law on Patents 26/2014 of October 30. As per copyright, the legal framework includes the Law on Authors' Rights of June 1999 and Law 23/2011, of December 29, 2011, on the Creation of the Society of Collective Management of Copyright and Neighboring Rights.

In 2012, the Society for the Administration of Authors' Rights (SDADV) was created for the protection of intellectual property. The main function of the SDADV is to manage the economic rights of copyright holders and neighboring rights and the interests of account holders by a contract of mandated management. Right holders have the opportunity to choose whether or not to participate in this voluntary collective arrangement.

Businesses may seek a trademark at the Andorran Trademarks Office which was established in 1996:

Trademarks Office of the Principality of Andorra

- Ministry of Economy
- Edifici Administratiu del Prat del Rull
- Camí de la Grau s/n
- AD 500 Andorra La Vella
- Tel. (376) 875 600
- <http://www ompa.ad>

The World Intellectual Property Organization (WIPO, headquartered in Geneva) oversees an international system of registration. Applicants must designate the countries where they wish

to obtain protection. However, this system only applied to U.S. firms with an establishment in a country that is a party of the agreement or the Protocol.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Consulate General point of contact: Adam Smith SmithAL3@state.gov and Eulalia d'Ortado OrtadoE@state.gov .

Local lawyers list can be found at: <http://barcelona.usconsulate.gov/citizen-services/helpful/legal.html>

7. Transparency of the Regulatory System

The government has set out transparent policies and effective laws. Information about policies is readily available to the public. The new foreign investment laws have significantly liberalized all economic sectors in Andorra. New, foreign owned businesses have to be approved by the government and the process can take up to a month. These standards remain untested and are sufficiently broad to allow for arbitrary rejection. Nevertheless, the government is committed to a transparent process. Andorra has begun to relax labor and immigration standards. Previously, foreign professionals had to have 20 years of residency before being eligible to work in Andorra. This restriction has been lifted for nationals coming from countries that have reciprocal standards for Andorran citizens.

Following approval of the new accounting Law in 2007, individuals carrying out business or professional activities, trading companies, and legal persons or entities with a profit purpose must file financial statements with the administration.

8. Efficient Capital Markets and Portfolio Investment

The Andorran financial sector is modern and efficient and is one of the main pillars of the Andorran economy, representing 21 percent of the country's GDP. Created in 1989 and redefined with more responsibilities in 2003, the Andorran National Institute of Finance (INAF, www.inaf.ad) regulates all aspects of the integrated financial system, promoting and endorsing the correct functioning and stability of the financial system. It is a public entity with its own legal status, functionally independent from the government. INAF has the power to carry out its supervision and control functions, disciplinary and sanctioning powers, treasury and public debt management services, financial agency, international relations, advice, and studies.

The Andorran Financial Intelligence Unit (UIF) was created in 2000 as an independent organ which deals with the tasks of promoting and coordinating measures of prevention of money laundering and the financing of terrorism (www.uif.ad).

The State Agency for the Resolution of Banking Institutions (AREB) (<http://areb.ad/>) is a public legal institution created by Law 8/2015 to take urgent measures to introduce mechanisms for the recovery and resolution of banking institutions.

The Andorra banking system is sound and considered to be the most important part of the financial sector. The Andorran banks offer a variety of services all at market rates. No exchange or capital controls exist since the country has no currency of its own. The country also has a sizeable and growing market for portfolio investments.

All the Andorran banks are certified as qualified intermediaries by the Internal Revenue Service (IRS) of the United States.

Founded in 1960, the Association of Andorran Banks (ABA) includes all the banks in the Andorran financial sector. Among its tasks and responsibilities are representing and defending interests of its members, watching over the development and competitiveness of Andorran banking at national and international levels, improving sector technical standards, co-operation with public administrations, and promoting professional training - particularly dealing with money laundering prevention. At present, a total of four banking groups, representing all the banks operating in the country, are members of the Association of Andorran Banks (www.aba.ad).

According to the most recent financial reports published by the Association of Andorran Banks in 2014, the estimated total combined assets of the four banking groups was 14 billion Euros divided as follows:

- Crèdit Andorra: €6.2 billion
- Andbank: €4.9 billion
- Morabanc: €2.3billion
- Banc Sabadell d'Andorra: € 654 million

On March 10, 2015 U.S. Treasury's FinCEN issued a Notice of Proposed Rulemaking (NPRM) under Section 311 of the USA PATRIOT ACT regarding one of the five banks in Andorra: Banca Privada d'Andorra (BPA). The Andorran authorities responded quickly by taking appropriate measures to take over the bank, transfer the "good assets" to a "bridge bank" and proceeding to dissolve BPA and offer its clean assets for sale.

As a response to the Andorran government's swift measures, FinCEN withdrew its finding and issued a proposed rulemaking regarding BPA on February 19, 2016. FinCEN determined that BPA is no longer a primary money laundering concern. As a result of the "BPA case" Andorra has continued to strengthen its Anti-Money Laundering Regime.

9. Competition from State-Owned Enterprises

There are a twenty-nine State-Owned Enterprises (SOEs) which are generally allowed to compete with private enterprises without restriction. The only exception is in the telecommunications industry. Since 2015, the government-owned company, Andorra Telecom SAU, handles phone and internet services as well as maintains the television and radio broadcast infrastructure.

The Andorran public sector is made up of the central Administration and seven local administrations, one for each of the country's seven parishes. The public sector employs 18.9 percent of Andorra's workforce. The public sector is comprised of 29 companies associated with health, social services, and energy and telecommunication supplying entities, and has 6,127 employees.

Andorra has no Sovereign Wealth Fund.

10. Responsible Business Conduct

Over the years, the Andorran banking sector has been consolidating its voluntary responsible business conduct policies, mainly through their foundations. The entities reaffirm their commitment to the country through projects in a variety of areas like culture, sports, solidarity, education, and the environment.

In general, there is an increasing interest in adopting responsible business conduct policies. Local enterprises follow generally accepted principles and the GoA has taken some measures to promote adopting responsible business conduct policies. Law 35/2008 of

December 18 establishes a protocol by which it acknowledges companies that excel in their conduct policies, especially regarding non-discrimination and equal opportunities for men and women.

11. Political Violence

Andorra has not experienced any politically motivated damage to projects or installations, nor destruction of property. There are no nascent insurrections, belligerent neighbors, or other politically motivated activities. The likelihood of widespread civil disturbances is very low. Civil unrest is generally not a problem in Andorra. No anti-American sentiment is evident in the country.

12. Corruption

The laws penalize corruption, money laundering, drug trafficking, hostage taking, sale of illegal arms, prostitution, terrorism, and the financing of terrorism. Additional amendments were added in 2008 to the Criminal Code and the Criminal Procedure Code that modify and introduce money laundering and terrorism financing provisions.

In 1994, Andorra joined the Council of Europe, an institution that oversees the defense of democracy, the rule of law, and human rights. That same year, the Justice Ministers of the Member States decided to fight corruption at the European level after considering that the phenomenon posed a serious threat to the stability of democratic institutions.

In early 2005 Andorra joined the Council of Europe's Group of States against Corruption (GRECO) and, consequently, the fight against corruption. The government has gradually built its internal regulations and relevant legal instruments, and has undertaken numerous initiatives to improve the State's response to reprehensible acts and conduct committed internally and internationally.

The government created, within the Ministry of Finance, the Unit for the Prevention and the Fight against Corruption (UPLC) in 2008 to centralize and coordinate actions that might concern local administrations, national bodies, and entities with an international scope. UPLC is in charge of implementing the recommendations made by GRECO in the framework of periodic evaluation reports.

There are explicitly defined rules for the ethical behavior of all participating bodies within the Andorran financial system. The Andorran National Institute of Finance (INAF) has also established rules regarding ethical behavior in the financial system.

The Andorran government has modified and implemented new laws in order to comply with international standards on corruption. The Andorran Financial Intelligence Unit (UIF) was created in 2000 under the Law for International Cooperation on Criminal Matter and the Fight against the Laundering of Money or Securities arising from International Crime, as an independent body established to foster and coordinate measures to prevent money laundering and terrorist funding (www.uif.ad).

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Andorra has not signed the UN Anticorruption Convention or the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

- Unitat de Prevenció i Lluita contra la Corrupció
- Ministeri de Finances

- Govern d'Andorra
- C. Prat de la creu, 62-64
- AD500 Andorra la Vella
- Phone: +376 875 700

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Andorra has bilateral agreements with France (2003), Spain (2003), and Portugal (2007). No bilateral investment treaty exists between Andorra and the United States.

Since 2009, Andorra has signed bilateral agreements for the exchange of fiscal information upon prior request with 23 countries. 21 of those agreements have been ratified and are already in use.

In 2014, Andorra became the 48th signatory to the OECD [Declaration on Automatic Exchange of Information in Tax Matters](#) Declaration that commits countries to end bank secrecy for tax purposes.

Andorra has signed a Non-Double Taxation agreement with France, Spain, Portugal, Luxembourg, Liechtenstein, and United Arab Emirates and is negotiating other such agreements.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Although not a full member of the European Union (EU), Andorra, as a member of the European Customs Union, is subject to all EU free trade zone regulations and arrangements with regard to industrial products. Concerning agriculture, the EU allows duty free importation of products originating in Andorra. No free trade zones exist in the country.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Due to foreign investment limitations up until 2012, such statistics are not available.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

mixed legal system of civil and customary law with canon (religious) law influences

International organization participation:

CE, FAO, ICAO, ICC (NGOs), ICRM, IFRCs, Interpol, IOC, IPU, ITU, OIF, OPCW, OSCE, UN, UNCTAD, UNESCO, Union Latina, UNWTO, WCO, WHO, WIPO, WTO (observer)

Section 6 - Tax

Exchange control

There are no exchange controls in Andorra.

Treaty and non-treaty withholding tax rates

Andorra has signed **21 agreements (0 DTC and 21 TIEA agreements)** providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Argentina	TIEA	26 Oct 2009	15 Jun 2012	Yes	Yes	
Australia	TIEA	24 Sep 2011	not yet in force	Yes	Yes	
Austria	TIEA	17 Sep 2009	10 Dec 2010	Yes	Yes	
Belgium	TIEA	23 Oct 2009	not yet in force	Yes	Yes	
Czech Republic	TIEA	11 Jun 2013	not yet in force	Unreviewed	Yes	
Denmark	TIEA	24 Feb 2010	13 Feb 2011	Yes	Yes	
Faroe Islands	TIEA	24 Feb 2010	18 Jun 2011	Unreviewed	Yes	
Finland	TIEA	24 Feb 2010	12 Feb 2011	Yes	Yes	
France	TIEA	22 Sep 2009	22 Dec 2010	Yes	Yes	
Germany	TIEA	25 Nov 2010	20 Jan 2012	Yes	Yes	
Greenland	TIEA	24 Feb 2010	6 Apr 2013	Unreviewed	Yes	
Iceland	TIEA	24 Feb 2010	14 Feb 2011	Yes	Yes	
Liechtenstein	TIEA	18 Sep 2009	10 Jan 2011	No	Yes	
Monaco	TIEA	18 Sep 2009	16 Dec 2010	Yes	Yes	
Netherlands	TIEA	6 Nov 2009	1 Jan 2011	Yes	Yes	
Norway	TIEA	24 Feb 2010	18 Jun 2011	Yes	Yes	
Poland	TIEA	15 Jun 2012	not yet in force	Yes	Yes	
Portugal	TIEA	30 Nov 2009	31 Mar 2011	Yes	Yes	
San Marino	TIEA	21 Sep 2009	7 Dec 2010	Yes	Yes	
Spain	TIEA	14 Jan 2010	10 Feb 2011	Yes	Yes	
Sweden	TIEA	24 Feb 2010	11 Feb 2011	Yes	Yes	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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