

# ANDORRA AND ITS FINANCIAL SYSTEM 2015



ASSOCIACIÓ DE BANCS ANDORRANS



# ANDORRA

## AND ITS FINANCIAL SYSTEM 2015



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ASSOCIACIÓ DE BANCS ANDORRANS

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Note: The regulations included in this publication have been updated to 31<sup>st</sup> May 2016.



## PRESENTATION

**“ANDORRA AND ITS FINANCIAL SYSTEM”** has become a pioneer publication within the sector given the fact that it is published by one of the few banking associations that offers aggregate data on its banking system with the aim of becoming a useful tool of reference. The Association of Andorran Banks, which encompasses all the operational banking entities within the Andorran financial market and which represents the interests of all its members, works actively to increase people’s awareness of the country and to strengthen the image and presence of the banking sector beyond our borders.

The Andorran banks have continued to adapt to the new economic environment and they have confirmed their solidity by offering on-going displays of solvency in the face of a national and international context that is proving to be particularly complex for the banking sector.

The start of 2015 was marked by the publication of a note by the US Financial Crimes Enforcement Network (FinCEN) designating Banca Privada d’Andorra, SA (BPA) as a “financial institution of primary money laundering concern” pursuant to section 311 of the “USA PATRIOT Act”.

The priority of Andorran banks, and accordingly that of this Asso-

ciation, has been to preserve the trust and reputation of the Andorran financial system before institutions, markets and clients, as well as doing all it can to ensure the normal functioning of the Andorran economy.

The Andorran banking groups have closed 2015 with an increase in assets under management of 2.84%, reaching a record high of 45,214 million Euros. As far as results are concerned, the Andorran banks have closed the year with net earnings of 168 million Euros, a figure that represents a fall of 8%. These results are influenced by low interest rates and the costs resulting from international expansion.

The closing of the financial year shows customers’ confidence in the strength and reputation of the Andorran banks as the best alternative to diversify their savings.

The country’s banks have excellent solvency and liquidity ratios, which are among the highest in Europe and underline the positive evolution of the Andorran financial system as well as its consolidation within the internal and foreign markets, and they also highlight the diversification and growth of its business.

Notwithstanding the complex environment, the Andorran banking sector has prepared itself for

the various future challenges that will appear, especially in terms of adapting its services and processes to international standards in order to be able to compete with other financial markets around the world under equal conditions.

We are confident that this publication will contribute to creating a greater awareness of the Principality of Andorra, and more particularly of our banking sector, with a banking tradition of more than 80 years.

ASSOCIATION OF ANDORRAN  
BANKS  
June 2016

**The resolution of BPA was approved on 21 April 2016 making the launch of Vall Banc possible by enabling its capitalisation and the transfer of the licit assets and liabilities of BPA. Vall Banc commenced operations on 11 May 2016.**







# THE PRINCIPALITY OF ANDORRA

## I.1. INTRODUCTION TO ANDORRA

The **Principality of Andorra** is a **European micro-State** located in the Central Pyrenees between Spain and France, member States of the European Union, sharing with them a southern and western border of 64 km and a northern border of 57 km, respectively. The capital of Andorra is Andorra la Vella.

Andorra covers a surface area of approximately **468 km<sup>2</sup>** and is larger than that of other small European States such as San Marino (61 km<sup>2</sup>), Liechtenstein (160 km<sup>2</sup>) or the Principality of Monaco (2.02 km<sup>2</sup>).

The Andorran flag and coat of arms are shown below:



The official language of Andorra is **Catalan**, although Spanish and French are also widely spoken due to the economic and social contacts with these neighbour-

ing States. English is also used for commercial and financial purposes.

The Principality of Andorra, before the signature of the Monetary Agreement, did not have an official currency and had not signed any agreement with any States to adopt their currency, nevertheless it adopted the **euro** on 1<sup>st</sup> January 2002 as other Member States of the European Union. The Spanish peseta and the French franc had circulated de facto in Andorra until then and they were then replaced by the euro.

On 30<sup>th</sup> June 2011, the Principality of Andorra signed a Monetary Agreement with the European Union and the euro became the official currency of the Principality of Andorra. With the ratification of this Agreement, the Principality of Andorra had the right to issue euro coins, for both circulation and collectors, and it is obliged to accept euro notes and coins issued by the Eurosystem and by the Member States that have adopted the euro as legal tender.

The first Andorran euro were put in circulation at the end of 2014.

Andorra is a mountainous country. Its lowest point is where the Runer River meets with the Valira River (838 m) and its highest point is the peak of Coma Pedrosa (2,942

m). The climate in Andorra is considered to be dry and Mediterranean. Temperatures vary slightly between the mountain and valley areas, mainly due to significant differences in altitude. The average minimum temperature is -2°C, while the average maximum temperature is 24°C. Snowfall is frequent between the months of October and April and rain falls mainly in spring and autumn. Water is one of the most important natural resources, allowing for the exploitation of hydroelectric energy and thermal activities.

In 2015 Andorra had a registered **population** of 78,014 (76,949 in 2014), 45.83% with Andorran nationality (46.02% in 2014), 26.38% with Spanish nationality (26.38% in 2014), 13.71% with Portuguese nationality (13.90% in 2014), 4.99% with French nationality (4.88% in 2014) and 1.22% with British nationality (1.25% in 2014). The remaining 7.87% of the population comprises more than 20 different nationalities, in addition to those stated above. **Figure 1** shows the distribution of the population of Andorra according to nationality.

In order to get a more accurate picture of the reality of the country's census, and pursuant to article 12 of the Census Act 9/2007 of 17 May, the official and municipal bodies have been working together since 2009 on updating the demographic

data that they keep in their records. **Figure 2** shows the evolution of the registered population (data obtained from the records of the parochial censuses) and that of the estimated population (data calculated for the Department of Statistics with a crosschecking of several information sources).

As can be observed in the **figure 3**, an analysis of the population in 2015 by age group reveals that, for both men and women, the age group 30-49 years represents the highest concentration of population. Data from previous years also shows that the population distribution by age group has followed the same trend for several decades, whereby the highest concentration is found among people of a working age. This concentration reflects the reality of the Andorran labour market since a high percentage of the active population comes from outside Andorra due to the shortage of internal human resources. These workers do not usually form part of a stable family unit resident in the country, and they therefore return to their country of origin when they reach retirement age.

**Andorran nationality** can be acquired in different ways. In the case of foreigners who marry Andorrans, it is granted provided that they can prove uninterrupted residence in Andorra for a prior period of three years. Other foreigners



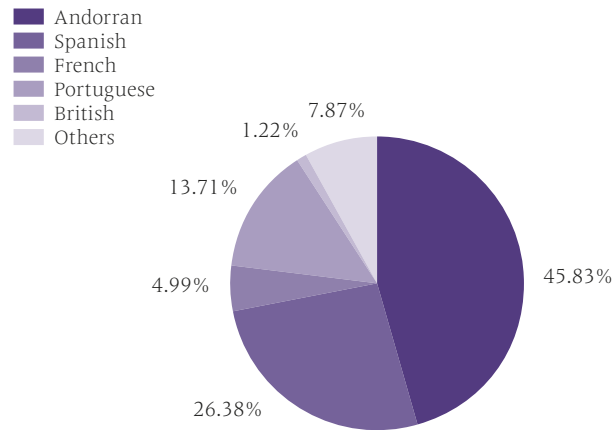
who have lived for at least twenty years in Andorra may also apply for Andorran nationality. The Andorran Constitution does not allow dual nationality.

In Andorra, there are different **types of residence** to choose from, depending mainly on whether or not one wishes to carry on a professional activity in the Principality. The Qualified Immigration Law 9/2012 of 31<sup>st</sup> May modified by Law 16/2013 of 10<sup>th</sup> October regulates aspects concerned with the entry, stay and establishment of one or several non-Andorran persons in Andorra. This law envisages a work and residence regime as well as a residence regime without a lucrative activity. The three types of residence permits without lucrative activity (known hitherto as passive residence) are as follows:

- Residence without any lucrative activity
- Residence for professional reasons with an international reach
- Residence for reasons of scientific, cultural and sporting interest

*Law 10/2012 on Foreign Investment in the Principality of Andorra* was passed on 21<sup>st</sup> June 2012, allowing the liberalization of foreign investments in all sectors of the economy and it establishes that the economic rights of physical persons are acquired when they obtain their legal residence permit in the Principality. Non-resident physical persons who are legally of age and

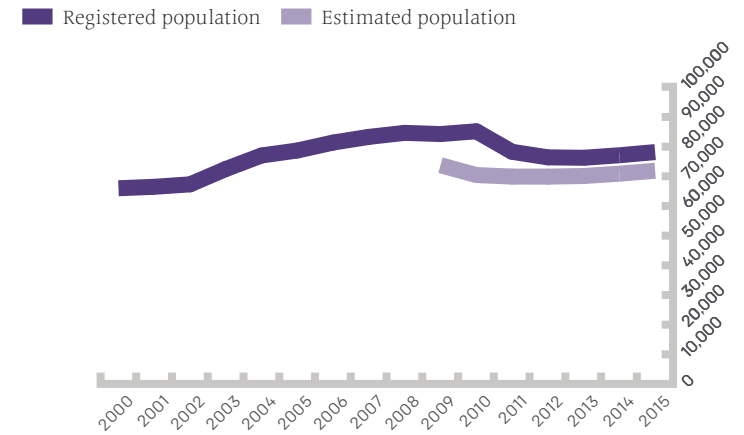
### DISTRIBUTION OF POPULATION BY NATIONALITY IN 2015



Source: Department of Statistics - Government of Andorra

[figure 1]

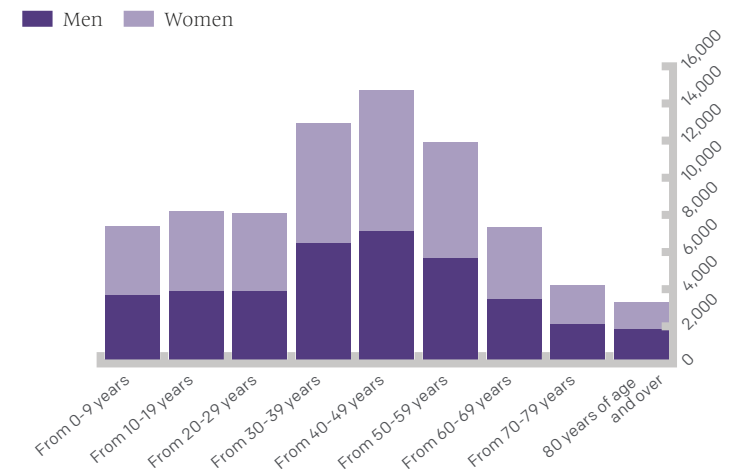
### EVOLUTION OF THE POPULATION IN 2015



Source: Department of Statistics - Government of Andorra

[figure 2]

### STRUCTURE OF THE POPULATION BY AGE IN 2015



Source: Department of Statistics - Government of Andorra

[figure 3]



[map 1]

who wish to acquire real estate in Andorra will be subject to prior authorization from the competent Ministry provided that they do not hold Andorran nationality.

**Andorra's educational system** is multilingual and based on a plural and mixed structure, as public education is available in three different systems: Andorran (founded in 1982), French and Spanish and private education is also available in a school which follows the Spanish system. Students who wish to continue into higher education can choose between remaining in Andorra and following professional training or university studies through the degree courses offered by the University of Andorra or pursuing their higher studies abroad. The majority of Andorran students who choose the latter option move to the neighbouring countries of France and Spain. The University of Andorra, founded in July 1997, offers classroom-based, virtual and post-graduate courses. The educational institution "La Salle" inaugurated on 28 June 2012 a new university in Andorra (La Salle-Andorra Open University) which offer on-line and semi-distance courses in Technology and Social Sciences.

Andorra is divided for administrative purposes into seven territories called **parishes** with varying surface areas and populations. Each of these parishes has its own *Comú* (Town council). As can be observed in the **map 1** below, the

seven parishes are Canillo, Encamp, Ordino, La Massana, Andorra la Vella, Sant Julià de Lòria and Escaldes-Engordany.

The surface areas of the seven parishes and their population in 2015 are as can be observed in the **figure 4**.

To reach the Principality by motorway from the main cities of the neighbouring countries, the **distances** are as follows:

- From Spain:**  
Madrid 612 km  
Barcelona 198 km
- From France:**  
Paris 861 km  
Marseille 534 km  
Toulouse 186 km

Andorra is connected by public and private transport to the main cities of the neighbouring countries.

The Principality does not have its own railway network, although it can be reached from Lleida or Puigcerdà in Spain and from Ax les Thermes or L'Hospitalet in France in less than an hour by road.

The nearest airports are in Toulouse and Perpignan (France) and Barcelona, Lleida, Girona and Reus (Spain).

The Principality has a high-speed fibre optic network that offers 100 Mbps symmetrical Internet speeds and it has a 3G mobile network

covering 70% of the territory and with a speed of 21Mbps. This year has seen an intensification of the deployment of the new 4G -LTE mobile services technology - and the strengthening and densification of the 3G network in the urban centres and tourist zones of reference, resulting in improvements to the overall performance of the network; this has led to a very significant increase in data traffic by the own customers as well as visitors using roaming services. At the level of international fibre connections, a new link has been established through Ariège Télécom thanks to a new 64-fibre cable that has also provided direct access to the Baladrà customs post using the fibres of Orange France.

Andorra Telecom's commitment to the development of the country has taken shape through the participation of the ActuaTech Foundation that is developing the Smart Country project, and the clusters of the Actua initiative for the strategic development of the Andorran economy. The telecommunications company is also engaged in a process for the internationalisation and diversification of its activity, which has produced its first results with the opening of the ESPIC International Contact Center.

## I.2. HISTORY OF ANDORRA

Andorra's history is documented in scripts discovered in the 9<sup>th</sup> century, which record the first written evidence relating to Andorra.

A Carolingian order dating from 843 and signed by Charles the Bald, granted the Valleys of Andorra to Sunifred, Count of Urgell. In 988, Borrell II, the Count of Barcelona and Urgell gave Andorra to the Diocese of Urgell in exchange for property within the County of Cerdanya. The Bishop of Urgell therefore became the temporary sovereign of the Valleys.

However in the following centuries, the Bishop of Urgell entered into conflict with the Count of Foix who wanted to recover what previously belonged to him. This conflict was resolved upon the signing of the first and second *Pariatges* (feudal charters) in 1278 and 1288, between the Bishop of Urgell and the Count of Foix. These arbitrary rulings established an indivisible joint ownership of the valleys, conferring equal seigniorial rights and powers between the Bishop and the Count (who established the taxes to be paid by the Andorrans and exercised joint justice through the *batlles* – a kind of first instance magistrates court specific to Andorra–, the military obligations of the Andorrans and the appointment of notaries and curates). In short, the *Pariatges*,

signed over 700 years ago, represented Andorra's independence.

At a later date, the French co-rulers' rights over Andorra were transferred to the kings of France, the heirs of the Count of Foix and subsequently to the President of the French Republic.

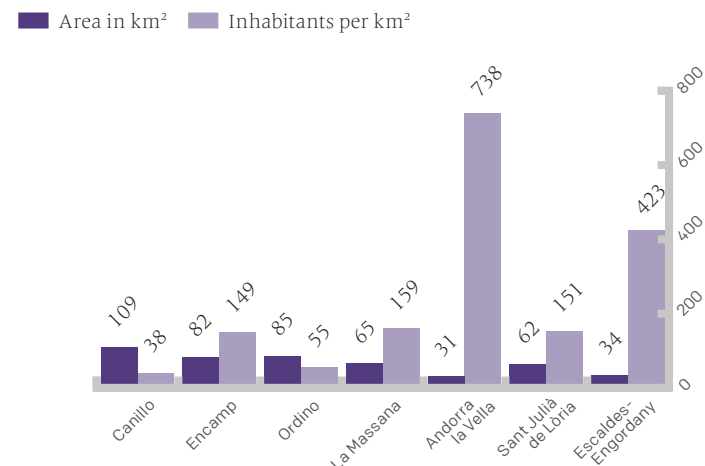
At the beginning of the 1980s it was obvious that Andorra's institutions needed to be reformed. As a result of the separation of powers in 1981 an agreement was drafted between the co-princes, with the creation of the Andorran Government, known as the Executive Council, and the Head of Government. In accordance with the co-princes, different reforms were then introduced such as the Criminal Code and the Administrative Code.

A great change took place in Andorra on 14<sup>th</sup> March 1993, when the Constitution was approved by referendum. The Constitution converted the Principality of Andorra into an independent legal, democratic and welfare State. Although this may seem recent, the Principality of Andorra has in fact been governed by its own institutional system for over 700 years.

As a result, the Andorran citizens assumed sovereignty, but the co-princes, jointly and severally, are still the head of State. This posi-

tion is occupied exclusively and personally by the Bishop of Urgell (currently his Grace Mr. Enric Vives i Sicília) and the President of the French Republic (currently his Excellency Mr. François Hollande). Each co-prince appoints a personal representative in the Principality of Andorra.

**SURFACE AREAS AND POPULATION OF PARISHES IN 2015**



(KM<sup>2</sup>) Source: Department of Statistics - Government of Andorra

[figure 4]

### I.3. ANDORRAN INSTITUTIONS

#### MAIN INSTITUTIONS AND POLITICAL BODIES

A chart of the main institutions in Andorra is as can be observed in **table 1**.

As explained above, Andorra drafted a modern Constitution and created a parliamentary co-principality in 1993.

The **co-princes** arbitrate and moderate in the functioning of the public and institutional powers. Some of their functions include the sanctioning and passing of laws, calling general elections; calling referendums on political matters when requested to do so by the Head of

Government and the majority of the General Council. Those who countersign the actions of the co-princes are held liable thereto.

The **General Council** (Andorran Parliament) is the highest representative body of the Andorran people and exercises legislative power, approves Government budgets, appoints the Head of Government and promotes and controls the political actions of the Government. The General Council is formed of 28 members who are elected by universal suffrage every 4 years. Half of these councillors are elected for the parishes and the other half for the national constituency. The General Council

is governed by the Syndic's office, headed by the Syndic general and the vice-Syndic elected by the General Council. With the approval of the Constitution, the regulations originating in the General Council receive the unitary denomination of laws.

Andorra has the following **political parties** with parliamentary representation: *Demòcrates per Andorra*, *Liberals d'Andorra*, *Socialdemocràcia i Progrés d'Andorra* and *Partit Socialdemòcrata* (affiliated to the International Socialists).

The **Government** is the executive body of the State and is formed of the Head of Government and ministers. The Head of Government is elected by the General Council and directs the national and international policies of Andorra, the State administration and exercises regulatory powers (please refer to the composition of the current Government in Chapter V - Information of interest).

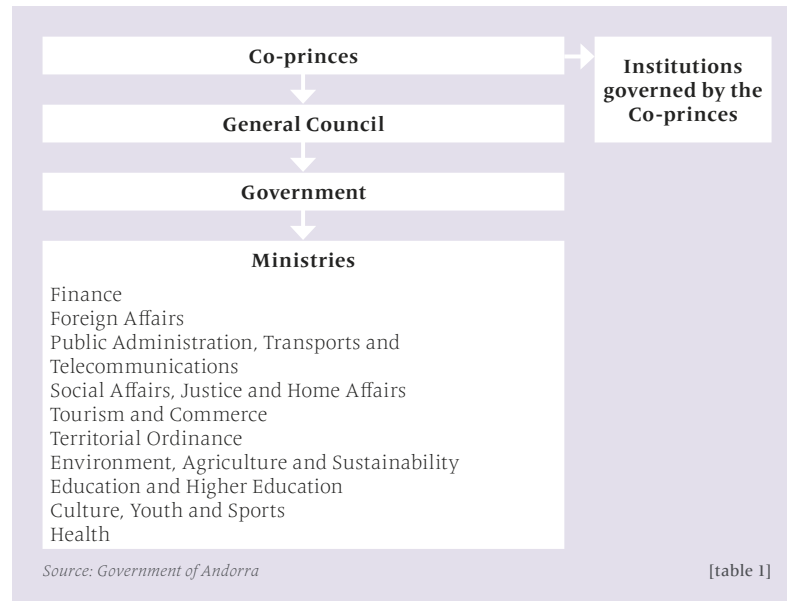
Andorra is divided for administrative purposes into seven parishes: Canillo, Encamp, Ordino, La Massana, Andorra la Vella, Sant Julià de Lòria and Escaldes-Engordany. The representative and administrative body of the parish is the **Comú** which acts through its Council. The Constitution defines the *Comuns* as public corporations with legal status and with local

legislative power, subject to the law, by way of by-laws, regulations and decrees. The voters of each parish elect ten councillors, two of whom are appointed as Mayor (*Cònsol Major*) and vice Mayor (*Cònsol Menor*).

The **Accounts Tribunal** is an independent technical body linked to the General Council which taxes public spending. It is also in charge of verifying the transparency of the public Administration's economic, financial and accounting management.

The **Citizens' ombudsman** is an institution which defends and oversees compliance and application of the rights and liberties included in the Constitution, acting as a commissioner or delegate for the General Council. The Citizens' ombudsman receives and processes all complaints and claims relating to citizens' dealings with all the public administrations and entities in the Principality, responding with independence and impartiality.

The **Andorran Data Protection Agency** (APDA), created by the *Andorran Data Protection Act 15/2003 of 18<sup>th</sup> December 2003*, is a public institution with its own legal status and full capacity to perform its own functions to exercise authority over the treatment of personal information provided



by individuals, private entities and Andorra's public administration. It is an independent authority which performs its functions objectively and in full independence from the Andorran public entities. Its objective is to ensure respect for the fundamental rights of individuals in all automated or manual processes involving an exchange of personal information, with particular importance placed on privacy protection rights.

The **Andorran Tax and Border Agency** (AAFF) is the body entrusted with the management of all direct taxation matters resulting from the tax reform process that the Andorran state implemented after the signing of the Monetary Agreement to modernise its fiscal system and to bring it into line with the systems in neigh-

bouring countries. The AAFF is a public institution that takes the form of a public law entity with its own legal and autonomous status; it takes its inspiration from the international recommendations received from the World Customs Organization and from the IMF, among others. The agency grew out of the merger between the Taxation Department and the Customs Department, the aim being to speed up and improve the management, liquidation, collection, control and inspection of taxes, and this involved the creation or restructuring of a series of taxation figures in force in the Principality. By bringing the two departments together, the agency can offer guarantees in the fight against the various forms of tax fraud and other illicit activities, in coordination and cooperation with

other tax administrations as well as with other public law corporations and associations within the taxation field.

## OTHER INSTITUTIONS

**Andorran legal bodies.** The mission of the legal bodies is to ensure all public authorities comply with the law, control the legality of administrative activities, and offer all citizens effective protection when exercising their rights and defending their legitimate interests.

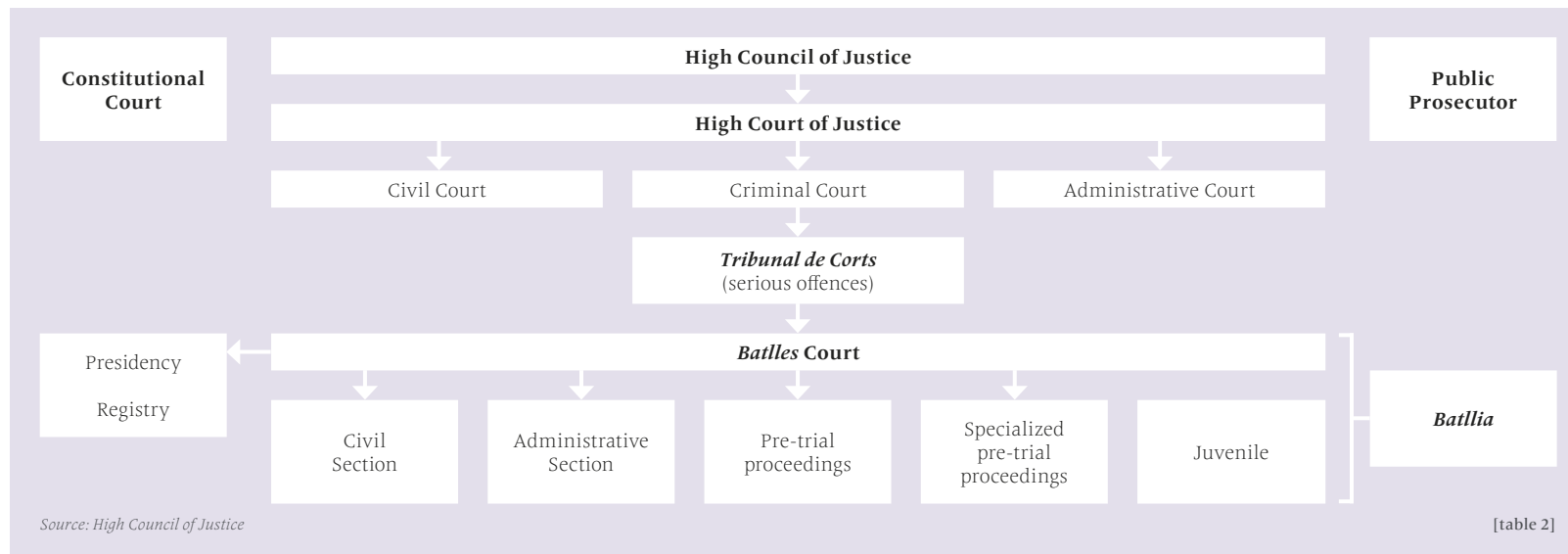
**Table 2** shows an organisational chart of the Andorran legal system.

**The Constitutional Tribunal** is the highest Constitutional body and its rulings bind public powers and individuals. It approves

its own regulations and it is solely subject to the Constitution and the Qualified Constitutional Tribunal Law when exercising its functions. It consists of four constitutional magistrates, one for each of the co-princes, and two for the General Council, each with a mandate of eight years, which cannot be renewed for consecutive periods.

The **High Council of Justice** is the body representing, governing and administering the judicial system which oversees the independence and adequate functioning of Justice. It is comprised of five appointed members, one for each co-prince, one for the Syndic general, one for the Head of Government and one for the magistrates and *batlles* (judges specific to Andorra). This council is in charge of appointing *batlles*, magistrates, the

**The members of both the Constitutional Court and the High Court of Justice include two magistrates appointed by each of the co-princes**



## **The INAF is the direct prudential supervisor**

State Public Prosecutor, assistant prosecutors and judicial secretaries, exercising a disciplinary function and promoting the conditions required to ensure that the judicial authorities have the adequate means to carry out their functions.

The **Public Prosecutor** is the body which oversees the defence and application of law and order, as well as protecting the independence of the courts and promoting the application of the law in the courts to protect the rights of the citizens and to defend general interests. It consists of members appointed by the High Council of Justice at the request of the Government, with renewable mandates of six years.

The **High Court of Justice** has the highest level of authority in the Principality's legal system and consists of a president and eight magistrates appointed by the High Council of Justice. It consists of a civil court, a criminal court and a contentious-administrative and the social security court.

The **Tribunal de Corts** is responsible for hearing cases in the first instance regarding serious offences, minor criminal offences and for breaches of the criminal law, and also to execute its sentences and other decisions. It currently consists of a president and a group of at least four magistrates.

The **Batllia of Andorra** consists of *batlles* and judicial secretaries, as

well as of a president. The President of the *Batlles* Tribunal is also the President of the *Batllia*. The *Batllia* is structured into Civil, Administrative and Juvenile sections, and into two examining sections, one of which has powers to hear proceedings arising from certain criminal investigations, such as those within the area of organised crime.

### **OTHER BODIES**

The **Andorran National Institute of Finance** (INAF) is a public entity with its own legal status and full capacity to operate either publicly or privately, independently from the central government. As an authority of the Andorran financial system, the INAF promotes and endorses the correct functioning and stability of the financial system. The Institute has the power to carry out all the actions that are necessary to ensure the correct development of its supervision and control functions, disciplinary and sanctioning power, treasury and public debt management services, financial agency, international relations, advice and studies.

The **Andorran Financial Intelligence Unit** (UIFAND) is an independent body created to foster and coordinate measures to prevent money laundering and terrorist funding. This unit was created in 2000 under the Law for international cooperation on criminal matters and the combat against

the laundering of money or securities arising from international crime, following recommendations of the European Council's MONEYVAL Committee and the 40 recommendations from the FATF (Financial Action Task Force). This body became known as the Unit for the Prevention of Money Laundering and it started operations in July 2001. At the present time, the Permanent Commission for the Prevention of Money Laundering is working on several legislative amendments, which are intended to bring our procedures further into line with required international standards.

The **State Agency for the Resolution of Banking Institutions** (AREB) is a public law institution created by Law 8/2015 on urgent measures to introduce mechanisms for the recovery and resolution of banking institutions of 2 April 2015, which was passed within the framework of the "BPA Case". The main power that the law attributes to this agency is that of managing the processes for the resolution of banking institutions.

The **Andorran Fund for the Resolution of Banking Institutions** (FAREB) was created for the purpose of financing the measures that were agreed in the application of Law 8/2015. This institution, which does not have legal personality, is managed by the AREB.

The **Unit for the Prevention and the Fight against Corrup-**

**tion** (UPLC) is a department of the central Administration and it depends directly on the Ministry of Finance of the Government of Andorra. It was created by Decree on 16<sup>th</sup> January 2008 within the framework of the anticorruption policy that was being undertaken at that time; its aim is to centralize and coordinate actions that might concern local Administrations, national bodies and entities with an international scope and this led to the Government deciding on the appropriate resources to define and efficiently implement the measures and initiatives that it hopes to adopt.

The **Andorran Chamber of Commerce, Industry and Services** (CCIS) is a publicly-owned entity with its own legal status and full capacity to operate its own functions. It is a consultative body forming part of the public administration and its main aim is to promote and strengthen economic and business activity in the country, defend the interests of businesses and provide a range of corporate advisory services. All traders, manufacturers and providers of services registered in the Government's Registry of Commerce and Industry must be included in the Chamber census.

**Andorra Desenvolupament i Inversió (Andorra Development and Investment ADI)** is a public limited company under private law, which was established in January 2009 with the aim of



strengthening, diversifying and modernizing the Andorran economy and attracting investment as well as foreign business promoters. It has therefore a double objective: on the one hand, to offer incentives for the creation and development of new sectors or incipient sectors to strengthen and diversify the Andorran economy, and on the other, to strategically position the Principality of Andorra as an open, modern and attractive economy at an international level. With the coming into effect of Foreign Investment Law 10/2012 of 21<sup>st</sup> June in the Principality of Andorra, it has been considered necessary to draw up an implementation plan for economic liberalization through a public and private project that has been established under the name of Actua initiative (*Iniciativa Actua*). This long-term project seeks to provide the initiative with the necessary resources required for the economic promotion of Andorra and to offer the best possible service to investors, whilst simultaneously encouraging the necessary degree of transversality between Ministries and public and semi-public companies, for the benefit of the private sector.

**Andorra Turisme** is a public company created on 21<sup>st</sup> September 2007, which commenced its activity on 1<sup>st</sup> March 2008 and which depends on the Ministry of Tourism and Commerce. The aim of this company is to improve the competitive position of tourism in the Principality, creating and

promoting tourist products by applying quality, innovation and knowledge management.

The **Institute of Andorran Studies** (IEA) started operating with its own legal status and it is chaired by Minister responsible for research. The Law of 1996 defines the Institute as a research centre at the service of Andorra. At the present time, it is structured around the Andorra Centre for Snow and Mountain Research (CENMA) and the Centre for Sociological Research (CRES). The first conducts studies into climate change while the second examines aspects of Andorran society. Its scope of activity is defined by its Management Committee within a long-term plan.

The **University of Andorra** (UdA) is a public institution established in 1997 which offers classroom-based, virtual and postgraduate courses, as well as a doctorate program. Its classroom-based courses include education sciences, business administration, nursing (specialization in obstetrics and gynaecology) and IT, as well as professional postgraduate courses in administration and finance and computing management. First and second cycle virtual courses can also be followed. The university also offers the possibility to take postgraduate courses and refresher courses aimed at professionals from different fields, which guarantee them continued and innovative training.





# II ANDORRAN LEGAL FRAMEWORK

**The economic liberalization and the signing of double taxation agreements is a path towards a new phase of growth and prosperity in the andorran economy and society**

**Formalised foreign investment during 2015 amounted to 41 million euro**

## II.1. MERCANTILE FRAMEWORK

▸ **The Law 20/2007 of 18<sup>th</sup> October on Public Limited Companies and Limited Liability Companies** establishes that the registered offices of **Andorran companies** must be located in Andorra and these companies must have been incorporated in accordance with the Law 20/2007 of 18<sup>th</sup> October on Public Limited Companies and Limited Liability Companies. This Law establishes the following legal forms for companies: public limited liability company (*societat anònima (SA)*) and limited liability company (*societat de responsabilitat limitada (SL)*), both of which can be solely owned.

**The recast text of the articles and the complementary provisions of Law 20/2007, of 18 October on Public Limited Companies and Limited Liability Companies**, subsequently amended by Law 4/2008, of 15 May, by Law 93/2010, of 16 December, on measures for the promotion of economic and social activity and the rationalization and optimization of the resources of the Administration, by Law 10/2012, of 21 June, on foreign investment in the Principality of Andorra, and by Law 28/2013, of 19 December, **was published on 5 March 2014.**

The Companies Registry and the inscription of various deeds and contracts contributing towards

increasing the security of mercantile legal transactions are governed by the Decree dated 20<sup>th</sup> February 2008 approving the Regulation governing the Companies Registry, which was subsequently amended by the Decree dated 26<sup>th</sup> March 2008 as well as by the Decree dated 9<sup>th</sup> June 2010.

Andorran **banking entities** are governed by specific legislation regulating the financial sector, in particular **Law 7/2013 of 9 May governing the legal regime for entities operating in the Andorran financial system and other provisions regulating the exercise of financial activities in the Principality of Andorra**; the recast text of **Law 8/2013, of 9 May, on the administrative requirements and operating conditions for entities operating within the financial system, investor protection, market abuse and Financial Collateral Arrangements**; and the recast text of **Law 35/2010 of 3<sup>rd</sup> June on the regime of authorization for the creation of new entities operating within the Andorran financial system.**

Andorran companies are under the obligation to keep and retain accounting records, prepare and approve their annual accounts and the proposed distribution of profit within six months from

year end, and submit these annual accounts to audit under the circumstances established by law.

Nonetheless, the audit obligation established by Law 20/2007 will not apply until the Audit Law has been approved.

On the 22<sup>nd</sup> February 2012 the revised text of Law 30/2007 on Company Accounting was published.

On 28 December 2010 the Decree approving the Regulation governing the preparation of consolidated annual accounts was enacted, developing the scope of consolidation established in Law 30/2007, amended by Decree enacted on 15 February 2012.

**Private foreign investment** has become a strategic tool within the policy to encourage economic growth and is an instrument used by states that are seeking to capture such resources in order to attract entrepreneurs, talent, innovation and knowledge. Accordingly, with the liberalization of foreign investment through **Law 10/2012 on foreign investment in the Principality of Andorra**, foreign participation in Andorran companies can now reach 100% of the capital, and together with the signing of double taxation agreements following the recent application of direct taxation on

companies and economic activities, this should make a contribution to economic development by offering a greater diversification of the economy and contributing added value. In essence, the economic liberalization is a path towards a new phase of growth and prosperity in the Andorran economy and society.

It should be taken into consideration that the liberalization of foreign investments in all sectors of the economy is also accompanied by a major reform concerning economic rights for physical persons. Accordingly, it is established that the economic rights of physical persons are acquired when they obtain legal residency status in the Principality. In particular, current legislation on the exercise of liberal professions has been amended, eliminating the twenty year residence requirement for non-nationals to be able to exercise a professional activity in Andorra.

Law 10/2012 of 21<sup>st</sup> June on foreign investment in the Principality of Andorra repealed previous Law 2/2008, of 8<sup>th</sup> April 2008 and Law 36/2008, of 18<sup>th</sup> December 2008.

Formalised foreign investment during 2015 amounted to 41 million euro.

▸ The objective of the Law governing foundations dated 12<sup>th</sup>

June 2008 is to respond to social demand for regulating private foundations of public or social interest, taking into consideration the legal tradition and experience of neighbouring countries.



## II.2. LABOUR FRAMEWORK

- A national health system was created (*seguretat social*) in Andorra in 1968 and covers illness and old age and is administrated by the **Caixa Andorrana de Seguretat Social** (CASS). On 3<sup>rd</sup> October 2008 the General Council of the Principality approved Law 17/2008 on National Health System which entered into force on 1<sup>st</sup> November 2009. One of the main changes as a result of this new legislation is that adherence to the CASS will not only be obligatory for wage-earners and pensioners, but also self-employed individuals. This new system also includes significant improvements to the social benefits system and establishes new parameters for social security contributions.

### **The consolidated text of the National Health System Act 17/2008 of 3 October was passed on 16 September 2015.**

Law 2/2016, of 10 March which approves the budget for the 2016 financial year amends certain articles of the Legislative Decree of 16 September 2015, which publishes the consolidated text of the National Health System Act 17/2008 of 3 October. In particular, it modifies the percentages of the contributions to the general branch of salaried persons, and this affects both the employer and the employee, increasing the contribution of each

party by one point, as well as the contributions to the general branch of self-employed persons who carry out an economic activity, which also increases by 1%. Social security contributions for wage-earners will therefore be 6.5% of their real salary and contributions of 15.5% will be made by employers. Self-employed individuals will contribute between 11% and 21% of the average total monthly salary of wage-earners who adhere to the CASS during the immediately preceding calendar year.

- Law 34/2008 governing health and safety in the workplace dated 18 December 2008 regulates the general principles for protection already established in the majority of European countries. The aim of this law is to prevent labour risks and protect the health and safety of workers by eliminating or mitigating any risk factors and improving information, consultations, participation and the training of workers and their delegates, as well as introducing general guidelines for applying the aforementioned principles and measures for promoting an improvement in health and safety in the workplace. This law entered into force on 18 March 2009.
- The objective of the Law 35/2008 governing the labour relations

code dated 18 December 2008 is to aggregate in a single legal text, the issues already regulated in Law 8/2003 of 12 June 2003 governing employment contracts, including matters not previously dealt with, such as the regulation of collective representation rights and the entitlement of workers to call meetings and collectively negotiate collective labour agreements. This law entered into force on 18 March 2009.

- The purpose of the Qualified trade union Law 33/2008 dated 18 December 2008 is to regulate trade union rights and the legal regime of trade union organisations and to establish the requirements for their incorporation, the responsibilities thereof and their representative capacity, including trade union actions. This law entered into force on 18 March 2009.
- The Regulation governing welfare benefits dated 16 February 2011 reduces the term of residency for obtaining welfare benefits to cover basic needs and raises the level of legal security established to date by the Regulation governing welfare benefits of 23 June 2010. These benefits are extended to those workers who have become unemployed involuntarily and who undertake to participate in professional train-

ing initiatives and accept any appropriate job offers they may receive.

These 2011 Regulations were amended by the Regulations of 21 June 2013 governing economic benefits for social care, lowering the age required to receive an extension of unemployment benefits and introduced changes that improve the possibilities of accessing employment and which favour participation in labour insertion programmes.

- The purpose of the Retirement Reserve Fund Law 6/2015 of 15 January is to establish the legal regime for the Retirement reserve fund with the objective of catering for the future needs of the National Health System in terms of the contributory benefits of the retirement branch. This law was amended by Law 9/2015, of 16 April.



## II.3. TAX FRAMEWORK

### INTRODUCTION

The approval of the Customs Union Agreement between the Principality of Andorra and the European Economic Community (1990) and subsequently the Constitution (1993), provided a new scenario for the development of the Andorran tax system.

The Andorran tax system, historically based on indirect taxation, has been in the process of changing for quite some time now, with the aim to achieve a tax system that is comparable with those of the European Union and OECD countries.

Consequently, in 2010 the **Law 95/2010 on company income tax** and the Law 96/2010 on taxation of income earned from economic activities which came into force on 1<sup>st</sup> January 2012 were passed as well as the **Law 94/2010 on the taxation of income earned by non-residents for tax purposes**, which came into force on 1<sup>st</sup> April 2011.

In 2011, Andorra and the European Union signed a Monetary Agreement that modernises the fiscal system to bring it into line with that of other countries and thereby obtain a fairer distribution of tax burdens.

Once the taxes levied on business income for both physical persons

and entities were introduced as well as the tax on the income of non fiscal residents, the session of the General Council on 24 April 2014 passed the **Personal Income Tax Law**, the purpose of which is to complete the configuration of the Andorran fiscal framework in income tax matters. This Law came into force on 1<sup>st</sup> January 2015.

On 21 June 2012, the General Council passed **Law 11/2012 on General Indirect Taxation (IGI)**, the aim of which is to regulate and introduce a tax for the first time in the history of the Principality of Andorra aimed at turning the Andorran fiscal system into a modern one comparable to those in our neighbouring countries. The introduction of this law saw a series of taxes that had been the backbone of the taxation system in Andorra up to now being replaced; these are the tax on goods (IMI), the indirect tax on internal production (IPI), the tax on commercial activities (IAC) and the indirect tax on services (ISI). This law came into force on 1<sup>st</sup> January 2013.

Law 10/2014 of 3<sup>rd</sup> June amending Law 11/2012, of 21 June on General Indirect Taxation, previously amended by Law 29/2012, of 18 October, and by Law 11/2013, of 23 May, came into force on 1<sup>st</sup> July 2014.

The creation or remodelling of the taxes should result in a solid

and efficient organization, which carries out the management, liquidation, collection, control and inspection of these new taxes. Following these lines, the Government set up a commission on 9 February 2011 to create the Andorran Fiscal and Border Agency, thereby merging various entities of the General Administration in such a way that there is now one single fiscal organization for managing and controlling all state taxes. This agency started operating on 1<sup>st</sup> January 2013.

### CENTRAL GOVERNMENT TAXES

The **Law governing taxation of 19 December 1996** sets out the basic reference framework for the pre-eminent application of taxes within the Principality and includes the principles of justice, legality and reservation of law, generality and fair distribution of the tax burdens established in the Constitution. The aforementioned law establishes the general rules which govern taxation, in the absence of a specific law to the contrary.

As mentioned above, the Andorran tax system is currently under a fiscal reform process started with the introduction of new direct and indirect taxes, accompanied by an amendment of its tax sys-

tem, which is intended to result in a modern Andorran fiscal system comparable to those of our neighbouring countries, whilst bearing in mind the peculiarities of our country and its economic structure as can be observed in the **table 1**.

The aim of the new Law 21/2014 of 16 October on the bases of the tax regime within this framework of major fiscal reform is to consolidate the guarantees of taxpayers and also to reinforce the means and mechanisms that can allow the Tax Administration to optimise efficiency in the collection of all taxes.

This law came into effect on 1 January 2015 except in the case of the municipalities (communes), where the Law will come into force on 1 January 2016, and a direct consequence of this is an extension of the validity of the 1996 Law during 2015, in order to guarantee the fiscal management of the municipalities during this period.

Law 36/2014 of 11 December 2014 amends Law 21/2014. **The revised text of this law was approved on 29 April 2015**. On 11 February 2015, a Decree was passed approving the Regulations for the application of the taxes envisaged under the development of all the common rules governing all procedures for the application of taxes,

***The Monetary Agreement signed in 2011 modernises the fiscal map of Andorra, bringing it into line with that of neighbouring countries***



### CUSTOMS UNION AGREEMENT 1990

This modifies the structure of taxes on consumption and initiates generalised indirect taxation



### MONETARY AGREEMENT 2011

Modernization of the fiscal system to bring it into line with that of other countries and to obtain a fairer distribution of the tax burden

### STATE TAX FRAMEWORK

Direct taxes	Indirect taxes	Other
<ul style="list-style-type: none"> <li>- Company income tax (IS)</li> <li>- Non-residents income Tax (IRNR)</li> <li>- Personal income tax (IRPF)</li> <li>- Capital gains tax</li> <li>- Directive on taxation of savings income</li> </ul>	<ul style="list-style-type: none"> <li>- General indirect tax (IGI)</li> <li>- Indirect tax on services (ISI)</li> <li>- Tax on real estate transactions (ITP)</li> <li>- Special taxes (tobacco, alcohol and hydrocarbons)</li> <li>- Tax on consumption</li> <li>- Tax on bingo</li> </ul>	<ul style="list-style-type: none"> <li>- Legal fees</li> <li>- Trademark Office fees</li> <li>- Vehicle ownership tax</li> <li>- Licences, permits and authorizations...</li> </ul>

#### Tax rates:

- IS: General 10%.  
Collective investment instruments 0%.  
Deductions and special regimes and reductions up to 80% of the tax base.
- IRNR: General 10%.
- IRPF: General 10%.  
Minimum personal amount that is exempt €24,000.

[table 1]

and it specifically regulates the tax management and inspection procedures.

The Decree approving review Regulations that use administrative channels for acts applying the taxes was passed on 22 April 2015.

On 21 October 2015, the Government passed the Decree approving the Regulations for the Collection of Taxes. These Regulations complement some articles of Law 21/2014 in matters concerning the collection of tax debts and penalties and other economic rights relating to public finances. In particular, it deals with aspects related to the extinction of the debt and the management of deferrals and instalments, it details the procedure for collection during the stipulated payment period, in full respect of the rules on seizures, and it also includes the procedure in relation to those responsible and their successors.

The most notable new feature of Law 21/2014 of 16 October establishing the bases of the tax system consists in defining the constraint procedure as an administrative procedure, and for this reason the Tax Administration is granted powers to seize assets and rights, which must generally be auctioned at the end of the proceedings in the event of this being necessary to guarantee payment of the debts.

These new powers that are granted to the administrations (or to the

bailiff/*saig*) make it essential to ensure that there is a complete and adequate regulatory framework in this regard. This is the reason why the **Law 44/2014 of 18 December regulating the seizure of assets** was passed at the same time as the amendment of the Code of the Administration, the Administrative and Fiscal Jurisdiction Law and the **\*Saig Law**. [\*In Andorran law, the *saig* is a specialist and independent executor who has the authority to execute judicial decisions under the control of the organ that has issued these decisions].

The conjunction of these legislative initiatives had two objectives; the general Administration and the municipalities, as well as the autonomous bodies and the semi-public bodies –if the law creating or regulating them allows so– can compulsorily and autonomously execute and without the intervention of the jurisdictional bodies –which was mandatory up to now– the administrative acts that they issue and which are enforceable, except in the case of those that impose a highly personal obligation and where the law does not authorise the administrative authorities to adopt measures of direct compulsion or if there is no situation of extreme urgency and need, and it must be possible to delegate this enforced execution to the *saig*, who is competent to execute the judicial decisions that are issued by the civil and administrative jurisdictions.

The recast text of the Administrative and Fiscal Jurisdiction Act of 15 November 1989 was published on 22 July 2015.

## TAXES AND INDIRECT TAXES

### GENERAL INDIRECT TAX (IGI)

On 21 June 2012 Law 11/2012 on a General Indirect Tax was passed for the purpose of regulating and introducing this tax concept for the first time in the history of the Principality of Andorra in accordance with the provisions of Directive 2006/112/EC.

Law 11/2013, of 23 May, amending Law 11/2012, of 21 June, on the general indirect tax incorporates a special regime for used goods. Law 10/2014, amending General Indirect Tax Law 11/2012, which adjusted and adapted a number of aspects related to the functioning of the tax, was passed on 3<sup>rd</sup> June 2014.

**The Legislative Decree containing the publication of the recast text of the General Indirect Tax Act 11/2012 of 21 June was approved on 13 March 2016.**

The general indirect tax is levied on any clear economic capacity, provided that the final consumption of a good or service occurs which, as a general tax on consumption, becomes a cornerstone of indirect taxation. Its substi-

tutes most of the indirect taxes that have been applied up to now, which were an imperfect attempt to tax consumption in our territory in recent years. In this way, the framework for direct taxation becomes more neutral and efficient for companies and fairer to citizens.

The tax is applied at all stages during the production and distribution of goods and services as well as on imports of goods, and all operations are subject to a tax rate that ranges from 0% to 9.5%. The details of these rates are as follow:

- General rate: 4.5% levied whenever the application of another rate is not expressly envisaged.
- Reduced rate: this rate of 1% is applied only to the operations defined in article 58 of the Law.
- Super reduced rate: 0% is applied to essential products and services as defined in article 59 of the Law.
- Increased rate: 9.5% applicable to banking and financial services.

This Law came into force on 1<sup>st</sup> January 2013.

### INDIRECT TAXATION ON THE RENDERING OF INSURANCE SERVICES (ISI)

On 14 May 2002 the Law governing indirect taxation on the rendering of insurance services which became applicable as of 13 June

2002, was approved. In accordance with this Law, the rendering of insurance services is taxed at 4%. The tax payable is calculated using a system which estimates the value of the services rendered which involve the coverage of a risk based on economic and financial figures.

### SPECIAL TAXES

The Law 27/2008 governing special taxes dated 20 November 2008 was created to unify indirect taxation on imports with the neighbouring countries of the Principality. This law establishes a tax on certain special products such as alcohol, tobacco and hydrocarbons, which generate social costs which are mostly borne by the State and then society in general.

On 22 April 2010 Law 11/2010 was approved amending Law 27/2008 governing special taxes dated 20 November 2008. This amendment introduces some slight changes to Law 27/2008 with the aim of improving the management of special taxes, whilst not increasing the tax burden on operators who use hydrocarbons and tackling the issue of illegal trafficking which may be encouraged by price differences.

On 15 February 2011 Law 3/2011 was approved modifying the general consumption tax tariff. This law modifies article 9 of Law 11/2010 with the aim of regulating differences in tobacco prices in relation to neighbouring countries

deriving from the tax rises in those countries.

On 1<sup>st</sup> March 2012, 18 April 2013, 19 September 2013 and 26 June 2014 Law 1/2012, 1/2013, 14/2013 and 11/2014 have been approved modifying the general consumption tax tariff respectively, in order to review and internally adjust the tax rates applied to tobacco and especially revise the tax rates on consumption that are applied to tobacco products.

### LOCAL TAXES

On 27 June 2003 the General Council approved the **Comuns Finance Law 10/2003** ("*Llei de les finances comunals*") for self-regulation regarding taxation and financial management, establishing an adequate framework allowing the *Comuns* to create their own tax and financial jurisdiction and unify their tax framework. This Law also regulates the *Comuns* borrowing thresholds, it sets maximum limits and control mechanisms and contributes to a more stable and financially balanced public sector in Andorra.

The *Comuns* Finance Law establishes the tax jurisdiction of the *Comuns* with regard to the following taxes:

- Traditional household taxes *Foc i Lloc* (meaning hearth and home).
- Taxes for the rendering of communal services.

**The General Indirect Tax rate is 4.5%**

- Taxes and rights on government documentation and authorisations.
- Tax on commercial, industrial, and non-commercial professional activities.
- Real estate taxes on buildings and land, rental income, and real estate transactions registered in the property registry of the *Comuns*.
- Participation of the *Comuns* in the tax on vehicle ownership, which is a governmental tax based on the number of vehicles registered in the Government register.

This law was amended by Law 32/2012 of 22 November and it introduces selective modifications in order to adapt it to the current needs and requirements of the municipalities.

## TAXATION ON REAL ESTATE

### TAXATION OF REAL ESTATE TRANSACTIONS (“*IMPOST SOBRE TRANSMISSIONS PATRIMONIALS IMMOBILIÀRIES (ITP)*”)

The Law governing tax on real estate dated 15 December 2000 was modified by Law 7/2006 dated 21 June 2006. This tax is levied directly on onerous or lucrative transactions to transfer real estate between living persons, and from the creation or transfer of rights over these assets. This tax is also

levied on the transfer of shares or other equity investments in mercantile companies, and from the creation or transfer of rights over these shares or other equity investments when at least 50% of the company’s assets comprise real estate and when the acquiring party obtains one fifth of the company as a result of the transfer of shares or other equity investments or creation or the transfer of rights over these assets.

This tax is applicable to all transfers of real estate located in the Principality of Andorra and to the creation or transfer of rights over this real estate, which can be exercised in Andorra. The tax rate is set at 4%.

Nonetheless, article 4 of this law establishes a number of exemptions from this tax when certain conditions are fulfilled. The main change resulting from Law 7/2006 is the introduction of an exemption for the acquisition of a first home when certain personal and economic circumstances prevail.

### CAPITAL GAINS TAX ON REAL ESTATE (“*IMPOST SOBRE PLUSVÀLUES EN LES TRANSMISSIONS PATRIMONIALS IMMOBILIÀRIES*”)

The Law 21/2006 governing capital gains tax on real estate was enacted on 14 December 2006. This tax is levied directly on capital

gains arising from the onerous or lucrative transfer of real estate between living persons, and from the creation or transfer of rights over these assets. This law was amended on 3<sup>rd</sup> October 2008 with the approval of Law 19/2008 which came into force on 28 October 2008.

This tax is applicable to all transfers of real estate located in the Principality of Andorra and to the creation or transfer of rights over this real estate, which can be exercised in Andorra. The transfer of shares of mercantile companies is also subject to this tax, as is the concession or transfer of rights over these shares, when at least 50% of the company’s assets are comprised of properties and that as a result of the transfer of shares or the concession or transfer of rights thereon, the acquirer holds more than a fifth of the company’s capital.

The tax rate is set at 0% to 15% based on the number of years the real estate has been owned by the taxpayer.

The revised text of Law 21/2006, of 14 December, on capital gains tax on real estate was published on 6 May.

## TAXATION ON SAVINGS

In its session held on 21 February 2005, the General Council of the Principality of Andorra ratified **the Agreement between the**

**Principality of Andorra and the European Community relating to measures equivalent to those included in Council Directive 2003/48/EC regarding taxation on savings in the form of interest payments.** In its session held on 13 June 2005 the Law applying this Agreement was approved. On 20 June 2007 the Decree modifying model 420: “Declaration of taxation on savings” included as an appendix to the aforementioned *Law 11/2005* was approved.

This law establishes the obligation to make a withholding at source on interest payments made by paying agents located in the Principality of Andorra to beneficial owners who are individuals resident in one of the European Union member States. This withholding was equivalent to 15% during the first three years, 20% from 1<sup>st</sup> July 2008 until 1<sup>st</sup> July 2011 and 35% as of 1<sup>st</sup> July 2011. 75% of the amount levied by the Government of Andorra, arising from this withholding obligation by paying agents, is transferred to the EU countries where the beneficial owners reside. Income from pension and insurance contracts is exempt from the application of the Agreement.

This Agreement is amended by the Agreement signed on 12 February 2016 between the European Union and Andorra on matters related to the automatic exchange of information.

## DIRECT TAXATION

### PERSONAL INCOME TAX (IRPF)

#### The passing of **Law 5/2014 of 24 April 2014 on the Taxation of the Income of Physical Persons**

completes the configuration of the Andorran fiscal framework in matters of income tax. The structuring of the tax is based on the separation of income into two major sections: on the one hand, general income, which comprises income from work, income deriving from economic activities and income from equity; and, on the other, income from savings, a concept which includes income from capital gains and profits and losses from capital. This tax has been levied on income generated by physical persons from 1<sup>st</sup> January 2015.

Law 42/2014 of 11 December made certain adjustments to Law 5/2014, correcting or clarifying technical aspects of the rule, or else granting fairer treatment in certain situations making them more coherent with the purpose of the tax.

The revised text of Law 5/2014 of 24 April 2014 on the Personal Income Tax was published on 6 May 2015.

With effect from 1 January 2015, the Personal Income Tax Act repeals the tax on income from economic activities, which had been regulated until then by Law 96/2010 of 29 December 2010.

The Regulations implementing Law 5/2014 on Personal Income Tax were approved on 23 July 2015.

### NON-RESIDENTS INCOME TAX (IRNR)

Law 94/2010 of 29 December 2010 on the taxation of income earned by non-residents for tax purposes modified by Law 18/2011 of 1<sup>st</sup> December 2011 taxes the income earned on economic activities conducted in Andorra by individuals or entities not resident for tax purposes and the income earned on employment by individuals not resident for tax purposes, provided that these individuals do not adhere to the Principality's social security system or liable to pay company income tax or tax on the economic activities of individuals. This tax is applicable to income generated by individuals or entities not resident for tax purposes as from 1<sup>st</sup> April 2011.

Law 5/2014 of 24 April 2014 on the Taxation of the Income of Physical Persons introduces a new chapter to the Law on the Income Tax of non-residents regulating a special regime for cross-border and temporary workers. Those that meet the legal requirements can choose to pay their taxes in accordance with the general rules of the Personal Income Tax Law.

A legislative decree was issued on 29 April 2015 with the publication of the revised text of **Law 94/2010**

#### **of 29 December 2010 on Non-residents Income Tax.**

The Regulations implementing Non-Resident Income Tax (IRNR) were approved on 25 January 2012 and these regulations were partially amended on 23 July 2014 as a consequence of the approval of the Personal Income Tax Act.

As a consequence of the approval of the Regulations for Personal Income Tax and the amendment of the Regulations of the Non-Residents Income Tax (IRNR) as well as the approval of Law 21/2014 of 16 October setting out the guidelines for the tax system, it has become necessary to introduce several changes and thereby proceed with the amendment of the Regulations of the Non-Residents Income Tax (IRNR). The new regulations were passed on 23 September 2015.

### COMPANY INCOME TAX (IS)

With the entry into force of **Law 95/2010 on Company Income Tax dated 29<sup>th</sup> December 2010 and modified by Law 17/2011 of 1<sup>st</sup> December 2011**, the law regulating the taxation on the registry holders of an economic activity dated 20<sup>th</sup> December 1995 is revoked. This Law unitarily taxes all income earned by entities resident in the Principality of Andorra for tax purposes which conduct an economic activity. A tax rate of 10% is applied to those taxpayers subject to this tax and a

rate of 0% is applied to those institutions regulated by Law 10/2008 regulating collective investment undertakings.

This law started applying to fiscal periods starting from 1<sup>st</sup> January 2012.

In view of the taxation on income from economic activities being repealed, and given the fact that the Regulation on Personal Income Tax includes regulations on the income obtained by physical persons in their economic activities, it becomes necessary to adapt those regulations which apply to the Company Income Tax Act 95/201 and Law 96/2010 on the Tax on income from economic activities, so that they only take effect with respect to Company Income Tax. In order to guarantee legal certainty, the Decree approving the Company Income Tax Regulations was passed again on 23 September 2015.

## FISCAL TRANSPARENCY

Following the Paris Declaration of 10 March 2009, the Principality implemented a process for adopting OECD international standards, whereby it has signed various agreements for the exchange of tax information upon prior request. The declaration described the Principality of Andorra's intention to begin a process of legislative reform to modify the bank's code of secrecy regarding the exchange

**Personal Income Tax came into effect on 1 January 2015**

**2016 is the first year that Personal Income Tax (IRPF) applies**



**Since 2009 the legal framework and the financial institutions entrusted with its implementation have been subject to a process of profound transformation**

**In 2009, Andorra approved the law for the exchange of fiscal information on request**

of information in compliance with article 26 of the OECD Convention. A standardisation process was subsequently initiated to bring Andorra into line with other OECD countries.

On 5 November 2013, and continuing the policy introduced in 2009 with the signing of the Paris Declaration, an Agreement was signed by the Government of Andorra with the OECD concerning mutual administrative assistance in fiscal matters. This is a further step in the application of the mechanisms and instruments used to establish the bases and procedures for mutual assistance in common fiscal matters. This multilateral agreement guarantees confidentiality and it represents a step forward in terms of safeguarding Andorra's reputation as an international financial market in the same line as other OECD countries. In addition to showing the country's predisposition to adapt to international standards, the Andorran banks also reinforce the security that is greatly appreciated by their clients and for which they are known. This Agreement maintains the same level of fiscal cooperation established under the bilateral agreements signed by Andorra, in other words, it envisages the exchange of information upon request at the same time as it guarantees the rights of investors.

#### LAW 3/2009 FOR THE EXCHANGE OF TAX INFORMATION ON REQUEST DATED 7 SEPTEMBER 2009

As announced in the Paris Declaration, on 7 September 2009 the General Council of Andorra approved the **Law for the exchange of tax information on request**.

The standard, on the basis of which the Principality signed subsequent agreements on the exchange of information, complies with all the criteria required by the OECD in relation to the exchange of tax information, specifically the criteria stipulated in article 26 of the OECD Model Tax Convention. This article establishes that the exchange of information is necessary for the correct application of the tax convention and for the administration and application of the tax laws of the countries party to the convention.

This legal text, which has experienced various amendments as time passes, establishes a new framework for legal security in the relations between the Principality and other countries regarding the exchange of information and places particular emphasis on key issues related to the mechanisms for ensuring the confidentiality of customers, as follows:

- The request for information must be justifiable and well-founded; guarantees are therefore established for this purpose, such as a

limit for obtaining or providing information which the requesting State cannot obtain under its own legislation.

- A notification procedure is implemented granting the possibility to oppose the request for information by means of a duly justifiable appeal to the relevant authority.
- The agreement is not valid retroactively, meaning that the principle prevails whereby no customer information will be provided in relation to situations that predate the date on which each bilateral agreement comes into force.
- Fishing expeditions, i.e. collective and generalised requests for information are prohibited.
- Confidentiality is guaranteed and the level playing field principle (guarantee of equal conditions for everyone) is upheld in relation to other agreements that have been signed previously.

Furthermore, exchanges of information on request, in response to justifiable and well-founded requests, will be effective for fiscal years which commence following the date on which each bilateral agreement comes into force, i.e. after the last notification that the agreement has been ratified by the respective Parliaments, plus an additional period, usually of three months, in the cases for which this period has been established. For example, if an agreement is

ratified by the respective parliaments of the countries party to the agreement on 2<sup>nd</sup> June 2011, and there is an additional period of three months, the agreement will come into force on 2<sup>nd</sup> September 2011 and will be effective during the fiscal year 2012, i.e. as from 1<sup>st</sup> January 2012.

The practical implementation of Law 3/2009 on the exchange of information on fiscal matters upon a prior request throughout these seven years, has highlighted certain shortcomings that need to be completed and corrected in order to comply with the international obligations that were undertaken in their day, following the commitment to international cooperation relating to the exchange of information in fiscal matters, and the need to respect the criteria and the constantly evolving interpretation that the OECD makes of these obligations.

Law 12/2014 of 26 June was passed on 26 June 2014, and it amends Law 3/2009, on the exchange of information on fiscal matters on request.

#### REGULATION TO DEVELOP LAW 3/2009 FOR THE EXCHANGE OF TAX INFORMATION ON REQUEST

On 23<sup>rd</sup> February 2011 the regulation was approved developing Law 3/2009 for the exchange of tax in-



formation on request, which determines and specifies the requirements that must be met by both foreign authorities and Andorran public authorities within the framework of a request for information, based on Law 3/2009 and the bilateral agreements applicable. Prior requests for the exchange of information should be presented in writing with the objective clearly stated and generalised requests for information will not be accepted. The regulation also establishes the criteria for processing the requests for the exchange of information which should be formulated and sent to the relevant Ministry of Finance.

The Regulation was amended on 29 February 2011 and 19 December 2014 in order to adapt it to the law and to facilitate its application.

#### SIGNING OF THE AGREEMENTS FOR THE EXCHANGE OF TAX INFORMATION ON REQUEST

Following its ratification of the Law, between September 2009 and June 2015 the Government of Andorra **signed bilateral agreements for the exchange of fiscal information on request (TIEA) with 24 countries** (22 have already entered into force): Austria (17/09/09), Liechtenstein (18/09/09), Monaco (18/09/09), San Marino (21/09/09), France (22/09/09), Belgium (23/10/09), Argentina (26/10/09), the Netherlands (06/11/09), Por-

tugal (30/11/09), Spain (14/01/10), Sweden, Finland, Norway, Denmark, Iceland, Greenland and the Faroe Islands (24/02/10), Germany (25/11/2010), Australia (15/03/2012), Poland (15/06/12), the Czech Republic (11/06/13), Switzerland (17/03/14), the Republic of Korea (23/10/14) and Italy (22/09/2015).

These signed agreements considerably exceed the minimum 12 agreements required by the OECD and, consequently, in February 2010 the OECD included Andorra within the “group of jurisdictions considered to have substantially implemented the international tax standards”. As a result, the OECD, together with the key executive bodies involved in the international relations of the Principality, such as the countries of France and Spain, have highlighted the efforts and commitment of Andorra’s institutions in adapting to the new economic order.

To date, signed agreements have all entered into force with the exception of the Republic of Korea and Italy.

The entry into force of the tax agreement between Andorra and Spain led to Andorra’s removal from Spain’s list of tax havens.

#### DOUBLE TAXATION CONVENTIONS

Double Taxation Conventions (DTCs) are international treaties the purpose of which is to avoid cases of double international taxation by means of a series of measures that involve the two contracting states. Double taxation conventions facilitate the promotion of foreign investment and they benefit the competitiveness of domestic companies abroad. These conventions apply to both physical persons and legal entities that are resident in any signatory state and they affect income and wealth taxes. The conventions help to establish which of the two contracting states is competent to tax income.

As part of the opening up its economy and its process of homogenisation with international standards, the Principality of Andorra **has signed double taxation conventions with France (02/04/2013), Luxembourg (02/06/2014), Spain (08/01/2015), Arab Emirates (28/07/2015), Portugal (27/09/2015) and Liechtenstein (30/09/2015).**

The DTC with France came into force on 1 July 2015, the DTC with Spain came into force on 26 February 2016 and the DTC signed with Luxembourg came into force on 7 March 2016.

#### AGREEMENT ON THE AUTOMATIC EXCHANGE OF INFORMATION IN FISCAL MATTERS SIGNED WITH THE EUROPEAN UNION

An **Agreement** was signed on 12 February 2016 **between the European Union and Andorra on matters related to the automatic exchange of information** of the financial accounts of their respective residents. The agreement is due to come into effect on 1 January 2017.

This agreement upgrades the agreement signed in 2005 relating to the taxation of savings and it introduces the automatic exchange of information on fiscal matters.

This agreement reflects the progress made within the framework of the EU and the OECD in relation to mutual administrative assistance in fiscal matters. The automatic exchange will be applied among all the EU Member States.

According to this agreement, and once it has been ratified by all the parties, the first automatic exchange of information between EU Member States and Andorra will take place in 2018 based on the data for 2017.

***At the present time, Andorra has signed 24 agreements for the exchange of fiscal information on request***

***Andorra has signed 6 double taxation agreements; these were signed with Luxembourg, France, Spain, Portugal, Liechtenstein and the Arab Emirates***

***On 12 February 2016, Andorra and the EU signed an agreement on the automatic exchange of information in fiscal matters***

***The Principality's commitment to the international community is the basis of the country's vision, which is key in terms of activating the transformation of the principality and economic development***

The profound legislative transformation of Andorra started in 2009 with the signing of the Paris Declaration. However, these efforts took their cue from a series of measures implemented between 2000 and 2008:

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2000	Passing of the first <b>Law on international cooperation in criminal matters and the fight against money laundering and against the financing of terrorism.</b>
2001	Signing of the collaboration agreement with the <b>United States Internal Revenue Service (IRS).</b>
2005	Amendment of the <b>Criminal Code</b> to adapt it to international standards.
2005	Signing of the agreement with the EU on matters related to <b>the taxation of income from savings.</b>

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Based on these foundations, the main milestones in the transformation of Andorra since 2009 are:

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2009	Signing of the <b>Paris Declaration.</b>
2011	<b>Memorandum of Understanding (MoU)</b> signed between the INAF and the Bank of Spain establishing a collaboration protocol between the two authorities. Signing of the <b>Monetary Agreement.</b>
2012	Approval of the <b>Foreign Investment Act</b> deregulating it by 100%.
2013	INAF joins the <b>International Organization of Securities Commissions.</b>
2013	Signing of the <b>Multilateral Convention on Mutual Administrative Assistance.</b>
2014	Start of the negotiations for a <b>Partnership Agreement</b> between the EU and the Principality of Andorra.
2014	Adoption of the declaration of <b>the OECD</b> concerning the <b>automatic exchange of information.</b>
2015	Signing of the Multilateral Competent Authority Agreement ( <b>MCAA</b> ), implementing the common international standard for the automatic exchange of information.
2016	Signing of the <b>Agreement between the EU and Andorra on the automatic exchange of information in tax matters.</b>

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## II.4. LEGAL FRAMEWORK FOR THE FINANCIAL SYSTEM

The Andorran legal framework is in line with that of neighbouring countries and covers aspects such as transactions, solvency and money laundering or securities arising from criminal activities and the financing of terrorism and other matters, as described below.

### FINANCIAL SECTOR

#### REGIME FOR BANKING INSTITUTIONS:

▸ The **Law 35/2010 on the legal regime for authorising the creation of new operating entities within the Andorran financial system**, dated 3<sup>rd</sup> June 2010. This law aims to establish the legal regime for authorising the creation of new operating entities, thereby overcoming the current situation of status quo being faced by the Andorran financial system in compliance with the requirements of prevailing legislation. The revised text of Law 35/2010 of 3<sup>rd</sup> June on the regime authorizing the creation of new entities operating within the Andorran financial system was published on 19 February 2014, including the amendments made by Law 10/2013 on the Andorran National Institute of Finance of 23 May.

▸ The **Law 7/2013 on the legal regime of the entities operating within the Andorran financial system and other provisions regulating the exercise of financial activities in the Principality of Andorra** dated 9 May 2013, which revokes Law regulating the operational functions of the different components of the financial system dated 19 December 1996, as well as Law 24/2008 regulating the legal regime for non-banking financial institutions offering specialized finance sets out the legal regime of the entities operating within the financial system and regulates financial activities in the Principality of Andorra, how to access the activity and how to exercise it.

▸ The **Law 8/2013** of 9 May 2013 **on the organizational requirements and the operational conditions of entities operating within the financial system, investor protection, market abuse and the Financial Collateral Arrangements**, which repeals the Law of 27 November 1993 regulating the financial system, establishes the organizational requirements and operating conditions for the exercise of the activities of the entities operating within the financial system; the minimum requirements to be followed by the entities operating within the

financial system to safeguard investor protection; the obligations, prohibitions and the penalties system for market abuse by any physical person or legal entity, understood as operations based on the use of insider information and market manipulation, so as to contribute to the integrity of the financial markets and increase the trust of investors in these markets; and the regulatory framework of the contractual netting agreements and Financial Collateral Arrangements.

The revised text of Law 8/2013 on the organizational requirements and the operating conditions of entities operating within the financial system, investor protection, market abuse and the financial guarantee agreements was published on 19 February 2014 and includes all the amendments carried out up to now.

As a result of the approval of the aforementioned laws, Law 13/2010 on the legal regime for financial investment entities and management companies of collective investment undertakings and Law 14/2010 on the legal regime for banking entities and basic administrative regime for entities operating in the financial system were revoked.

The composition of the financial system, in accordance with the prevailing legislation, is as follows:

- a) the financial activities regulated and exercised by the entities operating within the Andorran financial system;
    - i) Banking entities;
    - ii) Financial investment entities;
      - financial investment companies;
      - financial investment agencies;
      - asset management companies;
      - financial consultants.
    - iii) Management companies of collective investment undertakings; and
    - iv) Non-banking financial institutions, in specialised credit.
  - b) Andorran financial markets;
  - c) other activities related to the entities operating within the financial system and the Andorran financial markets, including professional associations in the financial sector.
- Finally, any financial agent acting on behalf of, or on account of any of the entities operating within the financial system in accordance with the provisions of article 27 of Law 7/2013 also forms part of the Andorran financial system.
- Long before the promotion of the Law of 27 November 1993 regulating the financial system, the Andorran financial system, concerned about transmitting seriousness and commitment

***The Andorran legal framework is fully committed to international standards***

**The INAF joined the International Organization of Securities Commissions in 2013**

**Andorra adapted its internal legislation in April 2015, passing Law 8/2015 on urgent measures to introduce mechanisms for the recovering and resolution of banking entities**

to third parties, had already promoted its self-regulation, through the Association of Andorran Banks (“*Associació de Bancs Andorrans*” (ABA)).

**SUPERVISION:**

- On 20 June 2013 the new **Andorran National Institute of Finance (INAF) Law 10/2013 of 23 May**, was enacted, thereby revoking Law 14/2003, of 23 October.

Ten years after the adoption of the aforementioned regulations, a review of *Law 14/2003* has become necessary in order to give the INAF the necessary means to reach its objectives and to broaden these, bearing in mind the necessary inclusive nature of the scope of the INAF within the current context. This is characterised by the changes and the international expansion of the Andorran financial system, as well as by the evolution of the financial markets at an international level and the specific commitments Andorra had undertaken with the European Union through the signing of the Monetary Agreement that came into force on 1<sup>st</sup> April 2012.

- On 17 September 2013, the INAF was accepted as a new ordinary member of the **International Organization of Securities Commissions (IOSCO)**. Andorra thus fulfils one of the compromises undertaken upon signing

the Monetary Agreement with the European Union, which required the signing of the protocol within a maximum period of 18 months from the moment that it came into effect on 1<sup>st</sup> April 2012. This formalizes reciprocal cooperation, assistance and exchange of information with the regulatory and supervisory authorities of markets around the world for the purposes of regulating and supervising securities markets at an international level.

- On 4 April 2011 a **Memorandum of Understanding (MoU)** was signed between Andorra and Spain constituting an agreement for a consolidated cooperation in supervisory matters between the supervising authority of the Andorran financial system (INAF) and of the Spanish financial system (Bank of Spain). This agreement establishes the terms of the protocol for the relationship and collaboration between these two authorities. It also enables the supervisory authority of the country of origin to request corporate information and any other information required for the supervision and control of consolidated risks of banking groups from the relevant authority of the country where the entity has subsidiaries.

**GENERAL:**

- Law 8/2015 on urgent measures to introduce mecha-**

**nisms for the recovery and resolution of banking institutions** was passed 2 April 2015. This law is based on the provisions of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014, establishing a framework for the recovery and the resolution of credit institutions and investment firms. The law designs processes for recovery and resolution, processes of an administrative and singular nature that grant the administrative authorities the powers that are necessary to ensure financial stability. A large part of the administration system designed by the Law is conferred to a State Agency for the Resolution of Banking Institutions (the AREB), as the competent authority in matters of resolution. Furthermore, the Andorran Fund for the Resolution of Banking Institutions (FAREB) was created with the aim of financing the measures that were agreed upon in the application of this Law.

- The **Law 11/2012 for indirect taxation** dated 21 June 2012 introduces an increased tax rate of 9.5% applicable to banking and financial services. The revised text of this Law was passed on 13 March 2016.
- Law 1/2011 for the creation of a deposit guarantee system for banking entities**, dated 2 February 2011. To date, the Law regulating deposit guarantee

reserves and other operational obligations dated 11 May 1995 established mechanisms to guarantee the capital adequacy and stability of the Andorran banking system, but without constituting a direct guarantee to reimburse the deposits made by deposit holders in the event that they became unavailable. The entry into force of this law adapts Andorran legislation to the requirements of the European Union on this matter and establishes a regime that is better designed to protect the robustness and capital adequacy of the Andorran financial system in relation to its deposit holders. The guarantee system is “ex-post” and the maximum amounts covered are EUR 100,000 per depositor and EUR 100,000 per investor for each entity. Law 8/2015 of 2 April on urgent measures to introduce mechanisms for the recovery and resolution of banking institutions amends Law 1/2011 in its section dealing with cases under legal coverage, including among other aspects, the coverage of those cases where any of the members of the system are subject to a resolution process.

- On 9 May 2012, the **Regulation for the organization and functioning of the Commission for Managing the System guaranteeing deposits and investments of the Andorran banking entities** was passed, and their purpose is to determine the principles of action of



the Commission Managing the System guaranteeing deposits and investments for banking entities, the basic rules of its organization and operation, and the rules of conduct for its members, within the framework of the legislation applicable thereto.

- The **Law 10/2008 regulating Andorran collective investment undertakings** dated 12 June 2008 includes a generic definition of what is understood as investment undertakings in the Principality, regulates its functioning and the distribution of these undertakings abroad, as well as the distribution of foreign investment undertakings in Andorra. This law entered into force on 17 July 2008.

The revised text of Law 10/2008 of 12 June on the regulation of collective investment undertakings under Andorran law was published on 19 February 2014 and it included the amendments made by the fourth additional provision of Law 8/2013 of 9 May on the organizational requirements and the operating conditions of entities operating within the financial system, investor protection, market abuse and the financial guarantee agreements; the third final provision of Law 10/2013 of 23 May on the Andorran National Institute of Finance; and the first final provision of Law 28/2013 of 19 December, amending Law 20/2007 of 18 October, on Public Limited

Companies and Limited Liability Companies, amended by Law 4/2008 of 15 May and by Law 93/2010 of 16 December.

- The **Decree approving the Chart of Accounts for financial entities** dated 19 January 2000 defines the principles, criteria and basic accounting standards for financial entities in Andorra. This allows the INAF to effectively supervise the financial system. This Chart of Accounts entered into force on 1<sup>st</sup> January 2000 and is applicable to all the operational components of the Andorran financial system.

The Technical Communiqués issued by the INAF complement and update the legislation relating to the Chart of Accounts for the financial system, so that it does not become out of date. The entities in the financial sector are obliged to comply them.

Some of these Communiqués make it obligatory to report additional control information, complementing the financial statements to the INAF, every month or quarter, in order to detect the aforementioned entities' exposure to market and liquidity risks and the concentration of risks and loan losses and take corrective measures against these risks.

- The **Law regulating the disciplinary regime of the financial system** dated 27 November 1997 aims to promote correctness

and conscientiousness when carrying out professional financial activities and guarantee the stability and solvency of the Andorran financial system. This Law has been partially amended by Law 35/2010 of 3 June 2010 on the regime for authorising the creation of new operating entities in the Andorran financial system.

A Legislative Decree was also published on 19 February 2014 approving the revised text of the Law regulating the disciplinary regime of the financial system and it includes the amendments made by the fourth additional provision of Law 14/2003, of 23 October, on the Andorran National Institute of Finance, the first additional provision of Law 35/2010 of 3 June, on the regime authorizing the creation of new entities operating within the Andorran financial system, the first final provision of Law 1/2011, of 2 February on the creation of a system guaranteeing deposits for banking entities, the third, fourth and fifth final provisions of Law 7/2013, of 9 May, on the legal regime of the entities operating in the Andorran financial system and other provisions regulating the exercise of financial activities in the Principality of Andorra, and the second final provision of Law 10/2013 on the Andorran National Institute of Finance of 23 May.

- The **Law regulating the capital adequacy and liquidity cri-**

**teria of financial institutions** dated 29 February 1996, subsequently amended on 12 December 1996, establishes the capital adequacy ratio at a minimum of 10% and the liquidity ratio at a minimum of 40%.

The revised text of the Law regulating the solvency and liquidity criteria of financial entities was published on 19 February 2014, including the amendments made by Law of 12 December 1996, amending the Law regulating the solvency and liquidity criteria of financial entities of 29 February 1996, the third additional provision of Law 14/2003, of 23 October, on the Andorran National Institute of Finance, the first additional provision of Law 24/2008, of 30 October, on the legal regime of non-banking financial entities involved in specialized credit, the sixth final provision of Law 7/2013, of 9 May, on the legal regime of the entities operating in the Andorran financial system and other provisions regulating the exercise of financial activities in the Principality of Andorra, and the first final and repealing provision of Law 10/2013 on the Andorran National Institute of Finance of 23 May.

- The **Law regulating mandatory investment coefficients dated 30 June 1994** sets out a mandatory coefficient, which has to be covered by public funds and which, in accordance with the



aforementioned law, is only currently applicable to banking entities. This law was promulgated by the Decree dated 9 December 2009 approving the Decree amending the Decree governing the Law regulating mandatory investment coefficients dated 22 August 1994, which established the requirement to maintain 2% of the assets of banking entities in public funds. State debt issues are defined as public funds for the purposes of calculating mandatory investment coefficients. The last public debt issue of 260 million euro subscribed by Andorran banking entities on 15 April 2016, regulated by the Decree dated 23 March 2016 approving a third supplement of the base prospectus and a new issue of public debt of the Principality of Andorra in the bonds category, based on the updated and supplemented programme for the issuance of public debt of the Principality of Andorra published on 4 December 2013, and fully subscribed by the Andorran banking entities, is therefore taken into consideration for the purpose of complying with this coefficient.

## INSURANCE SECTOR

- The **Law regulating insurance companies** in the Principality of Andorra dated 11 May 1989 includes the fundamental characteristics to be able to operate in Andorra.

Law 12/2015, dated 16 July, modifying Law regulating insurance companies dated 11 May 1989 amends the previous law as a consequence of the natural evolution of the sector, which requires, among other aspects, the incorporation of the requirements established in the recommendations of the Financial Action Task Force (FATF) concerning the fight against the laundering of funds proceeding from international crime and against the financing of terrorism.

**At the end of 2015, the Government of Andorra started to work on a complete reform of the insurance sector with the aim of bringing it into line with international standards. This reform will involve amending the 1989 Law regulating the actions of insurance companies.**

- The **Law for indirect taxation on insurance services rendered** dated 14 May 2002, under the framework of the Law for indirect taxation on services rendered establishes a system for calculating the taxation basis, at the same time as determining a tax rate of 4% applicable to insurance entities, which are outside the framework of this law:
  - Social Security regime.
  - Capitalisation products, such as pension funds, retirement schemes or other similar products.

## OTHER REGULATIONS CONCERNING THE FINANCIAL SECTOR

### INTERNATIONAL COOPERATION IN CRIMINAL MATTERS AND THE FIGHT AGAINST MONEY LAUNDERING AND AGAINST THE FINANCING OF TERRORISM

For many years, the combat against money laundering obtained through illegal activities has been one of the country's priorities, especially for the Andorran banking system. In 1990 the Andorran banking system opted for voluntary self-regulation by adopting a code of professional practice and Andorra also modified its Criminal Code by introducing the assumption of money laundering obtained through criminal activities.

On 11 May 1995 the first law against international crime was approved and the legislative framework was completed in 2000 with the **Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime** approved by the General Council on 29 December 2000, giving rise to the creation of the Laundering Prevention Unit (UPB). The UPB became known as the Andorran Financial Intelligence Unit (UIF – now UIFAND)

when the new Law 28/2008 dated 11 December came into force. It is the independent body for the promotion and coordination of money laundering and terrorism financing prevention measures. This legislation implies the following for all financial entities:

- The defining of strict procedures to identify customers.
- The establishing of adequate procedures and controls to detect suspicious operations arising from organised crime.
- The training of personnel in specific money laundering prevention programmes.
- An external auditor reviewing the level of compliance with the above points.

On 13 February 2008 the Andorran Government approved the Decree relating to the creation and operations of the Permanent Commission for the Prevention of Money Laundering and Financing of Terrorism in order to improve coordination between all the bodies and ministries involved in preventing and combating money laundering and the financing of terrorism, and to develop a multidisciplinary and global approach and be more effective and flexible when adopting measures. This commission is led by the head of the UIFAND and comprises representatives from the Presidency, Finance, Justice, Home Affairs, Economy, Foreign Affairs ministries and the INAF when dealing with matters affecting the

financial system and from the UIFAND. This commission meets at least once every three months.

On 11 December 2008, Law 28/2008 was approved, amending **the Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime dated 29 December 2000**.

This law entered into force on 21 April 2009 and has served to bring Andorran legislation prevailing to date into line with international legislation and regulations, especially relating to the third European directive on this matter. As a result of this new law the UPB is now known as the Andorran Financial Intelligence Unit (UIFAND). The most significant changes introduced as a result of this legislative amendment have been: the extended scope of parties under obligation, the defining of politically exposed individuals, the defining of beneficial owners, a greater precision when detailing obligations of the parties under obligation, the introduction of risk criteria, the obligatory nature of the UIFAND's technical communications and the explicit prohibition of "screen banks" and anonymous accounts.

On 16 September 2009, the **revised text of the Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from**

**international crime and against the financing of terrorism** was published.

As a result of the enactment of Law 28/2008, the Regulation governing this legislation has been amended. On 20 May 2009, the Regulation of the Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime and against the financing of terrorism was published, thereby revoking the Regulation of the Law for international cooperation on criminal matters and the combat against money laundering of 31 July 2002. This new regulation describes and develops the prevailing legislation on this matter which comprises organisational and functional aspects of the UIFAND and defines the way in which parties under obligation must comply with the law and the procedures that they must follow should a transaction potentially relating to the laundering of money gained from criminal activities be detected, the training which those people who form part of the internal control and communication bodies should have received, the personnel working for these bodies, the duty of professional secrecy, international cooperation, the exchange of information and disciplinary proceedings.

On 18 May 2011, the Government of Andorra passed a **Decree amending the Regulations passed by Decree on 13 May**

**2009** for the purpose of regulating the measures to prevent the laundering of capitals and the financing of terrorism in greater detail, which require explicit regulations in accordance with international standards. This Decree was published in the BOPA (Official Gazette of the Principality of Andorra) on 25 May 2011 and came into force the day after its publication. Among other matters, it improves the regulation of obligations relating to the identification and verification of clients and beneficial owners, which were already applied in their majority by the parties bound by these obligations, it intensifies the regime of simplified diligence measures and contemplates possible specific counter measures concerning high risk territories at the request of the UIFAND.

On 25 May 2011 Law 4/2011 was urgently passed following an extraordinary procedure, and **it amends the Law of 29 December 2000 on International Criminal Co-operation and the Fight against the Laundering of Money or Securities resulting from International Crime and against the Financing of Terrorism**. This Law, which came into force on 23 June 2011, consists of seven articles which, for the most part convert the preventive measures already applied by those subject to the law and which require explicit regulations in accordance with international standards into positive law. Among other ques-

tions, the concept of effective beneficiary is broadened, the sum for cash sales of high value articles which generate the obligations that the Law establishes is reduced, the regime of simplified diligence measures is intensified while additional protection measures of tax obligors when they make declarations of suspicion are also introduced.

Furthermore, on 25 May 2011, the General Council also used extraordinary procedures to urgently approve the ratification of **the United Nations Convention against Transnational Organized Crime, signed in New York on 15 November 2000**. This Convention came into force on 22 October 2011.

On 10 October 2013 **Law 20/2013 amending Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime and against the financing of terrorism, dated 29 December 2000** was approved. This law came into force on 31 October 2013 in order to introduce the legal acts and regulatory provisions of the European Union established in the annex of the Monetary Agreement signed between the Principality of Andorra and the European Union into the Andorran legal system.

On 20 November 2013 a **Decree was passed amending the Regulations of the Law on interna-**

**Andorra has adapted its law on international criminal cooperation and the fight against the laundering of money or securities proceeding from international crime and against terrorist financing to internationally established standards and recommendations. The last amendment was approved in July 2015**

**tional cooperation in criminal matters and the fight against the laundering of money or securities proceeding from international crime and against the financing of terrorism**, approved by the Decree of 13 May 2009 and amended on 25 May 2011. This Regulation came into force on 5 December 2013, thereby complying with the full implementation of the European regulations on matters related to the prevention of the laundering of money or securities and the financing of terrorism required under the terms of the Monetary Agreement signed between the Principality of Andorra and the European Union.

The Andorran regulations for matters related to preventing the laundering of money and securities and terrorist financing obliges parties subject to these regulations to determine the origin of the funds of their clients and also to determine the ultimate beneficial owners. The amendment of the Law of 29 December 2000 on international criminal cooperation and against the financing of terrorism, carried out through Law 20/2013 of 10 October, establishes that any physical person who enters or leaves the Principality of Andorra and who is carrying a sum of cash equal to or greater than 10,000 euro or its equivalent in a foreign currency must declare it at customs and fill out the declaration form that appears as an annex to the Regulations controlling cross-border transport declarations. For the

purpose of complying with international regulations, the UIFAND passed the *Technical Communiqué* for these purposes on 3 December 2015.

On 27 March 2014 **Law 4/2014 amending Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime and against the financing of terrorism, dated 29 December 2000** was approved. This law has been adapted to the essential standards established in New Recommendations 6 and 7 of the Financial Action Task Force (FATF) passed in February 2012.

**Law 2/2015** was passed on 15 January 2015, and it **amends the Law of 29 December on international cooperation in criminal matters and the fight against the laundering of money or securities proceeding from international crime and against the financing of terrorism**. This law mainly regulates the competences and functions of the UIFAND and its composition, and it establishes specific and particular rules for the appointment and dismissal of the Head of the UIFAND, and it also regulates the system of incompatibilities.

Similarly, the acronym used to refer to the financial intelligence unit of the Principality of Andorra was modified, this unit is now called the UIFAND.

On 16 July 2015 the General Council approved **Law 11/2015, of 16 July, amending Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime and against the financing of terrorism**, dated 29 December 2000.

Just as was the case with the amendments carried out since 2008, this latest amendment of the law responds to the need to adapt to the international standards established in accordance with the recommendations of the Financial Action Task Force (FATF).

#### AT AN INTERNATIONAL LEVEL

It should be noted that as a result of the regulations established in Andorran legislation against money laundering, the Principality of Andorra entered into a collaboration agreement on 1<sup>st</sup> January 2001 with the **United States Internal Revenue Service** (IRS).

In addition, all the banking entities and other financial entities in the Principality have also individually entered into this agreement with the IRS therefore obtaining the status of **Qualified Intermediary** (QI).

During 2006 both Andorra as a country and the entities forming part of the Andorran financial system renewed their status as

Qualified Intermediary, which is effective for six years (during which time, the entities will be subject to audits established by the IRS).

On 1<sup>st</sup> January 2011, the Law on the “Emergency Economic Stabilization Act of 2008” entered into force incorporating new reporting obligations for brokers essentially requiring them to inform their clients US Persons and the IRS of the tax income earned by them on financial instrument operations through presentation of model 1099-B. As from 1<sup>st</sup> January, the tax return is filed on the basis of the earnings generated by variable income operations and shares, irrespective of the origin of the issuer. As of 2012 and 2013 the reporting and declaration obligation will extend to transactions involving investment fund units and debt instruments, respectively.

Before 25 April 2014, banking entities and investment funds were bound by FATCA regulations through registration with the IRS (Internal Revenue Service). The FATCA regime (Foreign Account Tax Compliance Act) was passed by Law on 10 March 2010 (Hiring Act). The purpose of this Law is to prevent tax evasion by US persons. Foreign Financial Institutions (FFIs) are obliged to sign an agreement with the Internal Revenue Service (IRS), according to which they undertake to communicate certain information concerning

their clients. If an FFI does not sign the aforementioned agreement, the institution (and its clients) will be subject to retentions of 30% on all interest, dividends and sales proceeding from securities and other income coming from the United States, which is paid to either a US resident or a non-US resident.

➤ **Moneyval** Evaluations: Moneyval is the committee of experts of the Council of Europe that evaluates the measures against money laundering and terrorist financing taken by the jurisdictions. Andorra has passed the 4 evaluations carried out so far, the first between 1999 and 2001.

On 14 September 2015, Moneyval published the report on the actions taken by Andorra over the last three years, which have allowed it to pass the fourth round of evaluations of the European body. This report states that the main advances achieved are the Monetary Agreement with the European Union signed in 2011, the ratification of the Palermo Convention on transnational organised crime and the application of the Vienna Convention against illicit traffic in narcotic drugs and psychotropic substances, and the application of two UN resolutions against the financing of terrorism and

the follow-up to make sure that these obligations are complied with.

After passing the fourth evaluation, Andorra has **started to prepare for the fifth evaluation, which will take place during the first quarter of 2017.**

## THE QUALIFIED JUSTICE LAW

➤ The **Qualified Justice Law of 3 September 1993**, was passed for the purpose of bringing the principles inspiring the State of Law that are enshrined in the Constitution of the Principality passed the previous year into legal practice. This law regulates the structure, composition and functioning of the organization of the judicial system, guaranteeing the existence of independent and impartial judicial bodies in the application of the laws as well as the legal status of its members and the effective protection of citizens in the exercise of their rights and the defence of their legitimate interests. This law had only been amended on two occasions, although the amendment carried out through Qualified Law 24/2014, of 24 July, amending the Qualified Justice Law of 3 September 1993 makes a number of in-depth changes to several regulatory provisions in order to bring them into line with the current reality.

One of the most noteworthy amendments is the reform of the competences granted to the courts within the field of criminal jurisdiction. The elimination of the Penal Division of the *Batl·lia* (Court) has led to the creation of two pre-trial divisions, one of which is competent to hear cases linked to money laundering, socioeconomic crimes and organised crime.

On 15 January 2015, and as a result of a request for a previous reasoned opinion concerning its adaptation to the Constitution, Qualified Law 3/2015 was passed, amending the Qualified Justice Law of 3 September 1993, and Qualified Law 28/2014 of 24 July, amending the Qualified Justice Law of 3 September 1993, thereby complying with certain established constitutional requirements.

**The revised text of the Qualified Justice Law of 3 September 1993 was published on 17 June 2015.**

## THE CRIMINAL CODE

➤ In February 2005 the new Andorran **Criminal Code** was approved by significantly redefining the concept of money laundering, in such a way that the range of possible criminal activities giving rise to money laundering has expanded. Consequently, this amendment to the Criminal Code has also

affected certain articles of the aforementioned Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime and against the financing of terrorism.

Various amendments have subsequently been made to Law 9/2005 of the Andorran Criminal Code to adapt it to European and international regulations governing the prevention of money laundering and the financing of terrorism. Some of the most important modifications are listed below:

- On 18 October 2007 Qualified Law 17/2007 amending Law 9/2005 governing the Andorran Criminal Code, was approved, which includes a series of reforms to bring the Andorran Criminal Code into line with all the provisions of the Criminal Law Convention on Corruption, adopted by the European Council on 27 January 1999 and ratified by the Principality of Andorra on 8 November 2001.
- On 20 December 2007 Qualified Law 29/2007 was approved, amending article 409 of Qualified Law 9/2005 of 21 February 2005, governing the Andorran Criminal Code on the prevention of money laundering and securities.
- On 3 October 2008 the General Council approved Qualified Law 15/2008 amending Qualified Law 9/2005 dated 21

**Andorra passed the 4th Moneyval evaluation in September 2015, thereby preparing the way for the 5th evaluation, in line with the majority of EU and OECD countries**

**The 5th Moneyval evaluation will take place in Andorra during the first quarter of 2017**



**Andorra has adapted its penal code to the international standards and recommendations. The most recent amendment was approved in July 2015**

February 2005 governing the Andorran Criminal Code. The main reasons for this amendment were the need for certain technical modifications to increase the operative nature of the law and to include the entry into force of certain international treaties signed by Andorra. This recent amendment has led to the inclusion of article 366 bis which deals with the crime of “financing terrorism”. Consequently, on 12 June 2008 the United Nations Convention for the suppression of the financing of terrorism signed by the Andorran Government on 10 November 2001 was ratified.

- On 11 October 2012 the General Council approved Qualified Law 18/2012 amending Qualified Law 9/2005 dated 21 February 2005 governing the Andorran Criminal Code. The main reason for this amendment of certain articles was to align the criminal law with the international treaties signed or ratified by Andorra as well as the recommendations of the Group of States Against Corruption (GRECO) in order to adapt the aforementioned regulations to the requirements of our State to meet international standards, especially in matters relating to corruption and the financing of terrorism.
- On 10 October 2013, the General Council passed Qualified

Law 18/2013, amending the Penal Code. The Law which came into force on 31 October 2013 amends and creates other articles of greater importance following certain recommendations made by Moneyval in its fourth Assessment Report of 8 March 2012, and mainly affect matters dealing with the laundering of money or securities, market manipulation and the use of insider information.

- Qualified Law 40/2014, amending the Penal Code was passed on 11 December 2014 and it came into force on 15 January 2015. The purpose of this law is to adapt the regulations deriving from the international commitments undertaken by Andorra.

**The revised text of the Qualified Criminal Code Law 9/2005 of 21 February was passed on 29 April 2015.**

The Qualified Law 10/2015 amending Qualified Criminal Code Law 9/2005 of 21 February was passed on 16 July 2015. Just as with the other reforms carried out in recent years, this most recent reform is a consequence of the Principality’s gradual adaptation to international standards in matters related to preventing and fighting the laundering of money and securities and the financing of terrorism. This task takes into consideration the recommendations of the FATF, the specific recommendations of Moneyval and the implementa-

tion of the community legislation required by the commitments undertaken by virtue of the Monetary Agreement signed with the European Union.

- Similarly, it was seen that certain amendments needed to be made to the Code of Criminal Procedure to bring it into line with the aforementioned treaties and recommendations, and this led to the passing of Qualified Law 19/2012 amending Qualified Law 16/2008 of 3 October, amending the Code of Criminal Procedure of 10 December 1998.

Furthermore, Qualified Law 19/2013, amending the Code of Criminal Procedure was passed on 10 October 2013 in order to comply with Council Decision 2007/845/JHI established in the annex of the Monetary Agreement and it establishes that each Member State will create or appoint a national asset recovery body to facilitate the monitoring and identification of the proceeds of crime which might be subject to seizure of confiscation.

The revised text of **the Qualified Law amending the Code of Criminal Procedure of 10 December 1998** was passed on 22 April 2015.

Numbered accounts do not hinder the authorities, as the banks comply with know-your-client rules. External auditors are requested to be particularly diligent with these kinds of accounts as well as in other areas

exposed to the risk of money laundering.

A combination of the provisions outlined above and the strict application of these provisions by all the agents involved, especially regarding the efforts made by the financial sector, inter alia, to adequately train all of its employees, has ensured that reports issued by the various international bodies have been favourable, amongst others, the various progress reports in the evaluations carried out by the Moneyval.

Furthermore, the Principality has adapted its legal system to EU regulations on the prevention of money laundering and the fight against terrorist financing in fulfilment of the Monetary Agreement signed with the European Union and passed by the General Council of Andorra on 24 November 2011. The European Commission validates this transposition process.

Qualified Law 17/2015 amending the Qualified Law of the Code of Criminal Procedure of 10 December 1998 was passed on 24 July 2014 and it came into force on 4 September 2014, except for certain articles that came into force six months after the publication, on 3 March 2015. This law was passed with the aim of bringing the rules of criminal procedure into line with the new distribution of the powers of the courts within the field of criminal jurisdiction.



## II.5. DEVELOPMENTS IN THE FINANCIAL SYSTEM'S REGULATORY FRAMEWORK

Andorra is a country in evolution and with a clear projection abroad. This has meant that a series of needs have been created and a new economic framework is being developed to bring the Andorran economy into line with its neighbouring countries. As a result, Andorra has been rapidly and constantly adapting its legislative framework to international standards and it will continue to do so in coming months. The legislative and regulatory framework of the Andorran financial system has also been adapting to international standards.

Andorran banking is continuously monitoring the most up-to-date issues such as international regulations and legislation, strategic sector risks, supervisory systems, good practice requirements defined by the Basel Committee, the challenges of ensuring financial stability, confidentiality and transparency, new financial and insurance products, as well as ethics, professional practices and corporate governance of the financial system, in addition to other matters of interest to the sector.

**On 30 June 2011, the Principality of Andorra signed a Monetary Agreement with the European Union** and this was deposited with the European Commission in Brussels on 23 February 2012 and came into force on 1 April 2012.

The Monetary Agreement between the Principality of Andorra and the European Union recognises the euro as the official legal tender of the Principality and grants the right to coinage (*senyoratge*). **Law 17/2013 on the introduction of the euro within the framework of the Monetary Agreement signed between the Principality of Andorra and the Union European** was passed on 10 October 2013.

The agreement is also more comprehensive and comprises:

- the application of European legislation on the protection of the euro against fraud and falsification, regulations on notes and coins in euro, the prevention of money laundering and certain European regulations on banking and finance by means of direct transposition or equivalent measures in accordance with a defined schedule.
- the signing of the IOSCO protocol for multilateral agreement on consultations, cooperation and the exchange of information on the securities market, which was signed on 17 September 2013.

The Andorran legal system has been changed since the Monetary Agreement came into effect on 1 April 2012 in order to adapt it to the legal acts and regulatory provisions of the European Union

established in the annex of the Agreement on matters concerning the protection of the euro against fraud and falsification, the rules on euro notes and coins, and on matters related to the prevention of money laundering.

Article 8 of the Monetary Agreement provides that the European Commission amend the Annex at least once a year in order to take into consideration any new legal acts and regulations of the EU that are relevant. **The Government of Andorra approved the last amendment to the Annex on 20 April 2016.**

The Regulation developing **Law 17/2013 of 10 October, on the introduction of the euro within the framework of the Monetary Agreement signed between the Principality of Andorra and the European Union** was approved on 17 December 2014, and came into force on 28 January 2015. The aim of these regulations is to develop the law and to finish incorporating the legal acts and rules of the European Union that are mentioned in the annex to the Monetary Agreement concerning euro notes and coins and the prevention of fraud and the falsification of euro notes and coins into the Andorran legal framework.

The Principality is making a significant effort to bring its legisla-

tive framework into line with the Community *acquis*, particularly, in relation to banking and finance legislation. **Andorra will therefore have to legislate over the next years on issues such as capital adequacy to adapt to the requirements of Basel III; payment methods to join SEPA; to adapt the accounting framework of the Andorran financial system to International Financial Reporting Standards and the combat of money laundering and the financing of terrorism.** The Association of Andorran Banks and operating entities of the financial system have already been working on all these areas, although application of them would require a major overhaul of Andorran legal and financial regulations and an increase in the technical monitoring resources of banking and financial entities on the one hand and the public sector and the INAF on the other.

In such a context of standardisation and vouching for the adoption of a transparent and modern legal framework with the aim of aligning it to those of other countries and financial centres, it is necessary to highlight the following achievements:

- The signing on 12 February 2016 of the **Agreement for the automatic exchange**

**of information between the European Union** and Andorra as a natural consequence of the Principality signing up to the international transparency standards established by both the EU and the OECD and which is due to come into force in January 2017.

- The signing on 3 December 2015 of the multilateral agreement for the automatic exchange of information on fiscal matters between competent authorities (**Multilateral Competent Authority Agreement**) within the OECD.

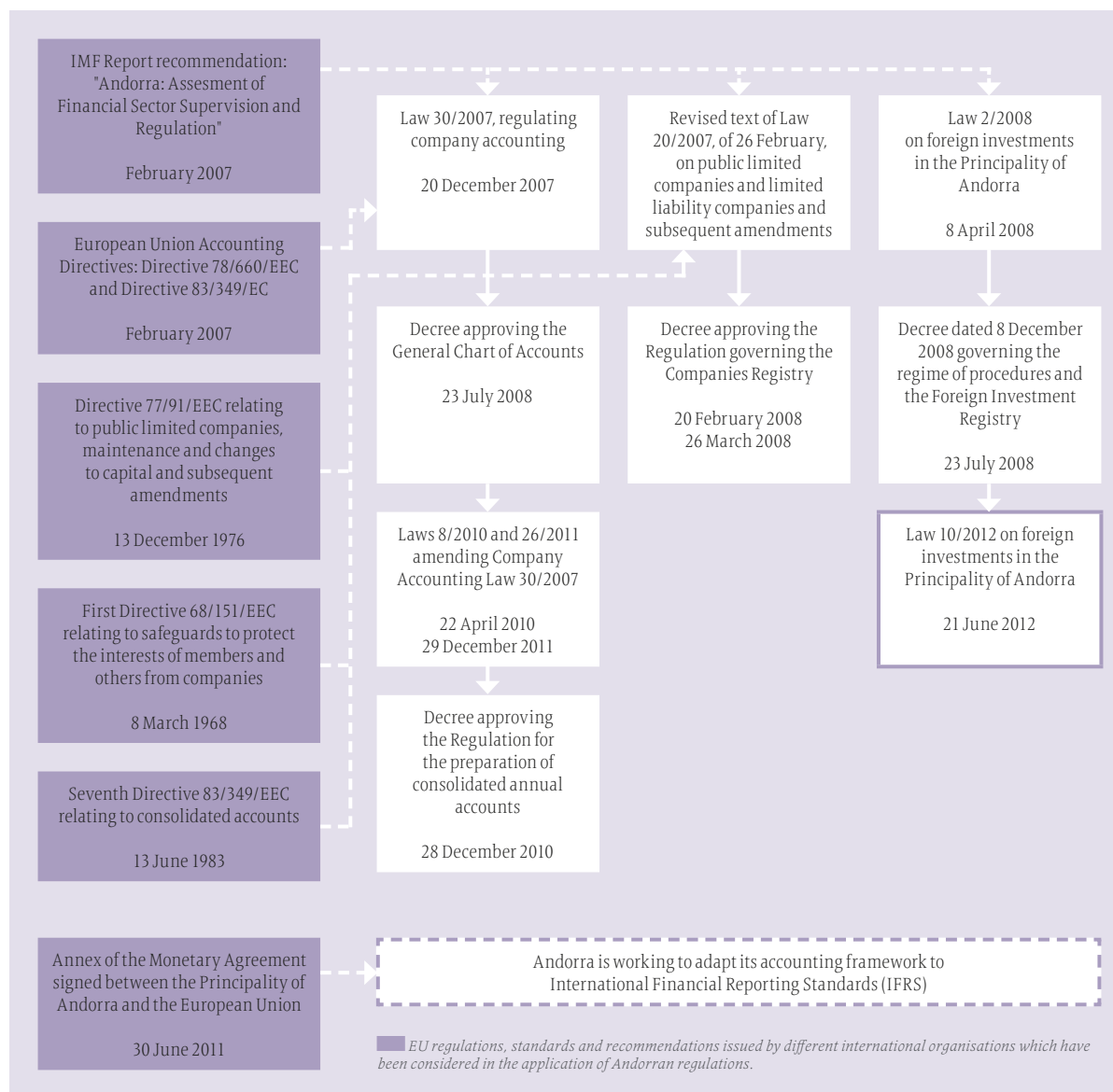
By virtue of the signing of this agreement, the exchange of information is not activated directly since it requires, among other things, the ratification of the **Multilateral Convention on Mutual Administrative Assistance** which Andorra signed in November 2013 and bilateral notification with the states it will be exchanging data with.

At the same time, the Principality of Andorra has entered into negotiations with the European Union to conclude a **Partnership Agreement**, together with Monaco and San Marino with the aim of joining the European Single Market.

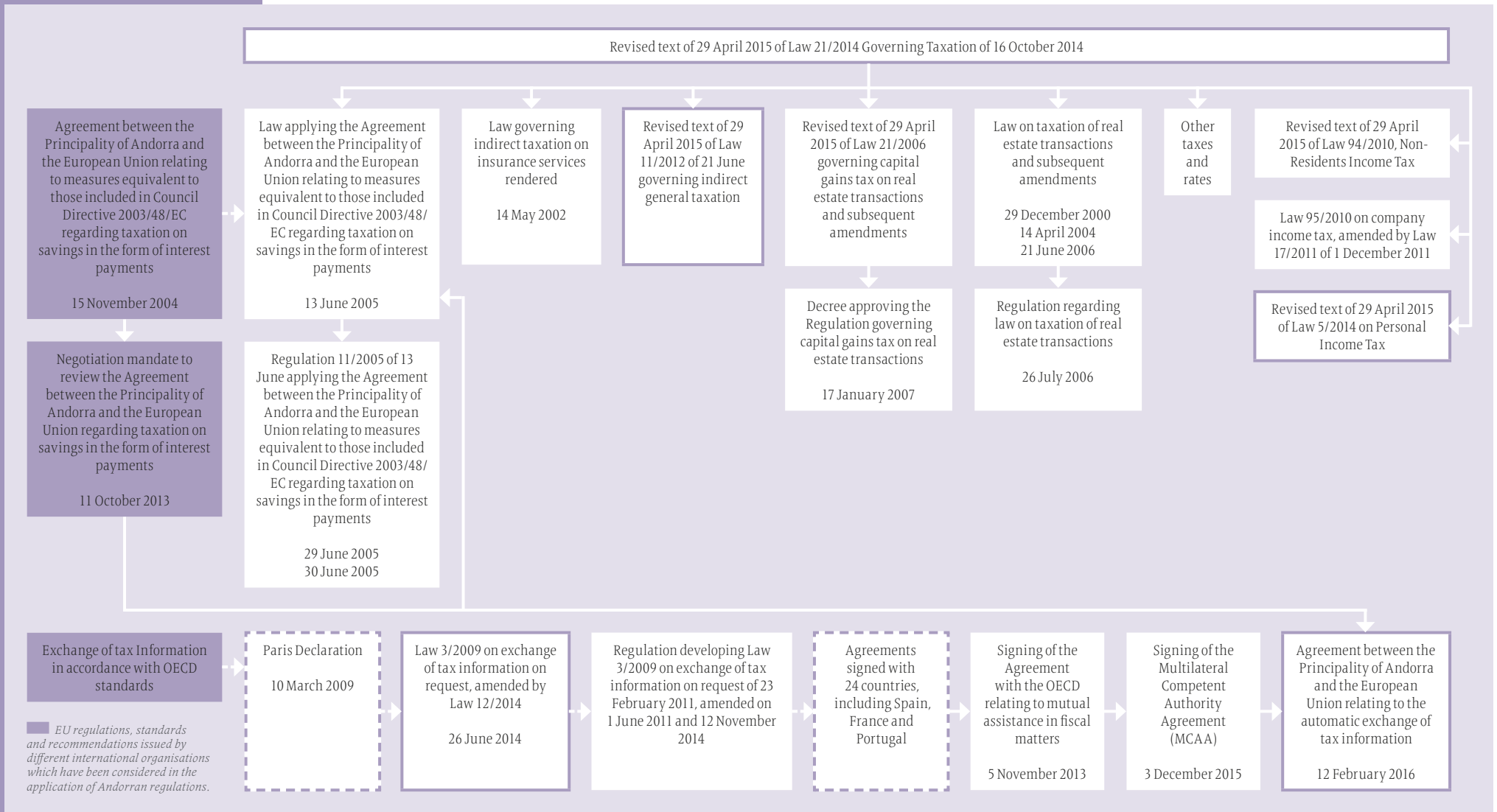
## II.6. EVOLUTION OF THE LEGAL AND REGULATORY FRAMEWORK OF THE ANDORRAN FINANCIAL SYSTEM IN AN INTERNATIONAL CONTEXT

The main regulatory provisions and initiatives governing financial activity in the Principality of Andorra are illustrated below, identifying the regulatory framework and the recommendations of international bodies such as the International Monetary Fund (IMF), MONEYVAL or the OECD, which have been taken into account, for the purpose of ensuring compliance with best practices and international standards which guarantee the stability of the financial system and the combat against criminal activities, as well as the transposition of legal provisions to ensure that the banking and financial sector complies with the Monetary Agreement between the Principality of Andorra and the European Union.

### EVOLUTION OF ANDORRAN LEGISLATION: CORPORATE AND ACCOUNTING



## EVOLUTION OF ANDORRAN LEGISLATION: TAXATION



## EVOLUTION OF ANDORRAN LEGISLATION: CHRONOLOGY OF EVENTS IN RELATION TO THE PROCESS EXPERIENCED IN THE PRINCIPALITY

1998		OECD prepares first reports on tax havens.
2000	June	OECD prepares a list of all the non-cooperating countries, comprising 40 jurisdictions, one of which is Andorra.
2000-2003		31 of these countries sign letters of intent to comply with OECD standards and become part of a new “grey list”. Andorra remains on the list of non-cooperating countries.
2004	15 November	Andorra signs an agreement with the EU on the taxation of returns on savings, an equivalent measure to the exchange of information.
2009	13 February	Visit from Christian Frémont, representative of the French co-prince Nicolas Sarkozy, to request that the Andorran Government adopt measures to facilitate the exchange of tax information.
	10 March	Andorra signs the Paris Declaration, which establishes a schedule of legislative reforms to assist in complying with OECD requirements.
	2 April	The OECD announces that Andorra is now on its “grey list”. (Andorra easily passes the 12 tax information exchange agreements required by the OECD).
	September	Andorra approves the Law 3/2009 on the exchange of tax information on request (07/09/09). TIEA's are signed with Austria (17/09/09), Liechtenstein (18/09/09), Monaco (18/09/09), San Marino (21/09/09) and France (22/09/09).
	October	Andorra signs TIEA's with Belgium (23/10/09) and Argentina (26/10/09).
	November	Andorra signs TIEA's with the Netherlands (6/11/09) and Portugal (30/11/09).
2010	14 January	Andorra signs a TIEA with Spain.
	24 February	Andorra signs TIEA's with Sweden, Finland, Norway, Denmark, Iceland, Greenland and the Faroe Islands. The OECD includes Andorra within the group of “jurisdictions which have substantially implemented international tax standards’.
	25 November	Andorra signs a TIEA with Germany.
	23 November	Andorra comes off Spain's list of tax havens as a result of signing a TIEA which Spain in January of the same year.
	December	Approval of Company Income Tax (IS), the Tax on income from Economic Activities (IAE) and Non-Residents Income Tax (IRNR).
	2011	June
August		1st round evaluation by the Peer Review Group (Global Forum).
2012	March	Beginning of the 4th round evaluation by the Moneyval.
	15 March	Andorra signs a TIEA with Australia.
	4 April	Initialling of a DTC between the Principality of Andorra and the Republic of France.
	15 June	Andorra signs a TIEA with Poland.

2013	1 January	The General Indirect Tax (IGI) Act comes into force.	
	2 April	Andorra signs the DTC with France.	
	11 June	Andorra signs a TIEA with the Czech Republic.	
	17 September	The INAF is accepted into the IOSCO as a full member.	
	11 October	Andorra agrees a negotiation mandate for an Agreement with the European Community to establish measures equivalent to those envisaged under Directive 2003/48/CE.	
	October	2nd Evaluation Phase of the Peer Review (Global Forum).	
	5 November	Signing of the Agreement with the OECD relating to mutual assistance in fiscal matters.	
	2014	17 March	Andorra signs a TIEA with the Swiss Confederation.
	2 June	Andorra signs a DTC with Luxemburg, making it the second non double taxation agreement signed by Andorra.	
	24 April	The Personal Income Tax (IRPF) Act is passed.	
	June	Peer Reviews Phase 1 + 2 (Global Forum).	
	23 October	Andorra signs a TIEA with the Republic of Korea.	
	2015	8 January	Andorra signs a DTC with Spain.
	5 March	The French Assembly approves the DTC signed with Andorra.	
	9 June	Initialling of a DTC between the Principality of Andorra and Liechtenstein.	
	1 July	The DTC signed between Andorra and France comes into force.	
	28 July	Andorra signs a DTC with United Arab Emirates.	
	September	Andorra passes the 4th Moneyval evaluation. On-site visit in March 2017.	
	22 September	Andorra signs a TIEA with Italy and has now signed a total of 24 agreements.	
	4 November	Andorra and the EU initial an AEOL.	
	3 December	Andorra signs the MCAA with the OECD.	
2016	12 February	Andorra signs the AEOL with the EU which is due to come into force on 1 January 2017.	
	26 February	The DTC signed between Andorra and Spain comes into force.	

### Abbreviations:

TIEA: Tax Information Exchange Agreement.

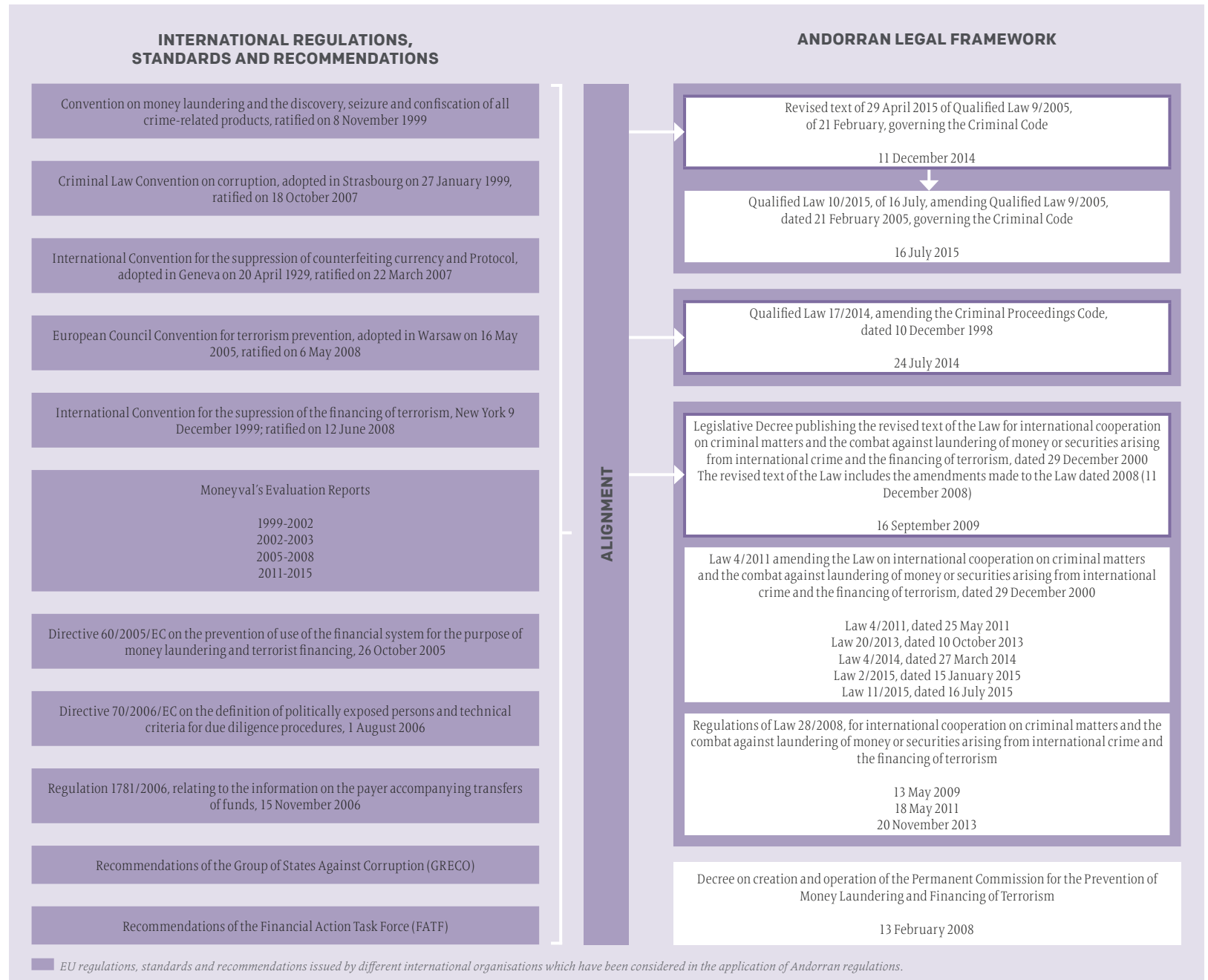
DTC: Double Taxation Convention.

MCAA: Multilateral Competent Authority Agreement.

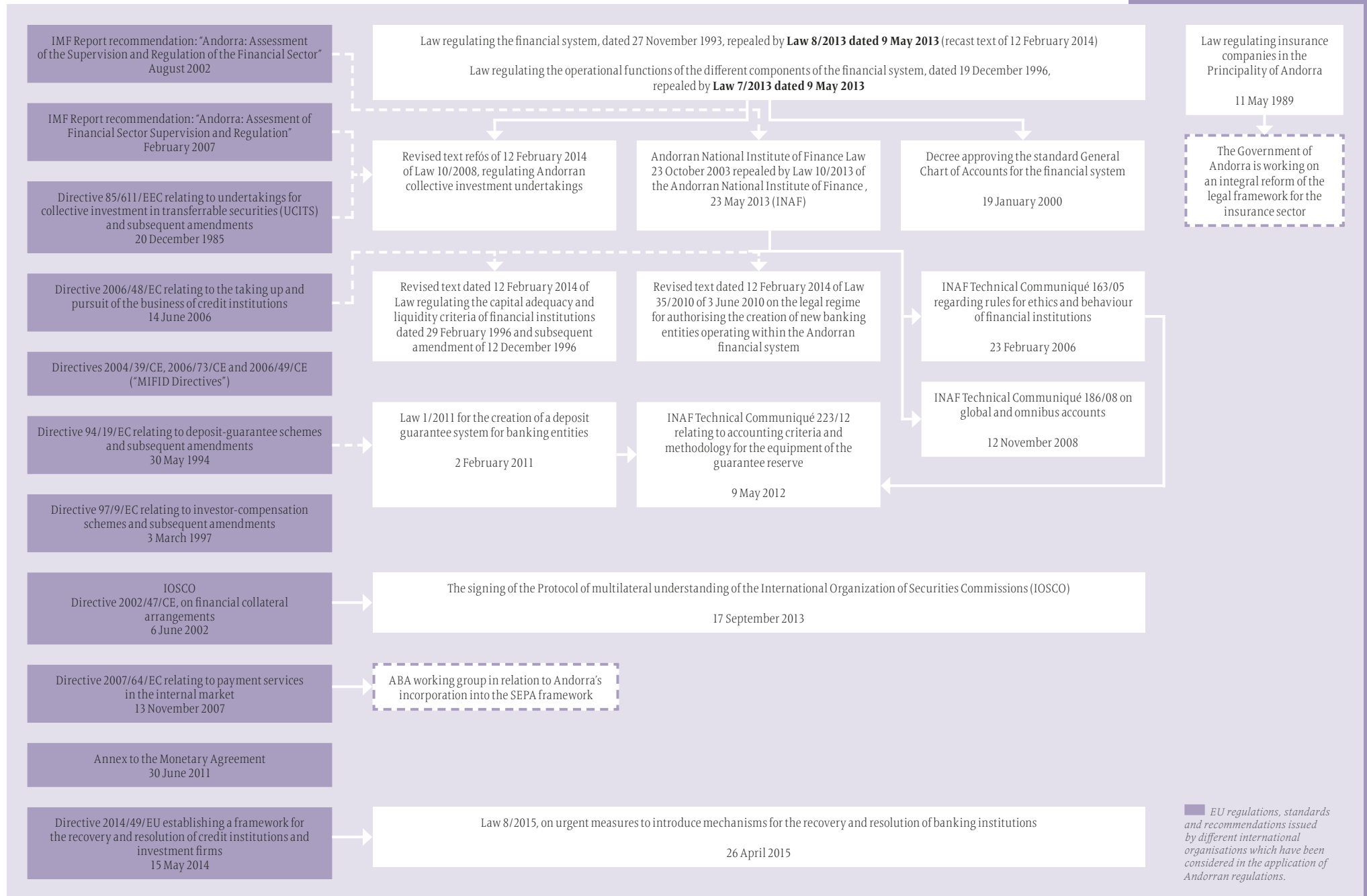
AEOL: Automatic Exchange of Information.



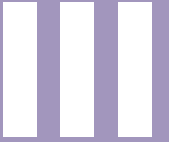
## EVOLUTION OF ANDORRAN LEGISLATION: MONEY LAUNDERING



## EVOLUTION OF ANDORRAN LEGISLATION: FINANCIAL REGULATION









# III ECONOMIC ENVIRONMENT

**Andorra has a prosperous economy that is characterised by high growth of GDP and per capita income combined with low public debt and unemployment**

**The main macroeconomic indicators show a change in trend and a move towards recovery**

**The financial sector has shown that it is resistant, in particular thanks to its internationalisation and diversification over the past decade**

## III.1. INTRODUCTION

Since the emergence of the tourism sector in the 1960s, over the last 50 years Andorra has experienced exceptional growth in its economy, population and income per capita, which has resulted in a modern and prosperous economy. Likewise, the slowdown of the Andorran economy in recent years has drained the economic model which until now has permitted the sustained growth of the Principality's economy.

The current economic situation has made it clear that a new economic model based on human capital, competitiveness and knowledge is essential, although this will not necessarily cause the more traditional sectors of the Andorran economy to disappear.

In Andorra, the main macroeconomic indicators that we will analyze throughout this chapter show a similar situation to that of previous years, even though a change of trend can be observed. It is necessary to bear in mind that 2015 has seen a slight recovery of the main Western economies. Furthermore, the asymmetric behaviour of certain economies in Europe has hindered the measures that need to be adopted to reactivate the economy: notwithstanding the moderate recovery of countries such as Germany or France. Spain has witnessed a slight slowdown that is partly due to the political

situation that the country is going through.

With the aim of modernising the Andorran legal framework and boosting economic activity, the new Companies Act was approved in the Principality in 2007 and the Foreign Investments Law was enacted in 2008, enabling the Andorran economy to gradually open up to foreign capital, which was repealed during 2012 by Law 10/2012 on Foreign Investment in the Principality of Andorra, allowing 100% of the liberalisation of foreign investments, thereby offering a greater diversification of the economy and providing increased value added. As well, in January 2009 the Company Accounting Law came into force which was developed with the approval of the General Chart of Accounts.

In March in the same year the Paris Declaration was signed and the Law for the exchange of tax information upon request was approved and Andorra subsequently signed bilateral agreements for the exchange of information with 24 countries, including Spain, France, Portugal and Switzerland, as well as approval of the regulations contained therein, as explained in further detail in chapter "II. Andorran Legal Framework" of this publication.

In order to bring the Andorran tax system into line with those of the neighbouring countries and open the Andorran economy up to foreign markets, the Andorran General Council approved in 2010 the Laws on income tax and the taxation of income earned from economic activities as well as the Law on the taxation of income earned by non-residents for tax purposes. As explained in the Tax Framework section of chapter "II. Andorran Legal Framework", the first two taxes are applicable to the tax periods starting from 1<sup>st</sup> January 2012; the Law on the taxation of income earned by non-residents for tax purposes came into force on 1<sup>st</sup> April 2011. Likewise, during 2012, the Andorran General Council approved the Law on the General Indirect Tax, which came into force on 1<sup>st</sup> January 2013, and which brought it into line with the Community Directive on matters of indirect taxes. The Personal Income Tax Law was passed on 24<sup>th</sup> April 2014, completing the configuration of the fiscal framework in matters of income tax, and came into force on 1<sup>st</sup> January 2015.

One of the main strategies of the Government of Andorra since the end of 2011 has been to promote private foreign investment in order to diversify the economy, create new economic sectors and increase the competitiveness of already existing sectors. Therefore, the

liberalization of foreign investments, together with the signing of non double taxation agreements, following the recent application of direct taxation on companies, economic activities and personal income, need to place the Andorran economy in a position that can allow it to compete on equal terms with the neighbouring economies, and at the same time it must make Andorra an attractive destination for new sectors and companies.

To this end, the Government of Andorra has promoted the ACTUA initiative. This is a public/private entity that brings together several ministries, government agencies, associations and/or entities from the private sector, and its mission is to help open up the economy to foreign companies and facilitate investment and the economic diversification of Andorra.

Notwithstanding, the Andorran Government continues to promote quality tourism and the appeal of the Principality's commerce sector, the main reasons for visits from tourists.



## III.2. MAIN ECONOMIC VARIABLES

### NATIONAL INCOME AND PER CAPITA INCOME

At the close of this edition, the data on national income and per capita income for the 2015 financial year were not yet available, and therefore the data presented for 2015 are based on the estimate made by Standard & Poor's.

Gross Domestic Product (GDP) is one of the essential macroeconomic aggregate for assessing the production of resident units of all economies. Since 2002 the statistics department of the Government of Andorra has made its estimates using so-called indirect methods, from variables that are co-related to the evolution of the same.

As we can see in **figure 1**, national income began to fall in 2008 with the start of the economic crisis and it was situated at 2,525 million Euros in 2014. This negative trend seems to have eased off in recent years. The gross value added (GVA) of the economy grew for the first

time since the start of the recession, rising from 2,220 million Euros in 2012 to 2,271 million Euros in 2014. The figure also shows that GNP grew by 62.17% since 2000.

**Table 1** shows the evolution of per capita income (nominal) since 2009. Despite the economic recession, there was an increase in per capita income in 2010, which can be explained by the loss of population in Andorra, which was higher than the fall in GDP in this period. In line with the evolution of GDP and maintaining the population level during 2012 and 2013, the reduction of per capita income has slowed down.

### CONSUMER PRICE INDEX

The annual variation of the Andorran Consumer Price Index (CPI) for 2015 was situated at -0.90%. It has risen from 0.00% in 2009 to 1.60% in 2010, from 2.50% in 2011 to 1.10% in 2012, from 0.00% in 2013 to -0.1% in 2014.

This drop in the CPI was influenced by a fall in prices within the transport sector, especially fuel prices, which fell by 16.5% (-16.5%). Underlying inflation, which is calculated using CPI prices with the exception of products with more volatile, non-seasonal prices (fresh produce and energy products), has situated itself at 0.6%, a rate that remains above the general index (-0.90%) and lower than the level of underlying inflation registered in Spain (+0.9%), from where most consumer goods come.

Details of the evolution of the Andorran, French and Spanish year-on-year consumer price indexes for the last three years are shown in **figure 2**.

**Figure 2** shows an overall drop in the year-on-year CPI, in line with trends observed in the other countries of the Euro Zone.

#### NATIONAL INCOME AND PER CAPITA INCOME (NOMINAL)

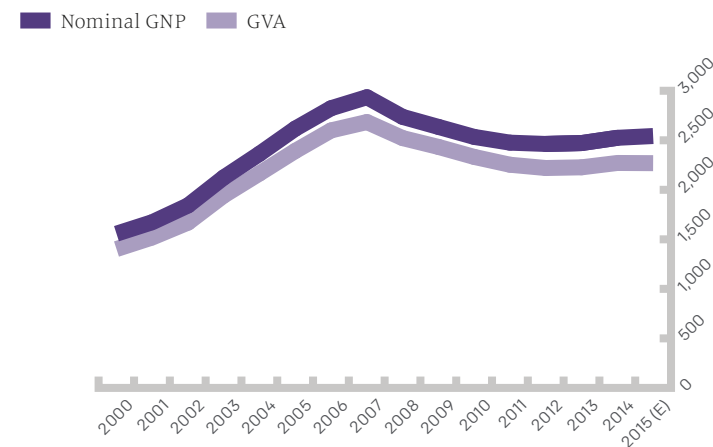
	2009	2010	2011	2012	2013	2014	(E) 2015
National income (EUR million)	2,635	2,534	2,476	2,463	2,472	2,525	2,543
Per capita income (EUR)	35,800	36,044	35,490	35,308	35,327	35,786	35,451
Estimated population	73,600	70,290	69,772	69,758	69,966	70,750	71,732
Variation in per capita income	-	0.68%	(1.54%)	(0.51%)	0.05%	1.30%	(0.94%)

(E) Estimation according to the Standard & Poor's report, September 2015

Source: Department of Statistics - Government of Andorra

[table 1]

#### EVOLUTION OF NOMINAL GNP AND GVA 2000-2015

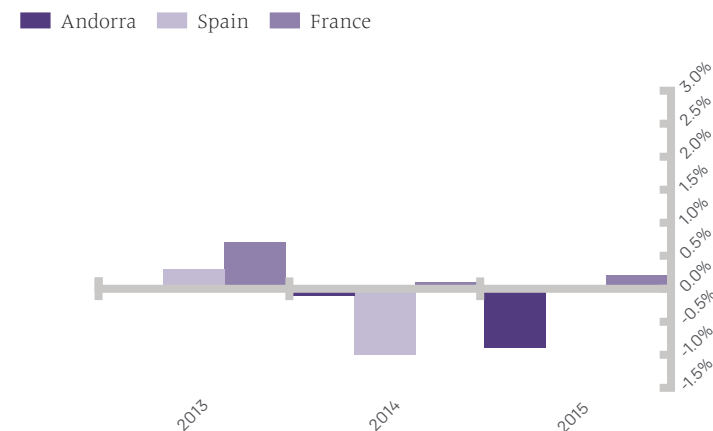


(E) Estimation according to the Standard & Poor's report, September 2015

Source: Department of Statistics - Government of Andorra

[figure 1]

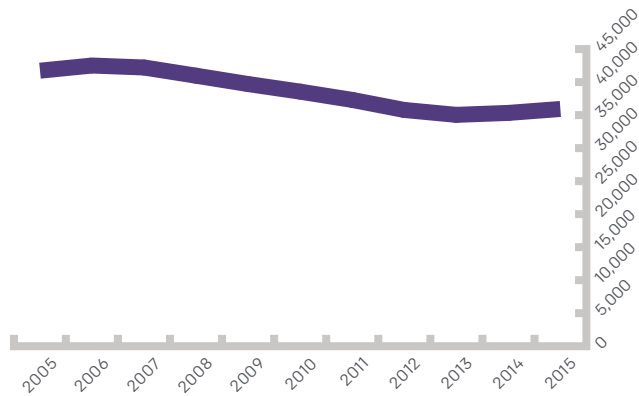
#### EVOLUTION OF YEAR-ON-YEAR INFLATION IN ANDORRA, SPAIN AND FRANCE



Source: Department of Statistics - Government of Andorra

[figure 2]

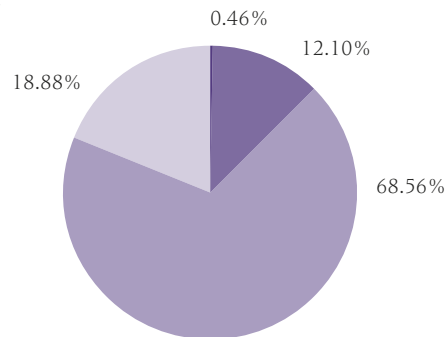
## EVOLUTION OF WAGE EARNERS 2005-2015



(NUMBER OF WAGE EARNERS) Source: Department of Statistics - Government of Andorra [figure 3]

## DISTRIBUTION OF WAGE EARNERS BY SECTOR 2015

- Private sector: Primary
- Private sector: Secondary
- Private sector: Service industries
- Public sector



Source: Department of Statistics - Government of Andorra

[pie chart 4]

## EMPLOYMENT MARKET

The annual average number of jobs for 2015 has increased by 2.39% in comparison with the previous year, up to 43,268 jobs, 1,008 more than in 2014. 5,129 jobs have been lost over the last decade in those sectors which have experienced the most notable decline in activity, such as construction, industrial and services-related activities.

**The average number of jobs grew by 2.39% during 2015**

During the past decade, 5,799 salaried jobs have been lost due to the effect of the economic crisis of 2007, representing a fall of 13.9%. However, as we can see in **figure 3**, in a period of international financial crisis and economic recession, the decrease in the number of jobs and wage earners in Andorra has been well below that reported in the majority of neighbouring economies. The number of salaried workers grew by 1.69%, a percentage corresponding to 596 salaried workers.

The slight increase in salaried workers has been in almost all the main sectors. This year, the construction industry has seen a small change to the upward trend of salaried workers with 24 new employees, which represents 0.88% (-2.70% on 2014). However, the most significant increases have been recorded by the real estate sector with 212 salaried workers (12.13% more than in 2014), followed by the financial sector with 130 salaried workers and the health and veterinary activities sector with 86 salaried workers during 2015. The sectors of activities that have seen a reduction in the number of salaried workers are the household sectors that employ personnel (-17 salaried workers compared to 2014) and the public administration which lost 15 salaried workers.

As shown in the **pie chart 4** illustrating the wage earners registered with the *Caixa Andorrana de Seguretat Social* (National Health System; hereinafter the CASS) by sector, the tertiary sector's importance to the Andorran economy is highly significant, 68.56% of total wage earners in 2015, followed by the public sector (18.88%), the

secondary sector -industry and construction- (12.10%) and finally the primary sector (0.46%).

**The tertiary sector is the most significant in the andorran economy, representing 68.56% of all salaried workers**

On the other hand, the comparison of employment rates that we see in **table 2** shows the employment rate in Andorra to be in line with that of the 28-country European Union.

The variation in the employment rate in Andorra compared to 2014 has been positive, with an increase of 0.43% (in 2014 it fell by 0.31%) since the active population grew by 1.25% while the increase in the salaried population was 1.69%. The 28 member states of the European Union experienced a slight variation increasing from 64.80% to 65.60%.

**There have been increases in both the active population and salaried workers**

## EMPLOYMENT RATE

	ANDORRA		UE-28	
	2014	2015	2014	2015
Employment rate (*)	64.11	64.38	64.80	65.60

(\*) Wage earning population as percentage of population from 15 to 64 years of age

(PERCENTAGE) Source: Andorran National Health System (CASS) and Eurostat

[table 2]

## GROWTH OF SALARIES

Unlike other neighbouring countries, the Andorran economy has no collective bargaining system to establish yearly salary levels. However, the Andorran Government sets the minimum hourly salary rate at a national level.

In 2015, according to **table 3**, the average salary has decreased by 2.88%.

**Figure 5** shows a comparison of minimum salaries between Andorra and other EU countries. It can be observed that the minimum salary in Andorra is between that of Spain and the UK, but lower than that of Monaco and Luxembourg.

In 2015, the financial system and the electricity, gas and water production and distribution sector are those sub-sectors registering the highest average salaries, considerably higher than the average salaries declared to the CASS, that is 4,218 Euros (-23.60%) and 3,198 Euros (-1.24%), respectively. It is worth mentioning the fact that that extractive industries increased by 58.08%.

The evolution of average salaries shown in **figure 6** has been positive in general terms in the secondary and public sectors. The primary and tertiary sectors have experienced a negative evolution.

**There has been a change of trend with energy consumption which has increased by 1.73%**

## CONSUMPTION OF ELECTRICAL POWER

Electricity consumption is a useful indicator for estimating the progress of a country's economic activity. The evolution of electricity consumption over recent years using 1999 as the index year is shown below.

**Figure 7** shows that energy consumption has increased by 1.73% with respect to year 2014, which fell by 1.98%.

In order of importance, the sectors with the highest demand for energy consumption are other distributors, domestic users, distri-

bution, other services and hotels and restaurants which account for 74% of the Principality's energy consumption, and these are the sectors that have registered the highest increase in consumption (2.26%).

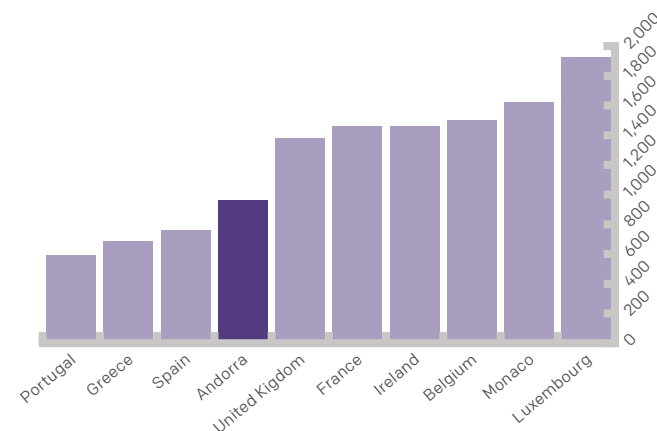
## TELECOMMUNICATIONS

The telecommunications sector is characterised by an extremely accelerated rate of growth and innovation in recent years, with products being rapidly replaced by more updated ones. Mobile telephones now account for the largest number of subscribers in our country, with a total of 71,720 subscribers compared to 44,787 landlines subscribers.

Andorra is the European leader in the deployment of fibre optic technology. This is evidenced by the FTTH Council Europe, which highlights the totality of the roll-out of the Andorran network.

The project to replace copper lines with fibre optics is due to take effect in the parishes of Andorra la Vella and Escaldes-Engordany in June 2016, and in the rest of the country on 31 December 2016.

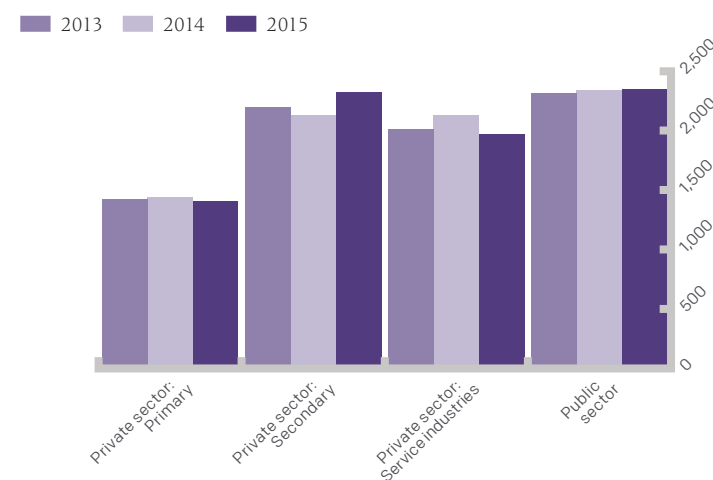
## MINIMUM SALARIES 2015



(EUR) Source: Eurostat and Department of Statistics - Government of Andorra

[figure 5]

## EVOLUTION OF AVERAGE SALARIES BY SECTOR



(EUR) Source: Department of Statistics - Government of Andorra

[figure 6]

## GROWTH OF AVERAGE AND MINIMUM SALARIES IN ANDORRA

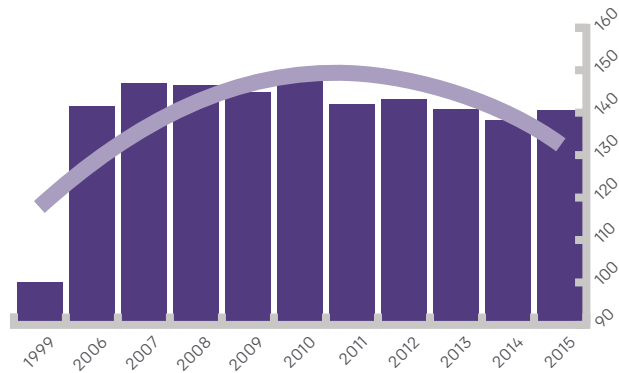
	1995	2010	2011	2012	2013	2014	2015	VAR. (%) 14-15
Average salaries	1,021	1,995	2,015	2,008	1,995	2,047	1,988	(2.88%)
Minimum salaries	616	915	929	952	962	962	962	0.00%

(MONTHLY EURO) Source: Department of Statistics - Government of Andorra

[table 3]

## VARIATION IN ENERGY CONSUMPTION (BASE 100=1999)

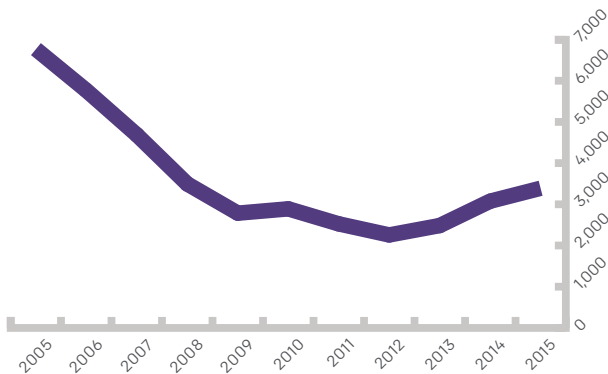
■ % Increase



(MW/ HOUR) Source: Department of Statistics - Government of Andorra

[figure 7]

## EVOLUTION OF LICENSED VEHICLES BETWEEN 2005-2015



Source: Department of Statistics - Government of Andorra

[figure 8]

## VEHICLE LICENSING AND FUEL

One of the indicators of internal demand in the Andorran economy is the number of licensed vehicles. The automobile sector is one of the sectors that has been most affected by the recession, although it has registered an increase since 2013, with vehicle registrations increasing by 10.20% during this year. A total of 3,393 vehicle registrations in 2015 reduced the difference in registrations of the last eight years, as we can see in [table 4](#) and in [figure 8](#).

Cars represent approximately 71.65% of total licensed vehicles and motorcycles 16.92%. These two groups reached their all-time records in 2005, with a total of 4,491 vehicles and 1,266 motor-

cycles being registered. Furthermore, licensing of other types of vehicles, such as vans, has slightly increased this year, as well as other vehicles. The lorries and special vehicles group which has suffered a decrease of registrations, represents a small percentage within the total registered vehicles group in comparison to cars, generating a fairly insignificant effect on the variation in total demand for vehicles. Despite the negative trend of the previous years, since 2014 the evolution shows a slight recovery.

In addition to analysing the total number of licensed vehicles, the import and export of vehicles in and out of the Principality should also be taken into consideration. Net imports during 2015 have amounted to Euros 117,390,898, 11.83% higher than those made in 2014.

Another indicator of consumption is fuel imports, which in 2015 have slightly increased, compared to 2014. This sector is very closely linked to tourist consumption and it is sensitive to the price differential between Andorra and the neighbouring countries. In the case of locomotive diesel and imports of domestic fuel, there was a slight increase. Kerosene and carbureactors considerably increased by 99.79%, as shown in [table 5](#).

**This year has seen a 10.20% increase in vehicle registrations, indicating a slight recovery of the automobile sector**

### LICENSED VEHICLES

	2009	2010	2011	2012	2013	2014	2015	VAR. (%) 14-15
Total vehicles	2,788	2,893	2,528	2,259	2,487	3,079	3,393	10.20%

Source: Department of Statistics - Government of Andorra

[table 4]

### FUEL IMPORT

	2011	2012	2013	2014	2015	VAR. (%) 14-15
Unleaded gas	28,080,840	27,191,927	25,478,296	25,113,814	25,036,349	(0.31%)
Diesel oil locomotion	102,216,532	101,249,226	97,007,606	97,849,613	97,898,126	0.05%
Domestic fuel	54,298,678	55,834,708	57,507,520	51,516,641	52,442,080	1.80%
Kerosene and kerosene for jet engines	131,958	93,560	143,075	131,983	263,695	99.79%
<b>TOTAL</b>	<b>184,728,008</b>	<b>184,369,421</b>	<b>180,136,497</b>	<b>174,612,051</b>	<b>175,640,250</b>	<b>0.59%</b>

(LITERS) Source: Department of Statistics - Government of Andorra

[table 5]

### III.3. PUBLIC SECTOR

The Andorran public sector is comprised of the Central Government, seven *Comuns* (equivalent to town councils), i.e. one for each of the seven parishes of Andorra, and parapublic entities, which are a group of entities fully owned by the public sector, which manage public services and other areas. Parapublic entities include health and social service entities such as the *Centre Hospitalari Andorrà*, the Andorran Health Service (*Servei Andorrà d'Atenció Sanitària (SAAS)*), retirement homes for the elderly and the Andorran Social Security Authority (*Caixa Andorrana de la Seguretat Social (CASS)*), energy suppliers and telecommunications

providers such as *Forces Elèctriques d'Andorra (FEDA)* and *Andorra Telecom*; and other bodies such as the Andorran National Institute of Finance (*Institut Nacional Andorrà de Finances (INAF)*) and the Andorran National IT Centre (*Centre Nacional d'Informàtica d'Andorra*) and Radio & Television of Andorra (*Ràdio i Televisió d'Andorra (RTVA)*).

**The public sector is made up of the Central Administration, the seven municipal administrations and parapublic entities**

#### CENTRAL GOVERNMENT

A Government's domestic budget is one of the main aspects to be taken into account when analysing the economy of a country, as it can influence its levels and management. Therefore, it is essential to consider the distribution and total amount of the budget and the objectives to be reached. **Table 6** details the budget and the liquidation of the Central Administration for 2015.

Another important aspect is the situation of the Government's treasury, as this conditions a significant part of the budgetary

structure. Since 2001 the Andorran Government has had a trade surplus, whereas since 2006 it has shown a trade deficit as a result, inter alia, of capital investments.

The Andorran Government closed 2015 with a cash deficit of 13,2 million Euros and a management surplus that amounted to 4,2 million euro.

**The management surplus achieved by the government during 2015 was 4,2 million euro**

#### CENTRAL GOVERNMENT BUDGET AND LIQUIDATION

	BUDGET 2015	% OF TOTAL BUDGET	LIQUIDATION BUDGET 2015	% OF TOTAL LIQUIDATION	VAR. (%) LIQ./BUDGET
<b>TOTAL INCOME</b>	<b>789,870,000</b>	<b>100.00%</b>	<b>777,065,000</b>	<b>100.00%</b>	<b>(1.62%)</b>
Transfers	-	-	1,055,000	0.14%	-
Direct taxes	68,883,000	8.72%	68,252,000	8.78%	(0.92%)
Indirect taxes	294,796,000	37.33%	269,069,000	34.63%	(8.73%)
Other income	35,337,000	4.47%	52,383,000	6.74%	48.24%
Changes in net financial assets	1,514,000	0.19%	1,935,000	0.25%	27.81%
Changes in net financial liabilities	389,340,000	49.29%	384,371,000	49.46%	(1.28%)
<b>TOTAL EXPENSES AND INVESTMENTS</b>	<b>789,870,000</b>	<b>100.00%</b>	<b>793,694,000</b>	<b>100.00%</b>	<b>0.48%</b>
Investments	50,262,000	6.36%	45,963,000	5.79%	(8.55%)
Transfers	203,086,000	25.71%	195,024,000	24.57%	(3.97%)
Operating expenses	152,345,000	19.29%	145,540,000	18.34%	(4.47%)
Financial expenses	19,397,000	2.46%	17,488,000	2.20%	(9.84%)
Financial assets	1,479,000	0.18%	9,640,000	1.22%	-
Financial liabilities	363,301,000	46.00%	380,039,000	47.88%	4.61%

(EUR) Source: Ministry of Finance - Government of Andorra

[table 6]



On 24 November 2010 the Principality of Andorra offered its first issue of public debt through Treasury Bills, which was open to private investors. Since then, there have been four new debt issuances in the form of Treasury Bills with a maturity of between 12 and 18 months. On 18 December 2013, an issuance of long-term debt took the form of government bonds for the first time. The issue incorporates the international standards in the matter to ensure that securities issued in Andorra can be listed on international markets.

These operations are a response to the desire to diversify borrowing,

which to date had been entirely supported by Andorran banks. In 2015, borrowing from Andorran banks as a whole represented 52.8% (it represented 53.08% in 2014).

### LOCAL GOVERNMENT

The Andorran *Comuns* obtain their annual revenues from transfers received from the Andorran Government, and the remaining amount from funds they collect and other income.

The table below shows total revenue and expenses for each of

the *Comuns*, according to the 2015 budget, and illustrates that the most significant source of income collected 54.42% (55.64% in 2014) is included under the “Own collection of funds and others” caption, which comprises taxes and rates of the *Comuns*. 42.65% relates to transfers received from the Government (41.35% in 2014), where the *Comuns*’ greater dependence on transfers received from the Government stands out. 63.54% of *Comuns* expenses relates to “Operating expenses”, comprising expenses relating to personnel, goods and services. 14.50% corresponds to investments and the remaining 21.96% to transfers, financial

expenses and financial assets and liabilities.

**Table 7** also provides details of the budget clearance for 2015, showing possible deviations:

The liquidation of the budgets reflects the restraint that all the municipalities (communes) have exercised on their spending.

#### LOCAL GOVERNMENT BUDGET AND LIQUIDATION FOR 2015

	BUDGET	LIQUIDATION	DIVERSION
<b>TOTAL INCOME</b>	<b>138,405,185</b>	<b>136,226,365</b>	<b>(1.57%)</b>
Canillo	11,995,664	12,776,083	6.51%
Encamp	29,360,594	27,462,906	(6.46%)
Ordino	11,160,788	11,900,578	6.63%
La Massana	12,359,651	13,349,521	8.01%
Andorra la Vella	37,373,968	33,741,032	(9.72%)
Sant Julià de Lòria (*)	11,630,134	12,229,104	5.15%
Escaldes-Engordany	24,524,385	24,767,141	0.99%
<b>TOTAL EXPENSES</b>	<b>141,536,819</b>	<b>125,931,422</b>	<b>(11.03%)</b>
Canillo	11,995,664	9,659,847	(19.47%)
Encamp	29,360,594	25,947,806	(11.62%)
Ordino	11,160,788	10,464,638	(6.24%)
La Massana	12,752,629	11,989,503	(5.98%)
Andorra la Vella	37,373,968	33,364,571	(10.73%)
Sant Julià de Lòria (*)	14,368,791	12,684,995	(11.72%)
Escaldes-Engordany	24,524,385	21,820,062	(11.03%)
<b>BUDGET / LIQUIDATION RESULT</b>	<b>(3,131,635)</b>	<b>10,294,943</b>	<b>-</b>

(\*) At the close of this edition, no data were available for 2015 and therefore the given data correspond to 2014.

(EUR) Source: *Comuns of the Principality of Andorra*

[table 7]

### III.4. EVOLUTION OF THE ANDORRAN ECONOMY DURING 2015

#### INTRODUCTION

Until the beginning of the 20<sup>th</sup> century the economy in the Principality was that of subsistence, based on agriculture, livestock farming and commerce. After the Second World War the Andorran economy started to boom, mainly induced by the same rate of growth in neighbouring states.

This development has been reflected in an economy based mainly on the tourism and commercial sectors, which have expanded thanks to ideal climatic and geographical characteristics and are heavily dependent on the foreign sector, on the financial sector and, in recent decades, also leading to growth in the construction sector.

In 2015, in an environment of slowdown in economic growth, the business structure of the Andorran economy has altered slightly with a 1.07% increase in companies with more than 100 employees and a 1.08% increase in those with 5 or less, whereas companies with between 6 and 100 employees have dropped by 5.54%. Despite this variation, companies with 5 or less employees continue to represent 80% of the Principality's business structure. At the end of 2015, the Principality of Andorra has 7,716 companies and 35,928 wage earners.

Figures 9 and 10 show that the services sector continues to have significant importance in the Andorran labour market and employs 69.72% of the population, followed by the public sector and construction with 19.20% and 7.81%, respectively. During 2015 the total number of wage earners has increased by 1.69%, 75.84% of whom worked in the services sector with 452 wage earners and 14.26% corresponds to the public sector with 85 employees. Taken together, the construction, primary, extractive and energy sectors registered an increase of 9.90% in the total number of employees in this last year.

The Andorran economic model is based on tourism, the financial sector and, in recent years, construction, making it much more vulnerable when neighbouring countries experience an economic downturn, due to the low level of diversification in Andorra's economy, which depends to a large extent on tourism.

Government policy focuses on several objectives, such as encouraging activity in traditional sectors such as tourism with the celebration of major events and construction with direct impact measures such as the amendment of the Qualified Town and Country Planning Law to unblock town planning projects. On the other hand, the major objective is to promote

economic diversification through policies designed to attract foreign capital with the implementation of the Actua Initiative.

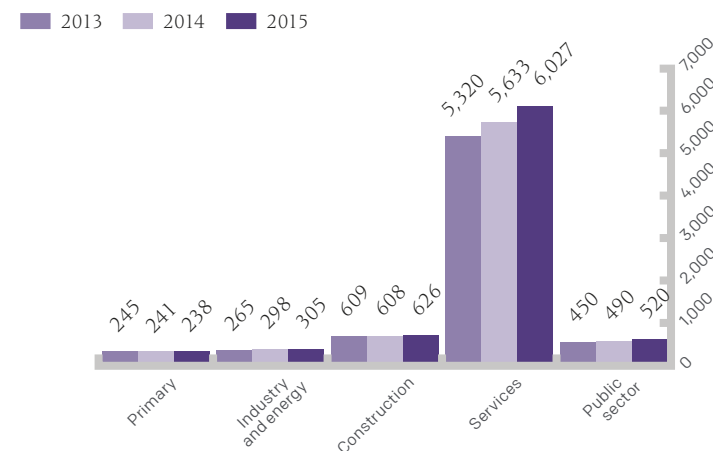
**Andorra is promoting economic diversification through policies designed to attract foreign capital**

#### PRIMARY SECTOR

From the second half of the 20<sup>th</sup> century to the 1990s the primary sector has experienced an economic downturn, until reaching the stability of recent years. This sector represented just over 3.08% of the total number of companies in 2015. It employs 0.46% of the total working population. Notwithstanding, certain sectors of this sector, such as the cultivation of tobacco and livestock farming, have had significant influence on the economy until recent years, which the Government is continuing to support through grants.

Although this sector has continued to lose importance during recent decades, it should be emphasised that developed nations are constantly taking measures to maintain and revive the primary sector, since these nations have come to consider this sector as key to envi-

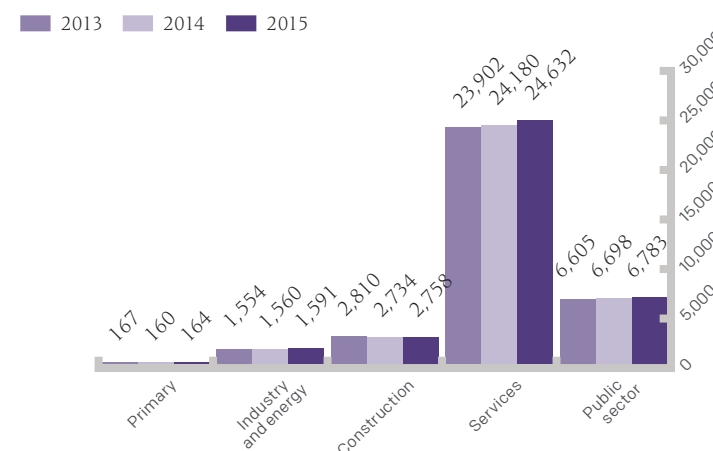
DISTRIBUTION OF COMPANIES BY SECTOR FROM 2013 TO 2015



(NUMBER OF COMPANIES) Source: CASS

[figure 9]

DISTRIBUTION OF WAGE EARNERS BY SECTOR FROM 2013 TO 2015



(NUMBER OF WAGE EARNERS) Source: CASS

[figure 10]

ronmental conservation and global development. 2010 closed with 132 registered companies and 2015 with 238, and the number of wage earners has increased by 10.81% since 2010.

The Ministry for the Environment, Agriculture and Sustainability and the Andorran Association of Farmers and Stockbreeders (*Associació de Pagesos i Ramaders*) are therefore working to revitalise the Principality's primary sector as it is considered critical to diversifying the economy as well as being a key factor in protecting the environment and Andorra's natural resources. For this reason, the Agriculture and Stockbreeding Law passed by the General Council in 2000, has promoted a series of direct aid measures such as the aid to promote traditional mountain stockbreeding practices, the aid program to promote meadow harvests and aid to promote quality control. This aid is received by farm owners who have declared livestock in the Census and who fulfil a series of requirements established under the Regulations. The production of veal from the country with a stamp of quality has also been promoted, through campaigns to promote Andorra programme for quality meat. In 2013, this initiative was recognised by the competent bodies of the EU as a Protected Geographical Indication (Meat of Andorra PGI). In 2015, there were 315 farms registered in the Farm Registry and 114 of these had livestock while 201 did not.

The Andorran Association of Farmers and Stockbreeders has implemented studies on the feasibility of aromatic and medicinal plants growing and subsequent transformation, as well as the research plan of the variety of potato. The aim is to find varieties to offer a quality product adapted to current consumer trends and to be able to commercialise Andorran agricultural produce with seals of quality.

The Department of Agriculture has provided over the past years help for the development of new agrarian practices which has resulted in the implementation of new forms of tillage and farming in Andorra, such as vineyards, medicinal plants and truffles, allowing the country's farms to diversify their production.

The Andorran Association of Farmers and Stockbreeders is working on boosting the country's honey production under a seal of quality designed to provide guarantees for its production. As part of its project to revive the primary sector of the Andorran economy, the Department of Agriculture is collaborating with the Ministry of Tourism and Environment to convert agriculture and stockbreeding into natural and cultural heritage, therefore making it a new tourist attraction in the Principality.

## SECONDARY SECTOR

### INDUSTRY AND ENERGY

There are two kinds of industry in Andorra: the extractive industry, i.e. extracting raw materials directly from natural resources and the manufacturing industry, which involves the use of machinery and manual labour to produce goods for their subsequent use or sale. Only 0.006% of the country's wage earners are employed in the extractive industry through three companies whilst 3.99% are employed in the manufacturing industry through a total of 295 different companies. The manufacturing sector is characterised by weak internal demand, a lack of specialised workforce and a rise in competition regarding production costs. During 2015 the number of companies has grown by 2.431% in relation to 2014, and the number of wage earners has increased by 2.432%.

The industry and energy sectors maintain a low relative importance with regard to the production structure of the country. The CASS registered workers employed in the production and distribution of electricity, gas and water represent an average of 0.44% of the total workforce in 2015. The Andorran energy sector is closely linked to the international scenario and in particular to neighbouring countries, as it is highly dependent on other countries for its supply sources. In 2015 the Principality

recorded a production of 99.4 GWh (85.6 GWh from the FEDA Hydroelectric Station and 13.8 GWh from the Andorra Waste Treatment Centre) which represents 17.4% of the energy consumed. In 2015, electric energy imports accounted for 83% of the energy consumed (46% from Spain and 37% from France).

Given this dependence, the FEDA has implemented a large diversity of projects with the aim of producing more electricity from Andorra, diversifying the country's energy sources, strengthening the electrical networks and promoting the responsible use of energy.

The electrical sector has not been liberalised and *Forces Elèctriques d'Andorra* (FEDA) is the country's only producer and importer of electricity, supplying the other distributors in the country such as *Nord Andorra, SA*, *Mútua Elèctrica de Sant Julià*, *Societat Explotadora i Repartidora del Comú d'Encamp, SA* and *Unió Elèctrica d'Encamp*.

Industries with a specific importance within the sector are those relating to wood manufacturing, tobacco, foodstuffs and beverages, which have varied in number in recent years. In contrast, the number of companies in the electricity, gas and water production and distribution sector has remained stable mainly due to the fact that they are parapublic entities.

As far as business structure and the distribution of workers in com-

panies goes, we can observe that the business structure of the sector and the distribution of workers in the companies are dominated by small companies. 68.85% of these companies employ 1 to 5 workers (67.45% in 2014), 15.41% employ 6 to 10 workers (16.78% in 2014) and 11.80% employ 11 to 25 workers (12.08% in 2014). Only 3.94% have a headcount exceeding 25 employees (3.69% in 2014).

## CONSTRUCTION

Prior to 2007 the Andorran construction sector was characterised by the upward trend sustained over the past decade, as is the case of Andorra's neighbouring countries. Nevertheless, this trend reversed due, inter alia, to the cease of transactions in the real estate market, causing a drop in activity in the construction sector which has continued into 2014. The sector has experienced in 5 years a 2.72% fall in the number of companies (from 625 companies in 2009 to 626 companies in 2015) which in turn has led to a 47.87% reduction in the number of wage earners (from 5,245 workers in 2009 to 2,758 workers in 2015).

Despite this downturn, the number of wage earners in construction still represents 7.68% of total wage earners registered with the CASS in 2015 (13.21% in 2009) and 8.11% of Andorran companies (10.40% in 2009).

In order to mitigate the effects of this deceleration and promote spending on construction, the Andorran Government is implementing a series of measures, such as the approval of a regulation to establish a programme of grants and preferential loans to encourage the modernisation of real estate, industrial safety, accessibility, energy efficiency or savings and improvements to building *façades*.

As already mentioned in this chapter, the Andorran business structure is strongly dominated by small companies; 70.29% of companies from the construction sector employ a number of workers equal to or less than 5, 15.97% employ between 6 and 10 workers, 9.90% employ between 11 and 25 workers and the remaining 3.83% of the companies have more than 25 workers.

The construction boom in recent years has been closely linked to the growth in the areas of land authorised for development. Nonetheless, it should be mentioned that the peak in construction shown in the figure below took place in 2004 due to the May 2003 moratorium. Subsequently, the total area of land authorised for development in Andorra dropped to levels below those of 1997. However, as shown in **figure 11**, 2008 marked the start of a change in trend, which continued during 2009.

At the close of this edition, the data regarding the total surface area by

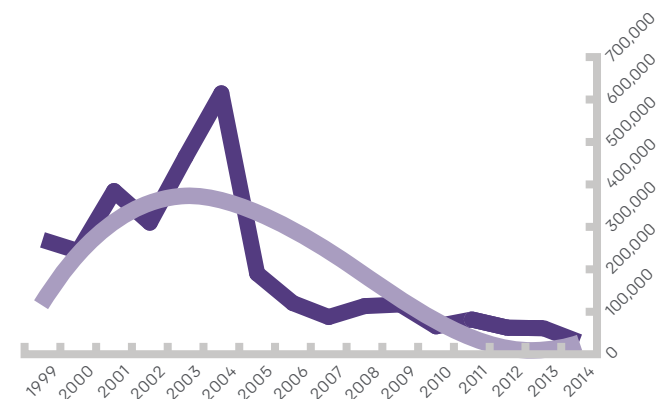
constructions or the total authorised surface area for constructions according to type of use for the 2015 financial year was not yet available.

**Figure 12** shows the number of square metres of land authorised for development by type of construction:

The previous figure shows a clear decline in area of land authorised for development compared to 2009. As outlined, several factors have contributed to the downturn in construction in Andorra; the May 2003 moratorium that led to a construction boom which has gradually stabilised and the slowdown in the Andorran real estate market, also experienced in other European countries. This real estate market downturn is the result of the international financial crisis coinciding with the bursting of the real estate bubble formed over the last decade.

The figure also illustrates that during 2008 and 2009 the square metres authorised for the development of apartments rose slightly as a result of the approval and/or modification of urbanisation plans in the majority of parishes. However, subsequent periods have not yet been affected by these approvals and/or modifications and the figure shows that fewer square metres have been requested for this kind of construction than others.

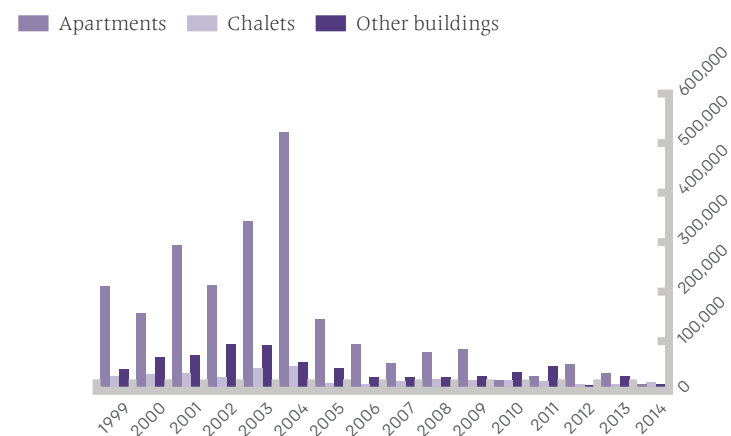
**TOTAL SURFACE AREA AUTHORISED FOR DEVELOPMENT. 1999-2014**



(M²) Source: Department of Statistics - Government of Andorra

[figure 11]

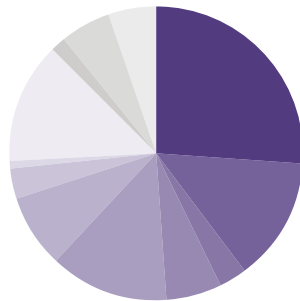
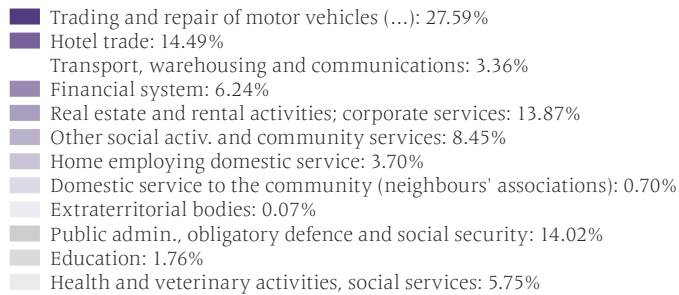
**SURFACE AREA AUTHORISED FOR DEVELOPMENT, BY TYPE OF CONSTRUCTION 1999-2014**



(M²) Source: Department of Statistics - Government of Andorra

[figure 12]

## NUMBER OF WAGE EARNERS ON TERTIARY SECTOR 2015



Source: Department of Statistics - Government of Andorra

[pie chart 13]

## TERTIARY SECTOR

**The tertiary sector is the country's key sector**

### SERVICES

The lack of raw materials and energy sources in the Principality has forced the economy to look abroad, giving preference to service sectors, such as tourism, commerce, hotels and finance, in detriment to manufacturing industries.

The tertiary sector is a key sector in the Andorran economy. During 2015 it has employed 24,632 individuals, representing 68.56% of the total workforce and a total of 6,027 companies (78.11% of total) have operated in the service sector.

The **pie chart 13** shows that the tertiary sector mainly groups together commerce and tourism-related activities and services.

However it also includes important activities such as public administration, liberal professions and the Andorran financial sector.

The business structure of the sector mainly comprises small companies. Therefore, 80.88% of the companies have 5 or fewer employees, whilst 15.55% have 6 to 25 employees, 2.73% have a headcount exceeding 25 and only 0.84% has more than 100 employees.

## TOURISM

During 2015, the Principality of Andorra welcomed 7,851,152 visitors out of which 2,670,444 were tourists (those staying overnight) while 5,180,708 were day-trippers, figures representing an overall growth of 1.57%. It is worth pointing out that the number of tourists has grown for the third consecutive year, specifically by 10.6%. On the other hand, the number of day-trippers fell by 5.5% due basically to the more than 10 days in winter during which the accesses to France were closed.

**The number of tourists has grown for the third consecutive year**

The aim of the Ministry of Tourism and Commerce is to reach eight million visitors in 2016. The major challenge is to de-seasonalise visitor entries and to make the country an attractive destination all year round.

In order to achieve this objective, the public company Andorra Turisme has been entrusted with the task of implementing and controlling the tourist marketing actions with the aim of improving the competitiveness and excellence of Andorra as a tourist destination. The Minister of Tourism and Commerce chairs the Board of this body.

The tasks within its competence include taking actions that are

directly or indirectly related to the value chain of the tourist product with the objective of communicating and commercialising Andorra's tourist offer, both public and private, as a single product.

On the other hand, since 2010, the aim of the entity Andorra Convention Bureau has been to promote Andorra as a destination for the organisation of events, meetings, congresses, conventions and incentive trips. The Andorra Convention Bureau is made up of 28 private sector companies with direct links to business tourism, Andorra Turisme and other representatives of the public sector.

**The aim of the Andorra Convention Bureau is to promote the country as a destination for the organisation of different types of events**

Within the tourist field, work continues on the reinvigoration of the sector. In an effort to increase the number of tourists, the Ministry of Tourism and Commerce, acting through Andorra Turisme, is involved in several communication activities and has an ongoing presence in the priority markets. Regarding communication, €5,325,000 were invested in campaigns during 2015, 45% of this was spent in France, 36% in Spain



and 18% in other markets, most of which are in Europe.

As far as the winter campaign is concerned, work has been carried out on a new creative concept based on the slogan *Andorra és una altra història (Andorra is Something Else)*, with a new advertising spot and a new graphic image. In the summer, and following on from the main theme of the winter campaign, there has been a new advertising spot and a new graphic image, and the starting date of the campaign has been moved forward to ensure a presence in the different markets from the moment that tourists start to make their reservations. It is worth mentioning that both the winter and summer spots were filmed entirely in Andorra.

**“Andorra is something else” the slogan of the winter campaign**

A new edition of the Andorra Shopping Festival has sought to increase the number of tourists who come to the country during public holidays and long weekends in the autumn. Similarly, campaigns have been implemented in the Spanish and French markets to coincide with the sales period.

Online strategy is becoming increasingly important with the new *look & feel* of the website [www.visitandorra.com](http://www.visitandorra.com) as it seeks to

improve its capacity to attract users and to become a more active website by offering direct leisure proposals. In addition to this, the web site is now available in two new languages: German and Dutch, bringing the total number of languages that can be used to consult the web site to eight.

At a commercial level, it is worth mentioning that collaborations have commenced with tourist offices in the Chinese market while work has continued on strengthening of the German market, and there has been an increase in the level of collaboration with the tourist offices in a number of already consolidated markets: United Kingdom, Russia, Portugal, Belgium and Israel. In specific terms, the long-term commitment to the Chinese market is focussed mainly on the cities of Beijing and Shanghai.

The organisation of events has continued to serve as a lever for attracting visitors to the Principality. The total cost of the actions was €6,950,000, with 54% of this invested in cultural events and 46% going towards sporting events. The main events were the Cirque du Soleil's *Scalada Storia* show, the World Mountain Bike and Trial Championship, a full stage of the *Vuelta a España* cycle race in Andorra, sponsorship of the Morabanc Andorra basketball team, the Free Ride World Tour, the Alpine Skiing European Cup, the *Volta als Ports* cycle event, the Andorra

Outdoor Games and the Andorra Ultra Trail.

**Cultural events held in Andorra: the Cirque du Soleil's Scalada Storia show, the Mountain Bike and Trial World Championship, a full stage of the Vuelta a España cycle race, the Morabanc Andorra basketball team, the Free Ride World Tour, the European Cup in Alpine Skiing, the Volta als Ports cycle event, the Andorra Outdoor Games, and the Andorra Ultra Trail**

In July 2015 the Cirque du Soleil made its third successful visit to Andorra with *Scalada Storia*, a unique, open-air show made exclusively for Andorra, which had an estimated overall net economic impact of 16,9 million euro, in other words an increase of 26% compared to 2014. Almost 96,000 of the 103,000 seats on sale were sold for the show, corresponding to an occupancy rate of 94%. The Cirque du Soleil will return to Andorra again this summer with a totally new show called *Scalada Vision*.

Recovering the competitiveness of the commercial sector is one of

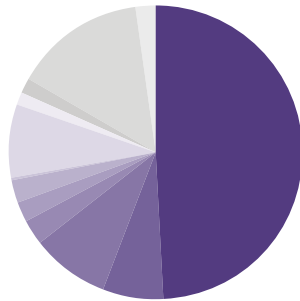
the other major objectives for this legislature. For this reason, work is progress on a strategic plan for shopping tourism, which will seek to detect the main shortcomings of the sector during an initial first phase, before defining the strategy and the actions to be carried out to reposition the current offer during a second phase. The first actions are due to be implemented next year.

With regard to the tourist accommodation sector, Andorra had 344 duly classified tourist establishments in 2015, with a total capacity of 43,420 beds, which represents a 1.19% increase on the previous year. In terms of accommodation type, hotels continued to account for the majority of the accommodation establishments in 2015; there were 170 hotels, which corresponds to 49.42% of the total offer of tourist accommodation, placing them above other types of accommodation although there was a slight decrease compared to 2014, when the figure was 51.63%, as can be seen in **pie chart 14**.

**Andorra has 344 tourist accommodation establishments offering a total of 43,420 beds**

### DISTRIBUTION OF TOURIST ACCOMMODATION BY TYPE 2015

- Hotels: 49.42%
- Apartment hotels: 6.69%
- Tourist apartments: 8.43%
- Hostels and residences: 2.91%
- Guesthouses: 2.03%
- Campsites: 2.62%
- Summer camp houses: 0.29%
- Mountain refuge: 8.14%
- Youth hostels: 1.16%
- Tourist chalets: 1.74%
- EEAM: 14.53%
- Rural accommodation: 2.04%

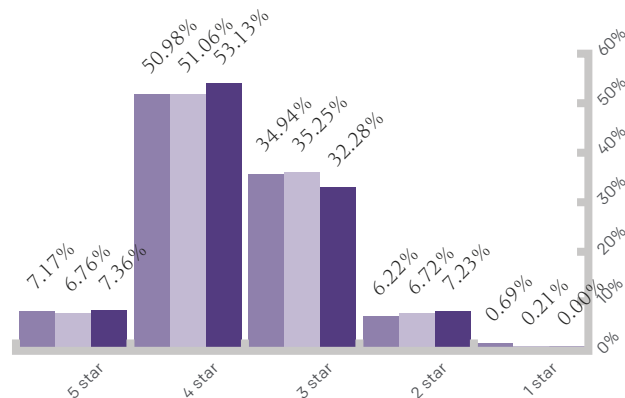


Source: Ministry of Tourism and Commerce - Department of Tourism

[pie chart 14]

### DISTRIBUTION OF BEDS BY CATEGORY OF HOTELS 2013, 2014 AND 2015

- 2013
- 2014
- 2015



Source: Department of Statistics - Government of Andorra

[figure 15]

As far as the distribution of beds in hotels by categories during 2015 is concerned, it should be mentioned that there are 16,773 beds in the 4 and 5-star category, which represents 60.50% of the total number of hotel beds with 32.28% of the beds on offer in the 3-star category while 7.22% were 2-star establishments. It is worth pointing out that there is no hotel room left in the 1-star category, whereas this category had 62 rooms in 2014, as can be seen from **figure 15**.

The trend that is most clearly obvious is the increase in holiday-furnished apartments, including 50 companies run by Holiday-furnished Apartments (EEAM), which has 1,962 apartments and a total of 9,807 beds. In terms of the number of beds, this offer grew by 10.3% compared to 2014.

In the case of rural accommodation, there has been a gradual increase in the number of establishments that have opened. One rural house and one rural hut were opened during 2015 which brings the total number of classified accommodation establishments up to 7 from the existing 5 in 2014.

During 2015, there was an increase in the number of tourist accommodation establishments using pictograms; there were 32 with the bicycle touring pictogram, 14 with the hiking pictogram, 15 with the pictogram for sports camps and 13 with the fishing pictogram. These pictograms make it easier to get

a better positioning of the tourist establishments and this specialisation has proved to be a key element in terms of diversifying and differentiating these establishments and helping to de-seasonalise tourism.

Coinciding with the start of a new legislature in 2015, work has recommenced on the draft bill for the New Tourist Accommodation Act, the aim of which is to increase the competitiveness of the hotel industry in accordance with international practices. Work is currently in progress and it is expected to be finalised during 2016. The previous laws date from 1998 and 2008 respectively: the Tourist Accommodation Act and the Law regulating furnished apartments and the companies that manage them.

In addition to the wide range of hotels, Andorra is also characterised by its restaurants which offer an avant-garde cuisine that combines tradition and modernity. Visitors can discover this cuisine by participating in gastronomic meetings and routes such as those of the typical high-mountain huts and restaurants. These promote the agricultural products of Andorra, with an emphasis on high-quality meat, the *trumfa* (native potato), aromatic plants, medicinal plants, honey and other products. Work continues on the promotion of the official seals of quality "Agricultural product of Andorra" and "traditional recipe of Andorra" which were created to give more visibility to certain products that compete

in the market with foreign products in terms of image and quality. These seals recognise both the origin and the production criteria established by the rules and regulations. Some of the "traditional Andorran recipe" products are *botifarra blanca* (white pudding), *botifarra negra* (black pudding), *brinquera* (a type of pork and blood sausage), *bull de carnets* (a type of sausage made using pig snout), *bull de fetge* (liver sausage), *bull de llen-gua* (tongue sausage), *bull de ronyó* (kidney sausage), *bull negre* (a type of black sausage), *donja* (a cold cut made using the collar bone), *espetec* (a salami-type cured sausage)...

In a similar manner, work has also continued on the promotion of the Geographical Protected Indication (PGI) for Andorran veal. This PGI is a European scheme that recognises products of quality that have their origin in Andorra, and our country has its place on the map of food products recognised by the EU.

The Government of Andorra is collaborating with the municipalities, the Andorra Hotel Association and various associations on promoting popular and international culinary encounters of importance. They organise gastronomic events of major significance, which include events such as l'Andorra a taula (Andorra at the Table), the Valls del Nord Winter Cooking Workshops, "Lo Mandongo", la Massana Fogons, and the Andorra Gastronomic Fair, which is held in the parish of Ordino and which offers an extensive

programme that includes a series of gastronomic conferences with experts from Andorra and the neighbouring countries.

As **figure 16** shows, the number of visitors has slightly increased in 2015 by 0.70% compared to 2014. It is interesting to note the fall in the number of Spanish day trippers and tourists and we should also emphasise the increase in the number of French tourists as well as the growth in the number of tourists of other nationalities.

Regarding the 2015-2016 winter season, it is worth mentioning the total increase of 1.52% in the number of tourists and the increase of 4.3% on skiing days which reached 2,447,112 as reflected in **figure 17**.

The Principality of Andorra has the largest skiable surface area in the Pyrenees with more than 3,075 hectares of skiable terrain comprising three modern resorts. These resorts are located in the skiable areas known as GRANDVALIRA and VALLNORD. Andorra also has a winter sports camp called NATURLANDIA-La Rabassa.

**Andorra has the largest ski area in the Pyrenees with 3,075 hectares of ski slopes divided among three stations**

The two resorts have a total of 330 skiable kilometres and several circuits for other snow-related activities and adventure sports.

Grandvalira is located in the north of the Principality of Andorra in the area bordering France. The space that it occupies belongs to two of the seven Andorran parishes (Encamp and Canillo) and it is made up of six sectors that were joined together during the 2003/2004 season to form a single ski area: these are Pas de la Casa, Grau Roig, Soldeu, El Tarter, Canillo and Encamp. Even though Andorra already had the largest ski area in the Pyrenees, this agreement means that it also has one of the most important stations in the south of Europe.

Grandvalira is the largest ski resort in the Pyrenees and in all of southern Europe with 128 slopes – covering all levels -, ski runs totalling 210 kilometres (1,926 hectares) and a capacity to welcome 100,700 skiers per hour, in addition to offering a wide range of dining possibilities and leisure activities.

**With its 128 slopes, Grandvalira is the largest ski resort in the Pyrenees and in all of southern Europe**

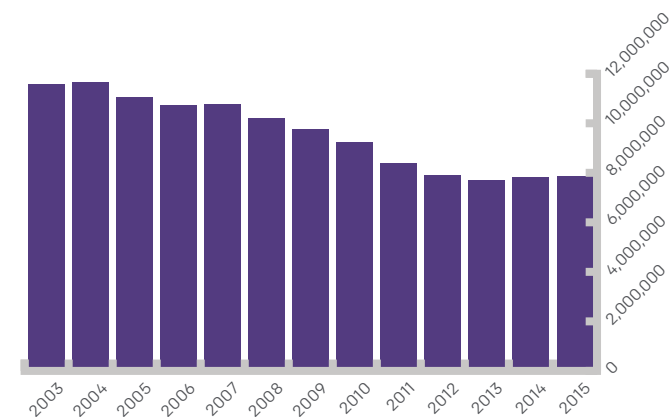
The resort frequently hosts top-level international competitions, and these includes stages of the Women's Downhill Skiing World Championships, which took place at the Andorran station in February 2012 and 2016; the Speed Skiing World Cup; the 6<sup>th</sup> edition of the Skiers Cup Freeride World Tour, the Freeride Junior World Championships and the Total Fight Masters of Freestyle. In 2019, Grandvalira will host the finals of the FIS Alpine Skiing World Cup, the most important downhill skiing circuit in the world.

VALLNORD has three skiable sectors, Pal, Arinsal and Arcalis, covering a total of 1,149 hectares, 69 slopes and with a capacity for 55,690 skiers per hour.

As well as a wide range of winter activities, the two skiable areas offer summer activities to promote family tourism outside the Principality's normal high season, such as go-karting and a golf course, along with other more specialised summer sports and international competitions.

NATURLANDIA, located in Sant Julià de Lòria, has more than 330 hectares divided into two sectors, situated at an altitude of 1,600 and 2,000 metres respectively. The Andorra adventure park has more than 15 km of marked cross-country ski slopes in winter and several circuits for the practice of activities that can be enjoyed together with the family during all year. The range of options is very extensive:

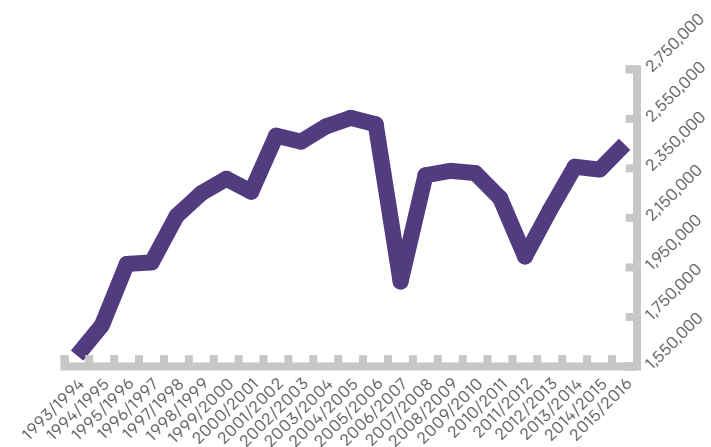
### EVOLUTION OF NUMBER OF VISITORS 2003-2015



Source: Department of Statistics - Government of Andorra

[figure 16]

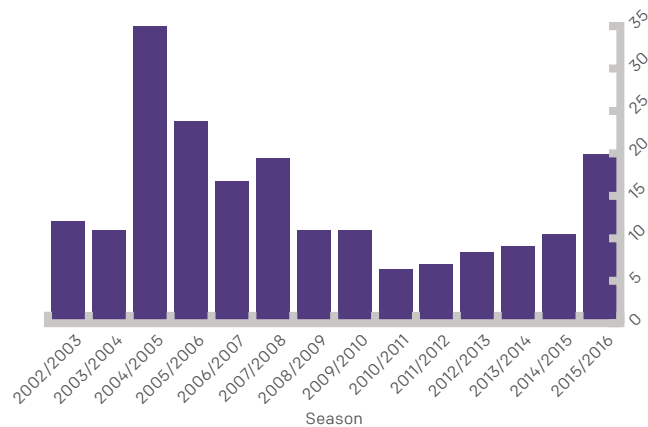
### EVOLUTION OF TOTAL DAYS OF SKI



Source: Ski Andorra

[figure 17]

## EVOLUTION OF SKI RESORT INVESTMENTS



(MILLION EUR) Source: Ski Andorra

[figure 18]

trekking routes, quad bike rides, 4x4 buggy vehicles, pony rides, pedal jeeps, bumper ball, children's workshops, trampolines, inflatables, archery, and a mini golf course, to mention just a few. Activities worth mentioning include the Airtrekk and its zip line, which is the largest Sky Trail in Europe. This structure consists of 10 towers and has 3 different levels of difficulty with different circuits made up of ropes and walkways. The most visited activity in the park is, undoubtedly, the Tobotronc, the world's longest alpine coaster.

The new Naturlandia animal park completes the offer of activities with its extensive zone situated 2000 metres above sea level, where visitors can view species such as brown bears, Siberian wolves, the Eurasian lynx, marmots in summer, three types of fallow deer, red deer, muflons, Iberian ibex and roe deer. The park also has a farm school where younger children can interact with farm animals that are typical of Andorra. Thanks to the two semi-buried spaces, bears and wolves can be viewed at close

range. The park also has different museums and sensorial zones, a new interactive zone and one audiovisual zone. Naturlandia has a wide selection of restaurants and it also offers two accommodation facilities: the rural cabin of Conangle (rated with 3 corn ears – the equivalent of stars for hotels and rural houses) and the Naturlandia hostel (rated with 1 star).

The **table 8** shows details of the skiing facilities available in the Principality, together with a summary of their main features.

The Andorran ski resorts have made significant investments which have provided the Principality with unbeatable skiing facilities, amounting to 19,950,000 Euros during the 2015/2016 season. Details of investments made in recent years are as we can see in **figure 18**.

One of the Principality's main tourist attractions are the wellbeing or recreational breaks based on thermal waters.

In the majestic and privileged setting of Escaldes-Engordany, Caldea offers spectacular facilities where one can spend several hours relaxing in the waters of the spa: this is a highly amusing option whose sole therapeutic aim is to enjoy the waters with the family or with friends. Visitors can enjoy the thermal waters in a thousand and one ways. Caldea is ideal for children, and recently inaugurated Likids, the world's first children's spa, an amusing and recreational introduction to the world of spas.

For those who prefer peace and quiet, the INÚU wellness centre offers each customer a chance to enjoy a stay, with or without any treatments. To obtain the total wellness of the client, INÚU uses the properties of the thermal waters, and for each case it combines the most specialised treatments in the 5 thematic areas of experiences: water, beauty, nutrition, sensorial, mind and body. The centre, with its unique architecture, offers spacious thermal areas that gleam in natural light as well as treatment cabins, a private well-

### ANDORRA SKI RESORT FACILITIES 2015

SKI RESORT	KM OF SLOPES	SKI RUNS	SNOW MACHINES	% SNOWMAKING	SKI LIFTS	SKIERS CAPACITY / PER HOUR
VALLNORD: Pal - Arinsal	63	42	296	45%	30	39,180
VALLNORD: Ordino - Arcalís	30	27	106	60%	14	16,510
GRANDVALIRA	210	128	1,032	65%	64	100,700
<b>TOTAL</b>	<b>303</b>	<b>197</b>	<b>1,434</b>	<b>57%</b>	<b>108</b>	<b>156,390</b>

Source: Ski Andorra

[table 8]

ness area for exclusive use and a spectacular gymnasium.

**Caldea and Inúu offer spa tourism in a peaceful and quiet setting**

In addition, Andorra has an increasing number of hotels specialising in health and beauty treatments, which complement the tourism services offered in the country.

**COMMERCE**

The importance of tourism to the Andorran economy, as outlined above, means that those sectors of activity that are directly related to tourism, such as all commerce-related activities, have the most impact on the Principality's economy. This sector represents 24.52 of the country's companies and 24.12% of all employees.

The significant reliance of Andorra's commercial sector on demand from abroad renders it a number of distinctive features compared to the same sector in other countries, in which internal demand is the main driving force behind commerce. The Andorran trade sector can be split into wholesale and retail trade. The reliance on imports, which are subsequently distributed, means that on many occasions the importers of such products also act as wholesalers and are the owners of wholesale businesses.

Commerce is one of Andorra's tourist attractions and has been one of the mainstays of the Andorran economy, not only due to the relevance of the total number of businesses and employees, but also because the tax on imports, borne by Andorran commerce and generally passed on to the end consumer, has been one of the Andorran State's principal sources of income to date.

Andorra's tradition for commerce has gained international fame due to more than 1,500 modern establishments, the most competitive prices, and flexible opening times. The majority of these establishments are located in the parishes of Andorra la Vella (the capital), Escaldes-Engordany and Pas de la Casa. Nonetheless, the parish of Sant Julià de Lòria also has a number of large shopping centres.

Up until a short time ago, commerce was a tourist attraction due to the price differences between Andorra and the neighbouring countries of Spain and France. At present, although the Principality is not a member of the EU it is subject to taxes on consumption, albeit lower than those of EU countries, meaning that goods such as perfumes, the leading brands of clothing and jewellery attract tourists to the Principality of Andorra.

In addition to the price differences, one of the main advantages of Andorra as a tourist destination is the

fact that a large number of innovative and specialised outlets selling products from all over the world are concentrated in a small area.

Details of the number of companies and wage earners in Andorra's retail sector during 2014 and 2015, by type of establishment are shown in the **table 9**.

As is the case in other sectors, the majority of businesses employ 1 to 25 workers, representing 97.15% of total companies in this sector in the case of commerce and motor vehicle repairs, whilst only 2.85% employ more than 25 workers.

A reliable indicator of the status of Andorran commerce is the evolution of imports and exports in recent years. The trade deficit has been an ongoing structural feature of the Andorran economy.

During 2015, imports experienced a slight drop of 0.60%. However, exports registered a significant 9.46% increase compared to 2014,

**The price differential between Andorra and the EU is one of the most appreciated points of attraction by tourists who visit Andorra**

**NUMBER OF COMPANIES AND WAGE EARNERS**

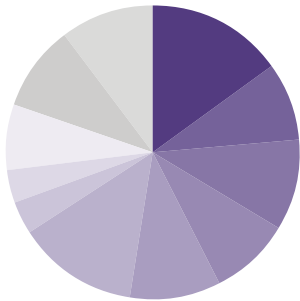
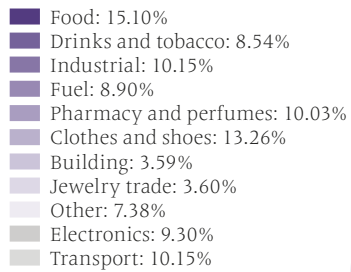
	2014	2015	% OF TOTAL 2015	VAR. (%) 14-15
<b>NUMBER OF COMPANIES</b>	<b>1,791</b>	<b>1,892</b>	<b>100.00%</b>	<b>5.64%</b>
<b>NUMBER OF WAGE EARNERS</b>	<b>8,670</b>	<b>8,668</b>	<b>100.00%</b>	<b>(0.02%)</b>
Sale, trading and repair of motor vehicles (...)	1,071	1,120	12.92%	4.58%
Wholesale trade and intermediaries, except for motor vehicles and motorcycles	2,153	2,181	25.16%	1.30%
Retail trade, except for motor vehicle trading (...)	5,446	5,367	61.92%	(1.45%)

Source: CASS and Department of Statistics - Government of Andorra

[table 9]



## DISTRIBUTION OF IMPORTS BY CHAPTERS IN VALUES 2015

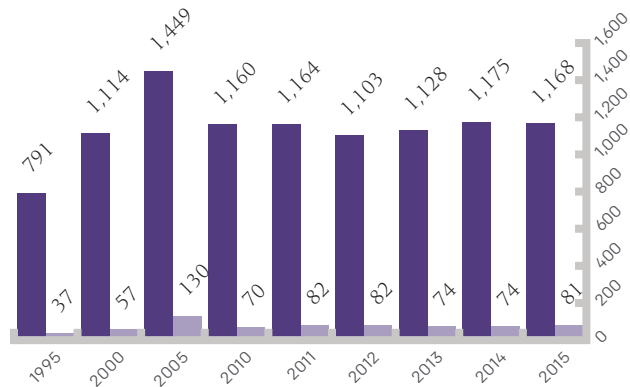


Source: Department of Statistics - Government of Andorra

[pie chart 19]

## EVOLUTION OF IMPORTS AND EXPORTS

Imports Exports



(MILLION EUR) Source: Department of Statistics - Government of Andorra

[figure 20]

reaching the figure of 80 million. The **pie chart 19** shows the importance that each type of product has in terms of the total value of imports.

It should be taken into consideration that the export figures are not completely accurate since not all the tourists purchasing products in Andorra declare their exports because Spanish law establishes a limit on the value of each type of product that must be declared on entering Spain, as is the case in France. **Figure 20** shows the evolution of imports and exports.

The **pie charts 21** and **22** show the geographical distribution of imports and exports by country of origin or destination. The Principality mainly has trade agreements with Spain and France.

## FINANCIAL SECTOR

The Andorran financial sector is one of the mainstays of activity in the Andorran economy due to its significant contribution to Andorra's GDP (the financial and insurance sectors represent approximately 21%), with its nucleus being the banking system. Insurance companies, other asset management entities, investment undertaking management entities and specialised non-banking credit entities also operate in the Principality.

**The andorran financial sector is one of the mainstays of activity in the andorran economy which, along with the insurance sector, represents around 21% of andorra's GDP**

The **Andorran National Institute of Finance (INAF)**, which was founded in 1989, is the prudential supervisor and regulator of the Andorran financial system.

The **Financial Intelligence Unit of Andorra (UIFAND)** is an independent organ whose mission is to promote and coordinate the measures to prevent money laundering and the financing of terrorism. It was created in 2000 –starting its functions in July 2001 under the name Anti-Money Laundering Prevention Unit– under the Law on International Criminal Cooperation and the Fight against the Laundering of Money or Securities resulting from International Crime, which follows the instructions of the MONEYVAL Committee of the Council of Europe as well as the 40 FATF Recommendations.

The **State Agency for the Resolution of Banking Entities (AREB)** is a public-law entity whose main power is to manage the processes for the resolution of banking entities.

On 31 December 2015, the financial system consisted of 4 operational banking groups, 1 specialised credit entity, 8 entities managing collective investment scheme entities, 3 asset management companies and 29 insurance companies, 14 of which are branches of foreign insurance companies authorised to operate in the Principality. The banking sector employs 1,563 individuals in the Principality of Andorra, representing approximately 80% of the total number of wage earners in the financial sector.

Notwithstanding the economic crisis of 2007, the number of bank employees has grown in line with the international expansion of the banks. This positive evolution underpins the desire of the sector to make sure that it has the professionals it needs to comply with all the banking laws that are being developed at a European and world level, with regard to transparency, good practices of the sector, bank regulation, etc.

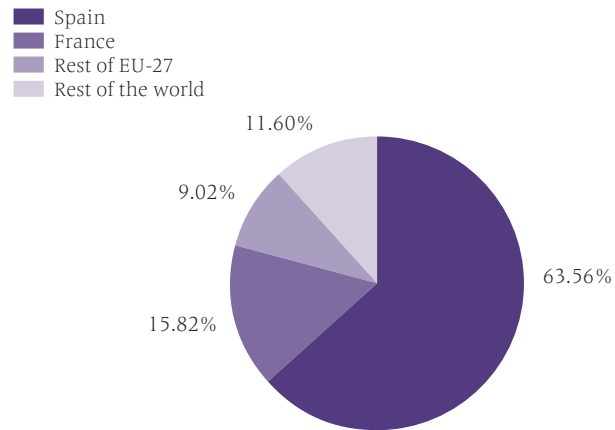
The Andorran banking system has always been characterised by its high capital adequacy ratio compared to other financial markets, resulting from a strong capitalisation policy right from the start.

**The andorran financial system has high capital adequacy and liquidity ratios**

It should be noted that the Andorran banking system has established much stricter capital adequacy and liquidity ratios than most other countries, in order to ensure its good reputation at international level.

Due to their particular nature these features, which are a key part of this publication, are dealt with in chapter "IV. Banking sector".

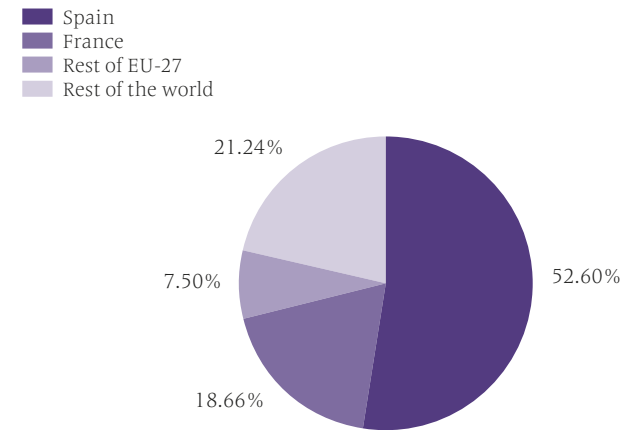
### GEOGRAPHICAL DISTRIBUTION OF IMPORTS 2015



Source: Department of Statistics - Government of Andorra

[pie chart 21]

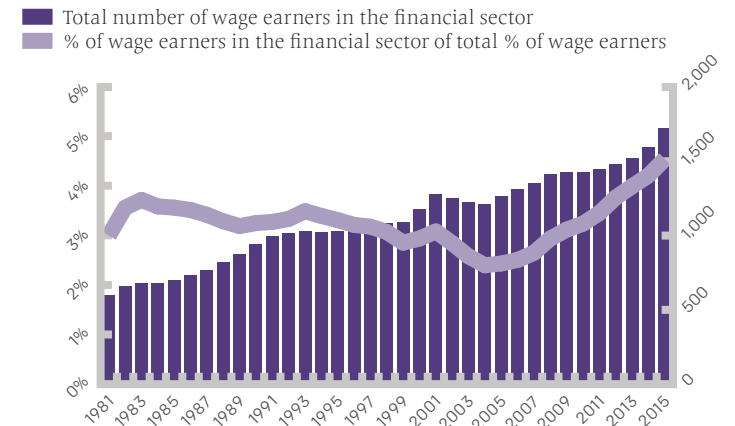
### GEOGRAPHICAL DISTRIBUTION OF EXPORTS 2015



Source: Department of Statistics - Government of Andorra

[pie chart 22]

### EVOLUTION OF WAGE EARNERS IN THE ANDORRAN FINANCIAL SECTOR 1981-2015



Source: Department of Statistics - Government of Andorra

[figure 23]







# IV

# IV BANKING SECTOR

**The banking sector is one of the driving forces behind the andorran economy**

**The financial sector together with the insurance sector account for approximately 21% of GDP**

**The banking sector boasts excellent solvency and liquidity ratios, which are among the highest in Europe**

## IV.1. INTRODUCTION

The healthy Andorran economy is driven by a solvent and profitable banking sector.

The financial system is one of the mainstays of the Andorran economy which, together with the insurance sector, contribute approximately 21% to the Gross Domestic Product. Furthermore, the Andorran financial system, which is mainly focused on banking, is characterised by the high capital adequacy and liquidity ratios of its banking system compared to other financial markets (22.78% and 71.24%, respectively) due to its conservative and prudent management.

The Andorran banking sector comprised a total of four banking groups as of 31 December 2015 and has more than 80 years' experience in this activity. The main business areas are asset and wealth management, insurance and retail banking.

The banking entities in Andorra render banking services (retail and private banking), asset management, brokering and insurance services. Andorran legislation does not permit opaque structures, such as trusts, or private foundations to promote offshore investment structures, which prevent the identification of beneficiaries.

This sector employs highly qualified personnel and operates within

a politically and socially stable environment, in a country with more than 700 years of history, tradition and dynamism and is regulated and supervised by the Andorran National Institute of Finance (INAF) governed by *Law 10/2013 dated 23 May*, which has come into force on 20 June 2013 and which repeals *Law 14/2003, of 23 October*. Furthermore, the Financial Intelligence Unit (UIFAND) created in 2000 is an independent body, the aim of which is to promote and coordinate measures to prevent money laundering and the financing of terrorism.

The strictness of the Andorran banking system in supervising and verifying the origin and destination of funds is guaranteed by expert organisations such as the International Monetary Fund (IMF) and the European Council. The Andorran banking entities operate in international markets, applying standards and best practices.

The Andorran financial system has managed to withstand and cope with the constant regulatory changes in international financial regulations; these include adapting to measures for international criminal cooperation and the fight against money laundering, the implementation of the legislation included in the Monetary Accord and the US initiative embodied in the Foreign Account Tax Compli-

ance Act (FATCA), to mention just a few.

Another important change has been the INAF joining the International Organization of Securities Commissions (IOSCO), which offers a better regulatory framework that allows significant capital efficiencies as well as broader, more efficient and safer capitals markets that are beneficial for all participants in capital markets around the world.

At a national level, the main developments deserving special mention include the adaptation of the Andorran fiscal framework to European standards with the introduction of the Corporate Tax and the General Indirect Tax (IGI) in 2012 and the endorsement of the personal income tax during 2014, which came into effect in 2015.

In 2015, the financial sector continued to adapt to the new economic environment with a 2.84% increase in the managed resources of clients. The financial margin of the Andorran banks has reached 139,923 million Euros and ordinary revenue has risen to 651,736 million.

Thus, the Andorran financial system confirmed its solidity throughout 2015, offering on-going proof of its solvency in an international context that is particularly complex for the banking sector as

well as at a national level owing to the BPA affair. Excellent capital adequacy and liquidity ratios are amongst the highest of all European countries. These indicators illustrate the positive performance of the Andorran financial system, its consolidation in the domestic market and the progress made in the internationalisation process currently under way amongst Andorran banks, which has led to a diversification and growth in business, as well as the expansion of their banking structures and an increase in the aggregate number of employees.

In the forthcoming years we expect to see the sector adapting to European banking regulations, the development of the standards for fiscal transparency within the framework of the OECD and a consolidation of the new Andorran fiscal framework, to mention just a few aspects. In this difficult and complex international context, the more solid entities will differentiate themselves through better business models and better teams of professionals. The banking sector is prepared to face up to the challenges of the future with serenity and confidence.

### THE BPA CASE

*On 10 March 2015 the US administrative authority, the Financial*



*Crimes Enforcement Network (referred to hereinafter as FinCEN) classified Banca Privada d'Andorra (referred to hereinafter as BPA) as a "financial institution of primary money laundering concern".*

*On 11 March 2015 the INAF communicated the agreement that had been taken by its Board of Directors, in which it approved the preventive intervention of BPA. This situation continued until 27 April 2015 when the Board of Directors of the AREB declared the opening of the process for the resolution of BPA, within the framework of Law 8/2015, of 2 April, on urgent measures to introduce mechanisms for the recovery and resolution of banking institutions. The resolution Plan at BPA was approved on 11 June 2015 the fundamental content of which consisted in segregating BPA's cleared assets and liabilities which were then to be transferred to the new bridge bank called Vall Banc S.A.U. ("Vall Banc").*

*The process for the sale of Vall Banc started on 29 October 2015 and concluded on 21 April 2016 when the AREB selected the offer from the US investment company J.C. Flowers. On the same day, after the formalisation of Vall Banc's capitalisation and the transfer of assets and liabilities to it, the Board of Directors of the AREB passed a resolution allowing the new entity to initiate operations.*

*On 19 February 2016, the FinCEN published a note assessing the process followed since March 2015, stating that BPA no longer represented a*

*primary money laundering concern because the entity would not become operative again and would be under the control of the AREB. In addition to this, it made it clear that none of the special measure of Section 311 of the USA PATRIOT Act would apply to the financial operations of Vall Banc.*

*On 11 May 2016, Vall Banc started its operations as a banking entity and, after fulfilling the necessary requirements for its incorporation, became a member of the Association of Andorran Banks.*

*The Andorran institutions have shown a strong commitment and high level of coordination in their collective response to the BPA affair, which was aimed at protecting depositors and employees from any losses to their savings and jobs, respectively.*

*This chapter of the current edition of "Andorra and its financial system 2015" focuses on an analysis of Andbank, Mora Banc, Crèdit Andorrà and BancSabadell d'Andorra, the four entities that were operational at 31 December 2015.*

## IV.2. ASSOCIATION OF ANDORRAN BANKS (“ASSOCIACIÓ DE BANCS ANDORRANS”)

**The Association of Andorran Banks** (ABA) was founded on 11 November 1960 and was formalised in a document which included the commitment to hold a series of monthly meetings which took place until 17 November 1993.

On this date the Andorran Government authorised Banc Agrícola i Comercial d’Andorra, SA and Banca Reig, SA (now merged into Andorra Banc Agrícola Reig, SA); Banca Cassany, SA (now called Banca Privada d’Andorra, SA and currently under resolution since 15 June 2015); Banc Internacional d’Andorra, SA (now called Mora Banc Grup, SA); Banca Mora, SA (now called Mora Banc, SAU); Crèdit Andorrà, SA; Caixa d’Estalvis i Pensions de Barcelona, “la Caixa” (subsequently called CaixaBank, SA and currently merged into the Crèdit Andorrà Group) to set up an association with its own legal status in accordance with Decree no. 40/A/93. The statutory activity of this association is to represent the collective interests of credit establishments, particularly in relation to the public administration; to provide information to its members and the general public; to undertake studies on any matter of common interest, on its own initiative or upon request from the Andorran Government; to draft and propose appropriate recommendations for the banking profession; to co-

operate between different credit entities and to create, organise and manage services of common interest. In 2000 BancSabadell d’Andorra, SA was incorporated into the ABA after obtaining the necessary approval.

The framework of self-regulation of the banking system through the ABA includes an agreement dated 9 April 1990, which addresses the diligence obligation of the banking and savings institutions in Andorra. At the close of this edition, this agreement was in the process of being reviewed.

The main pacts included in this agreement are as follows:

- Application of the criteria established by the Basel Committee on banking regulations and supervisory practices, known as the Cooke Committee.
- The obligation to submit financial statements for review by independent external auditors and to file these financial statements with the relevant public authority.
- The obligation to ensure that the identities of the clients are accurately verified.
- The maintenance of the banks’ code of secrecy, including the obligation of ensuring that the financial system is not used for laundering capital originating

from serious criminal offences under the provisions of Andorran Law.

- The setting up of a commission to supervise the application of the pacts of this agreement.

On the basis of this agreement, the banking entities have adapted their own codes of conduct, placing special emphasis on preventing money laundering.

The ABA continues to represent the interests of all its members and at the same time guarantees best banking practice and corporate image.

ABA’s organisational structure is formed by a chairman and a vice-chairman, posts which are rotated amongst the members, and a permanent management body comprising a general manager.

The main responsibilities and duties of the ABA are as follows:

- **Represent and defend the interests at all levels of its members.**
- **Protect the prestige, professional image and development and competitiveness of Andorran banking** both domestically and internationally. Pursuant to this aim, during 2007 and 2008, the ABA undertook a study in order to draw up an Institutional Plan that would

allow the Andorran financial system to be guaranteed within the institutional environment, both in Andorra and abroad, ensuring that the statutory standards and regulations of the Andorran financial system are in line with international standards.

- Implement initiatives aimed at **improving the sector’s technical standards in order to avoid illegal conduct of business by unqualified outsiders** and any other irregular activities.
- Promote **respectful sector co-operation** through reciprocal competition and informing its members of issues of common concern.
- Ensure **transparency in the application of conditions to clients** and aim to **abide by professional ethics** inherent to the profession.
- **Collaborate with public entities** either voluntarily or at the request of the Government, local corporations, and other public and parapublic entities by preparing reports, studies and recommendations, and economic action, forecast or recovery plans.
- **Set up and participate in foundations and private entities**, and participate in **public entities** and institutions on the condition that their objective is to promote economic, cultural,

**The banking sector has highly-qualified personnel and an environment of political and social stability**

sporting and social welfare in the Principality and, in general, improve the standard of living of its citizens.

In relation to promoting economic and social welfare, the ABA is a member of the Andorran Chamber of Commerce, Industry and Services (*Cambra de Comerç, Indústria i Serveis d'Andorra (CCIS)*) and the Andorran Business Confederation (*Confederació Empresarial Andorrana (CEA)*). The mission of both these institutions is to represent companies in Andorran society, encourage social dialogue, and develop a favourable environment for conducting economic activity.

- **Promote the professional training of the banking sector employees**, especially adequate training in relation to the prevention of money laundering and financing of terrorism, to ensure each credit entity complies with its obligations to prevent money laundering and safeguard professional secrecy.
- **Develop, organise and manage services which are of common interest to the Association's members.**
- **Contribute to the cultural and scientific development of Andorran society** and publish details of the functions and services rendered by credit entities in relation to the economic development and mercantile activities of Andorran society to

ensure they are satisfactorily appreciated.

The ABA's functional structure comprises a number of technical commissions formed of members of the various Andorran banks, who meet regularly at the ABA's premises. These technical commissions analyse and discuss issues related to their area of work in order to guarantee banking best practice, including topical issues and strategies for the sector.

**The evolution of the banking sector has been stimulated through the provision of services that offer added value and a strong level of internationalisation, combined with sustainable and profitable growth**

- **Provision of services with added value**
- **High degree of internationalisation**
- **Sustainability and profitability**

**At 31 december 2015, the Andorran banking sector was made up of 4 banking groups. Together they manage more than 45 billion euros**

**The Andorran banks comply with the demanding international regulatory standards, fact that has contributed to the building of a robust banking system**

### IV.3. THE BANKING SECTOR

The evolution of the Andorran banking sector has been stimulated by the provision of services with added value and a strong tendency towards internationalisation, all within a context of sustainable and profitable growth.

**Provision of banking services with added value:** Although the Andorran banks have traditionally focussed on retail and commercial banking, in recent years their business model has moved towards the provision of services that offer added value such as financial advice or asset management. As a consequence of this evolution, the Andorran banking sector now manages approximately €45bn of resources of both national and international clients.

**High level of internationalisation:** The ambitious growth strategy of the Andorran banks is based on a universal banking model and

a high level of internationalisation. The Andorran banking sector is present in Europe, the United States, Latin America and the Middle East.

**Sustainable and profitable growth:** The managed resources of the Andorran banks have grown significantly in recent years, with an increase of 92.08% between 2005 and 2015, with particularly fast growth from 2011 onwards.

Notwithstanding this accelerated growth, the banks have maintained healthy liquidity and capital adequacy ratios, a traditional characteristic of Andorran banks.

The most significant aggregate data for Andorran banking for 2014 and 2015 are shown in **table 1**.

At 31 December 2015 the Andorran banking system is formed by four operational banking groups which

include the following five banking entities:

➤ **Andorra Banc Agrícola Reig, SA**

The Andorra Banc Agrícola Reig, SA entity was born as a result of the merger in August 2001 between *Banc Agrícola i Comercial d'Andorra, SA* (founded in 1930) and *Banca Reig, SA* (founded in 1956). In this publication, it will appear under the name of AND-BANK.

➤ **Mora Banc Group, SA**

Set up in 1958 under the name of *Banca Coma*, it changed its name to *Banc Internacional d'Andorra, SA* in 1970 and to *Mora Banc Group, SA* in November 2011.

➤ **Mora Banc, SAU**

Founded in 1952 under the name of *Banca Coma*, it changed its name to *Mora Banc, SAU* in November 2011.

➤ **Mora Banc Group, SA and Mora Banc, SAU**

operate together under the MoraBanc brand name and they present their financial statements and other data in a consolidated manner. In this publication they appear under the name MORABANC GROUP.

➤ **Crédit Andorrà Group**

Incorporated in 1949, the data is presented under the name of CRÈDIT ANDORRÀ GROUP in this publication.

➤ **BancSabadell d'Andorra, SA**  
Incorporated in June 2000. This bank appears as BANCSABADELL D'ANDORRA in this publication.

The above mentioned banking entities operate in all the main urban areas of the country through an extensive network of branches. There are a total of 36 branches distributed throughout the seven parishes which comprise the Principality of Andorra. **Table 2** shows the branches providing banking services in the Principality, together with the number of cash dispensers and Andorran bank employees, including those abroad, at 31 December 2014 and 2015.

Increasing regulatory demands and the high level of internationalisation are the main reasons explaining the increase in the number of workers during 2015, which amounted to 274 persons, 12.19% more than during the previous year.

**Map 1** shows the internationalization process that the banks have undergone in the last decade and which has favoured the growth and diversification of the banking business, which is essential if they are to be able to compete with other financial markets under equal conditions.

	2014	2015
Total assets	14,046,563	14,411,802
Gross loans	6,337,751	6,278,629
Assets under management	43,965,816	45,214,084
Profit	183,268	168,548
ROE	12.38%	10.93%
ROA	1.38%	1.19%
Efficiency ratio	45.35%	54.15%
Capital adequacy ratio	20.75%	22.78%
Liquidity ratio	68.11%	71.24%
<b>(THOUSAND EUR)</b> Source: Association of Andorran Banks		[table 1]

## ▸ Andbank

ANDBANK is Andorra's oldest financial entity, with more than 85 years of experience in private banking. Its international strategy, based on geographic diversification, has helped to consolidate the leading position of the Andbank Group, which has grown in all the jurisdictions in which it is present: it currently has a presence in 12 countries and it has 7 banking licences.

Andbank has grown internationally while also strengthening its commitment to the Principality of Andorra.

A single business model that makes it possible to offer its customers a wide range of solutions, and the solidity of the entity are the attributes that led the prestigious publications The Financial Times, The European and Global Finance to choose Andbank as the best private banking entity in Andorra for 2015.

Similarly, there has been recognition of two of the pillars on

which the asset management of the group is based: the efforts made to create value for customers together with protection of their wealth.

It currently has an international presence in:

### Brazil

- LLA Participações Ltda Group (Fund and Portfolio Management)
- Andbank (Brasil), S.A. - (Bank)

### Spain

- Medipatrimonia Invest SL (Financial Adviser of Andbank España, S.A.U.) Andbank Wealth Management SGIIC, SAU (UCI's Management Company)
- Andbank España, S.A.U. (Bank).

### United States

- Andbank Wealth Management, LLC - Holding
- Andbank Advisory, LLC (Portfolio Management and Financial Adviser)
- Andbank Brokerage, LLC (Financial Intermediation Activities)

## INTERNATIONAL EXPANSION OF THE ANDORRAN BANKS



[map 1]

### ANDORRA AND ABROAD

### ANDORRA

	NUMBER OF EMPLOYEES		NUMBER OF BRANCHES		NUMBER OF CASH DISPENSERS	
	2014	2015	2014	2015	2014	2015
ANDBANK	1,008	1,181	9	9	23	23
MORABANC GROUP	368	399	9	9	34	34
CRÈDIT ANDORRÀ GROUP	750	813	11	11	45	45
BANCSABADELL D'ANDORRA	122	129	7	7	24	25
<b>TOTAL</b>	<b>2,248</b>	<b>2,522</b>	<b>36</b>	<b>36</b>	<b>126</b>	<b>127</b>
BPA	701	211	5	5	17	17

Source: Association of Andorran Banks

[table 2]



**The banking entities have spent years working on voluntary policies related to corporate social responsibility based on responsible growth and characterised by a commitment to society**

#### **Israel**

- Sigma Investment House Ltd. (Fund and Portfolio Management)

#### **The Bahamas**

- Andbank Bahamas, Ltd (Bank)

#### **Luxembourg**

- Andbank Asset Management Luxemburg, SA (Fund and Portfolio Management)
- Andbank Luxembourg, SA (Bank)

#### **Mexico**

- Columbus de Mexico, SA de CV (Independent Investment Adviser)

#### **Monaco**

- Andbank Mònaco SAM (Bank)

#### **Panama**

- Andbank (Panamá) SA (Bank and Securities House with international licence)

#### **Switzerland**

- And Private Wealth, S.A. (wealth management company)

#### **Uruguay**

- And PB Financial Services, S.A. (representation offices of Andorra Banc Agrícola Reig, S.A. and of Andbank (Panamá), S.A.)
- Quest Capital Advisers Agente de Valores, S.A. (Securities agency)
- APW Uruguay S.A. (Investment Adviser)

#### **– MoraBanc**

Its record of accomplishment in recent years has seen it win the Bank of the Year prize awarded by *The Banker* magazine (part of

the Financial Times Group) on four occasions in the last seven years.

The MoraBanc Group offers services in commercial banking, private banking and wealth management, investment banking, wealth management and investment funds, and insurance, in addition to offering its customers differentiated and exclusive products.

With strong roots in Andorra, the nerve centre of its operations, MoraBanc has not given up on the idea of international expansion, and it currently has two wealth management companies: Mora Wealth Management in Zurich (Switzerland) and in Miami (United States), a financial consultancy office in Montevideo (Uruguay), a broker dealer in Miami (United States) and a fund manager in Luxembourg.

MoraBanc is a bank that vouches for modernity and it has shown a commitment to its customers without losing the family values and the tradition of a group that has just incorporated the fourth generation on the Board of the institution.

#### **– Crèdit Andorrà Group**

The Crèdit Andorrà Group is an international financial group that is active in Andorra, Europe and America within the area of wealth management. The commercial banking business is conducted exclusively in Andorra. Its management is based

on the reputation and strength of the Group and on sustainable growth to preserve the trust that its customers have placed in the group over a period of more than 65 years.

The stability in the results, and the main magnitudes presented at the close of the financial year, reaffirm the group's position of reference within the Andorran financial sector and have allowed the Group to consolidate its international project in Europe and America through an offer of 'boutique' private banking services based on independent and expert service that is custom-made for each customer. This positioning was recognised by the financial publication *Global Banking & Finance Review*, which awarded Crèdit Andorrà the 2015 prize for the best bank in Andorra in private banking.

The growth in the activity of the insurance group and its process of international expansion also stood out during this financial year.

The activities of the Crèdit Andorrà Group throughout the world:

- Private Banking
  - Crèdit Andorrà (Andorra)
  - Banco Alcalá (Spain)
  - Banque de Patrimoines Privés (Luxembourg)
  - Banco Crèdit Andorrà (Panama), and
  - Oficina de Representación de Crèdit Andorrà y de Banco Crèdit Andorrà (Panamá) in Uruguay

- Asset and Wealth Management
  - Crèdit Andorrà Asset Management (Andorra and Luxembourg),
  - Gesalcalá and Alcalá de Pensiones (Spain),
  - Private Investment Management (Switzerland),
  - Beta Capital Wealth Management (Miami, USA),
  - CA México Asesores Patrimoniales (Mexico), and
  - CA Perú Sociedad Agente de Bolsa (Peru)
- Commercial Banking (Retail & Corporate):
  - Crèdit Andorrà (Andorra)
- Insurance
  - Crèdit Assegurances and CA Vincles Actuarial Consulting (Andorra),
  - CA Life Insurance Experts and ERM Risk Management (Spain), and
  - CA Vincles Actuarial Consulting (Chile)
- Crèdit Andorrà Foundation (Andorra)

#### **– BancSabadell d'Andorra**

In contrast to the other entities, BancSabadell d'Andorra has not embarked on any international expansion plan.

### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Year after year, the entities of the Andorran banking sector have been consolidating their voluntary corporate social responsibility poli-

cies, based on responsible growth and a commitment towards society. Andorran entities present their corporate social responsibility policies, applying strict ethical criteria, at the entities themselves or through foundations.

The annual reports and notes to the annual accounts of Andorran entities set out the initiatives being carried out as a result of their commitment towards society. There are numerous examples of these commitments which affect various areas: culture, sport, solidarity, education or the environment. There is an increasing trend in Andorra to present information in the aforementioned reports in a systematic manner, as is the case of other countries, to target groups with special interest in the entity's activities: shareholders, employees, customers, suppliers, society (referred to as "interested parties" or stakeholders). Some of the entities follow the Global Reporting Initiative (GRI) standards when drafting corporate social responsibility reports.

The different initiatives at international level to standardise the presentation of non-financial information have been well received, as they enable entities to also be compared from this new perspective. In 2006, the Global Reporting Initiative published the new GRI G3 guide for preparing sustainability reports, which is most widely used when reporting on strategies and measures taken by organisa-

tions from an economic, social and environmental perspective.

A summary of the corporate social responsibility activities carried out by each of the entities which comprise the Andorran banking sector are as follows.

### **CSR AT ANDBANK**

Corporate social responsibility is a key element in the culture of the Andbank Group and it is based on the principles of its mission as an entity, its vision as a company, and the corporate values that define it as an institution focussed on the creation of value for its groups of interest, and with a management style and procedures based on the excellence of its services.

During 2015, Andbank continued to consolidate and strengthen the social project that reaffirms the commitment that the entity has made to the country, within areas such as the economy, education, culture and sport.

The entity continues to maintain close ties with the communities with which it operates, generating value, not through major corporate campaigns, but rather through collaborations that offer a high return for society, such as the organisation of training conferences with sector experts, giving an impetus to entrepreneurial projects, contributions to socially responsible projects or bringing young people

closer to the values linked to high-level sport, such as effort, tenacity and perseverance, values that Andbank fully identifies with.

Within the social field, Andbank collaborates with the Solidarity Association of Andbank Collaborators (ASCA), supports the Occupational Workshop at the Special School of N.S of Meritxell and participates in the art auction for solidarity of La Massana/Ordino, to mention just a few.

Continuing with the social aspect and scientific innovation, for the second year, Andbank has collaborated with the Fero Foundation for Cancer Research, which was founded by the renowned physician Dr Josep Baselga. Its purpose is to conduct research to help find solutions to fight cancer.

With regard to philanthropic investment, the entity participated in the 11th conference of the EVPA (European Venture Philanthropy Association) one of the major events on social responsibility in the private banking sector.

In the sports field, Andbank collaborates with the Andorran Olympic Committee (COA), with the Andorran Ski Federation, through the sponsorship of the Andbank Freestyle Team and the cross-country ski team, as well as with the Manuel Cerqueda Memorial ski competition for veterans organised by the Ski Club of Andorra. Golf has received the special

support of Andbank once again this year with the traditional Golf Andbank Tournament. Mention should be made of one of the sporting events that has had a major impact, the 1st La Purito Andorra - Andbank Grand Prix cycle event.

Within the cultural field, the collaborations with the Spanish and French embassies, the awarding of the Manuel Cerqueda Prize for short novel and the sponsorship of the exhibition Salvador Dalí's "The Divine Comedy", organised by the Commune (Town Council) of Escaldes-Engordany, stand out.

### **CSR AT MORABANC**

In accordance with the mission and values of MoraBanc, social responsibility is a structural element of the company's culture, and there is a high degree of involvement with the Andorran community. For this reason, the desire of MoraBanc is to make the entity a reference point in such matters, and its shows a clear commitment to quality, sustainability and respect for the environment. As a demonstration of the spirit of transparency and the commitment to sustainability, the organisation wishes to take an important step with respect to the 2015 Annual Report by bringing non-financial information into line with one of the main international CSR standards, the G4 Guide of the Global Reporting Initiative. It has received this year again the classification as an entity

***Andbank collaborates in the social area as well as in projects related to innovation and education***

***Morabanc promotes initiatives of a social and informational nature***

**The Crèdit Andorrà Foundation articulates the bank's commitment to the development of Andorra**

**In order to fulfil the principle of social responsibility, BancSabadell d'Andorra has adopted its own ethical standards of conduct which are more demanding than those required by law**

with neutral carbon emissions. Likewise, it promotes initiatives of a social and informational nature, with the Music and Dance Season, which it has organized since 2011, being the most emblematic example, as well as several initiatives for the dissemination of scientific matters, which have involved groups from the liberal professionals. In sporting matters, in addition to its sponsorship of *Bàsquet Club Andorra*, the entity has also signed an agreement with FC Barcelona, making MoraBanc a Regional Partner of the Club. This agreement offers advantages for customers of the group. All these initiatives have a sole objective, that of reaffirming the compromise and commitment that the banking group has with the whole of Andorran society. In the solidarity section, MoraBanc introduced its solidarity card in December 2010 and has achieved that 49.90% of all cards were solidarity cards. The scheme sees acquisitions made by clients rounded upwards to the nearest euro or 10 cents, with the excess amount being given in the proportion decided by the customer to NGOs that have an agreement with the bank. The Group is committed to doubling customer contributions. This initiative raised 141,839 Euros in 2015.

**CSR AT CRÈDIT ANDORRÀ GROUP**

The Crèdit Andorrà Group has assigned an overall investment of 3.66 % of the total net profit) to

programmes and actions in favour of the community, as an expression of the vocation of service that defines the essence of the entity.

The business culture has marked the way to be followed when integrating corporate social responsibility and all the stakeholders. This year, these efforts have borne their fruits with the awarding of the 2015 prize for the best entity in Andorra in corporate social responsibility by the financial publication *Global Banking & Finance Review*, which recognises the Banks's commitment to the country and society through the Crèdit Andorrà Foundation.

The service to the country and the people can be seen most clearly in the Crèdit Andorrà Foundation, which has been active for more than 25 years. The Foundation is the backbone of the Bank's commitment to the development of Andorra. It provides a response to the major challenges of Andorran society, acting within the fields of education, culture and social action and providing it with the tools that are necessary for its wellbeing and future development.

On the other hand, Crèdit Andorrà maintains its compromise to provide support and promote business initiative and an entrepreneurial spirit as ways of achieving economic growth and the social development of the country. This compromise is manifested through a programme of support and spon-

sorship for initiatives that help to boost the economy and which offer support to strategic sectors.

Crèdit Andorrà emphasises the support given to skiing and the help given to the federations and clubs, as well as the various initiatives promoted by the ski stations. The desire of Crèdit Andorrà to accompany business people, professionals and entrepreneurs by organising seminars, conferences and events that help to disseminate knowledge and matters that are of general interest for the business world, should also be highlighted.

**CSR AT BANCSABADELL D'ANDORRA**

BancSabadell d'Andorra considers that CSR is a medium to long-term commitment whereby the most important task is to progressively implement a timetable and a method for implementing measures. BancSabadell d'Andorra's corporate values are: the desire to provide a service, proximity, adaptability, commercial focus, innovation, professionalism, ethics and social responsibility, austerity, prudence and team work. The bank is aware of the fact that social responsibility is a step more than that required by law and has adopted its own ethical standards which are stricter than those legally required and avails of different self-regulating mechanisms. The bank also has a code of conduct,

an internal conduct regulation for the area of securities and a Corporate Ethics Committee which is the body in charge of controlling and supervising ethical principles.

**AGGREGATE CONSOLIDATED BALANCE SHEETS OF ANDORRAN BANKS**

Details of the aggregate consolidated balance sheets of Andorran banking entities for 2014 and 2015 are shown in **table 3**.

The evolution of the aggregated consolidated balance sheets of the Andorran banks since 2005 is shown in **figure 1**.

The consolidated balance sheets of each banking group for 2014 and 2015 can be found in chapter "V. Information of interest".

The evolution of the Andorran banking entities' balance sheets for financial years 2013, 2014 and 2015, is shown in **figure 2**.

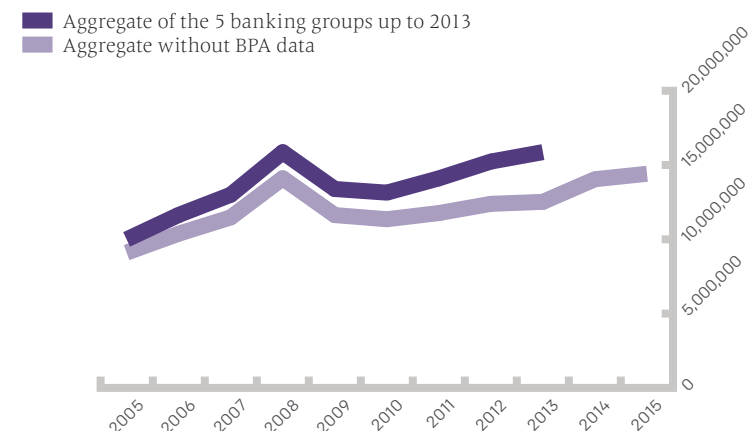
### AGGREGATE CONSOLIDATED BALANCE SHEETS OF ANDORRAN BANKS

ASSETS	2014	% OF TOTAL	2015	% OF TOTAL	VAR. (%) 14-15
Cash and central banks OECD	113,305	0.81%	185,023	1.28%	63.30%
INAF	840	0.01%	2,865	0.02%	-
Financial intermediaries	2,329,457	16.58%	2,273,248	15.77%	(2.41%)
Loans	6,183,786	44.02%	6,103,343	42.35%	(1.30%)
Securities portfolio	4,079,009	29.04%	4,572,556	31.73%	12.10%
Gains on consolidation	192,816	1.37%	205,082	1.42%	6.36%
Intangible assets	146,754	1.04%	160,619	1.11%	9.45%
Tangible assets	624,335	4.45%	558,453	3.87%	(10.55%)
Prepayment and accrued receivables	132,766	0.95%	127,582	0.89%	(3.90%)
Other assets	243,495	1.73%	223,031	1.56%	(8.40%)
<b>TOTAL ASSETS</b>	<b>14,046,563</b>	<b>100.00%</b>	<b>14,411,802</b>	<b>100.00%</b>	<b>2.60%</b>
<b>LIABILITIES</b>					
INAF	68,345	0.49%	82,387	0.57%	20.55%
Due to banks and credit entities	667,429	4.75%	679,661	4.72%	1.83%
Other financial intermediaries	127,926	0.91%	58,700	0.41%	(54.11%)
Customer deposits	10,799,442	76.88%	11,120,381	77.16%	2.97%
Debts represented by securities	347,146	2.47%	350,783	2.43%	1.05%
Provision for liabilities and charges	27,817	0.20%	29,519	0.20%	6.12%
Provision for general risks	25,114	0.18%	22,626	0.16%	(9.91%)
Subordinated liabilities	206,675	1.47%	252,216	1.75%	22.04%
Accruals	72,418	0.52%	91,044	0.63%	25.72%
Other liabilities	189,145	1.35%	156,860	1.08%	(17.07%)
Share capital	221,317	1.58%	221,317	1.54%	-
Reserves	1,145,224	8.15%	1,212,991	8.42%	5.92%
Profit	183,268	1.30%	168,548	1.17%	(8.03%)
Prior years' result	-	-	-	-	-
Interim dividends	(45,000)	(0.32%)	(45,000)	(0.31%)	-
Minority interest	10,297	0.07%	9,769	0.07%	(5.13%)
<b>TOTAL LIABILITIES</b>	<b>14,046,563</b>	<b>100.00%</b>	<b>14,411,802</b>	<b>100.00%</b>	<b>2.60%</b>

(THOUSAND EUR) Source: Association of Andorran Banks

[table 3]

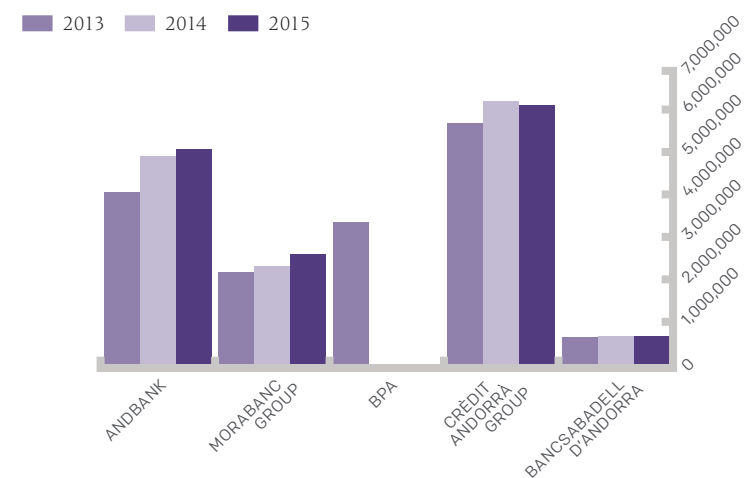
### EVOLUTION OF THE AGGREGATE CONSOLIDATED BALANCE SHEETS 2005-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 1]

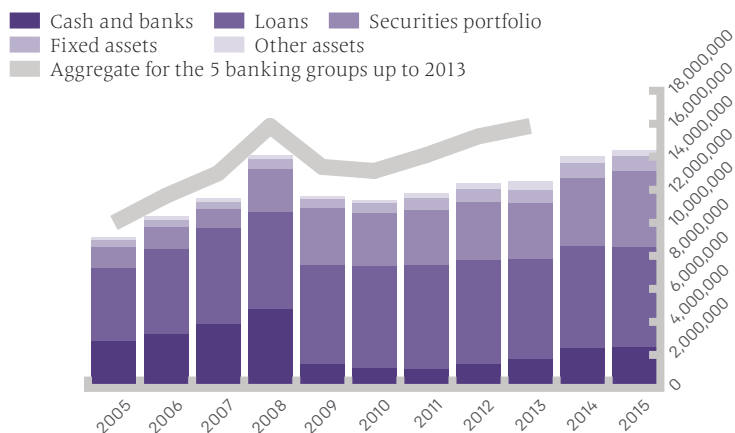
### EVOLUTION OF THE BANKS' BALANCE SHEETS 2013-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 2]

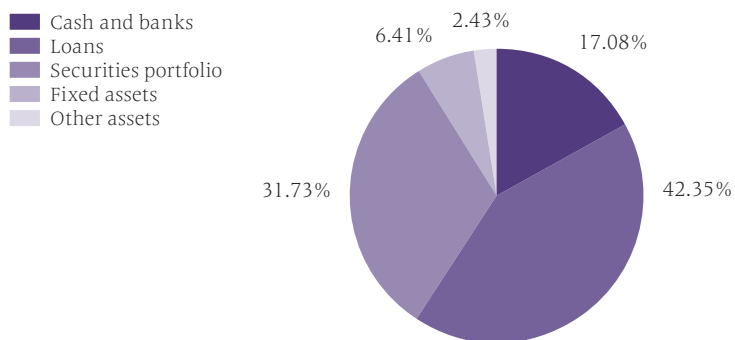
## EVOLUTION OF AGGREGATE ASSETS 2005-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 3]

## STRUCTURE OF AGGREGATE ASSETS 2015



	2015
Cash and banks	2,461,136
Loans	6,103,343
Securities portfolio	4,572,556
Fixed assets	924,154
Other assets	350,613

(THOUSAND EUR) Source: Association of Andorran Banks

[pie chart 4]

## AGGREGATE ASSETS

The two most important elements in the aggregate assets of Andorran banks are the “Securities portfolio” heading, which represents 31.73% of total assets, and the “Loans” heading which represents 42.35% of total assets. The third group component is the heading “Cash and banks” which represents 17.07% and which includes “Cash and OECD Central Banks, INAF and Financial intermediaries”.

The evolution of aggregate assets over the last ten years results of the transfer of customer deposits off the balance sheet, in 2009 aggregate assets decreased by 15.60% and, in 2010 this downward trend was more moderate with only a 1.83% drop recorded in relation to 2009. During these four last periods the deposits chapter has increased once again and in 2015 total aggregate assets have also increased by 77.16% as shown in figures 3 and 4.

## AGGREGATE LIABILITIES

After the global economic crisis that began in 2008, the balance sheets of the Andorran banks have increased since 2010. The evolution of customer deposits, as we can see in figure 5, has been directly affected by the variation in interest rates and therefore by international capitals markets as well as by the expansion policy of the banking entities, without taking away from their organic growth.

The pie chart 6 illustrates that the Andorran banks’ aggregate liabilities at the 2015 close are characterised by the relative importance of customer deposits to the financing structure of Andorran banks, representing 77.16% of aggregate liabilities (76.88% in 2014). “Shareholders’ equity” makes up 10.02% and “Results” make up 0.86%, whilst the remaining liabilities are formed mainly of “Other liabilities” (6.27%) and “Financial intermediaries” (5.69%).

## GROSS LOANS AND DISCOUNTS

The evolution of gross loans and discounts is due mainly to the impact of the economic slowdown and the greater prudence of entities in extending loans as shown in figure 7.

Notwithstanding this situation, the Andorran banks have started to notice a growth in the economy which has been characterised by a growing demand for credit investment.

The data shown in table 4 and figure 8 relates to gross loans, as it does not include the “Provision for loan losses”. This data does not include loan balances with Banks and Credit Entities, but exclusively customer loans.

The “Loans” caption represents 42.35% of total aggregate assets, comprising mainly loans and credits to customers. Total collat-

## EVOLUTION OF GROSS LOANS AND DISCOUNTS BY BANKING ENTITY

	2014	% OF TOTAL	2015	% OF TOTAL	VAR. (%) 14-15
ANDBANK	1,899,489	29.97%	1,859,849	29.62%	(2.09%)
MORABANC GROUP	1,077,883	17.01%	1,055,629	16.82%	(2.06%)
CRÈDIT ANDORRÀ GROUP	2,983,333	47.07%	2,993,065	47.67%	0.33%
BANCSABADELL D'ANDORRA	377,046	5.95%	370,086	5.89%	(1.85%)
<b>TOTAL</b>	<b>6,337,751</b>	<b>100.00%</b>	<b>6,278,629</b>	<b>100.00%</b>	<b>(0.93%)</b>

(THOUSAND EUR) Source: Association of Andorran Banks

[table 4]

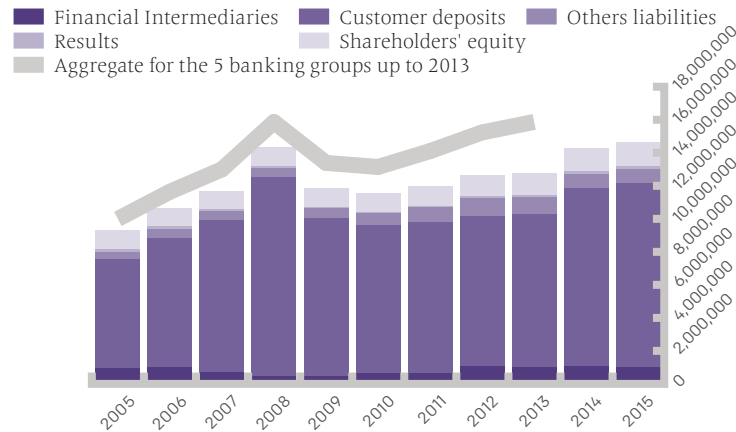


eralised loans represent 77.15%. As shown in the **pie chart 9**, 17.69% of these loans relate to security guarantees, 51.10% to mortgage guarantees and 8.35% to monetary guarantees. 95.72% of loans have a risk rating of “Normal”, 0.25% are “Past-due”, respectively and 4.03% are classed as “Doubtful”.

The aggregate default ratio of the Andorran banks was 4.03% on 31 December 2015 (doubtful receivables / loans and discounts to clients), falling by 0.09 points compared to 2014. Although this ratio has experienced an upward trend in recent years in line with the deterioration of the economic situation, the default ratio of Andorran banks has remained considerably lower than the ratios recorded by the credit entities of neighbouring countries.

**The bad debts ratio has fallen since 2014**

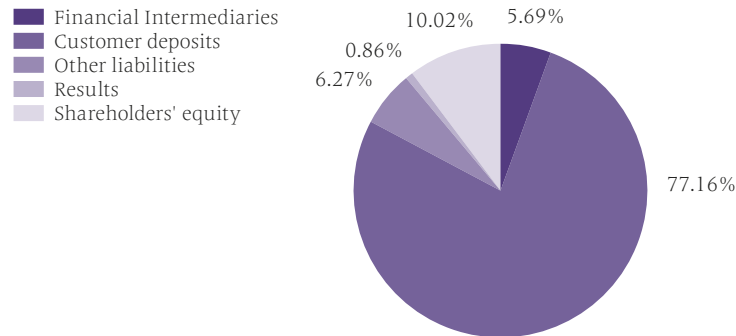
### EVOLUTION OF AGGREGATE LIABILITIES 2005-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 5]

### STRUCTURE OF AGGREGATE LIABILITIES 2015



	2015
Financial Intermediaries	820,747
Customer deposits	11,120,381
Other liabilities	903,049
Results	123,548
Shareholders' equity	1,444,077

(THOUSAND EUR) Source: Association of Andorran Banks

[pie chart 6]

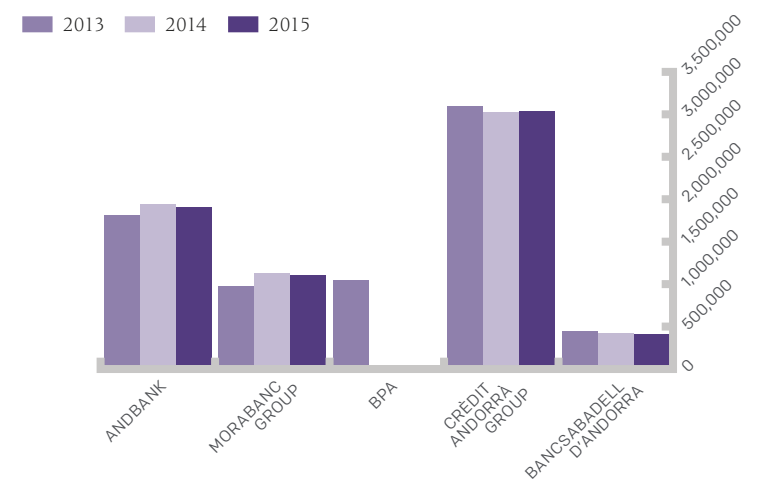
### EVOLUTION OF AGGREGATE GROSS LOANS AND DISCOUNTS 2005-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 7]

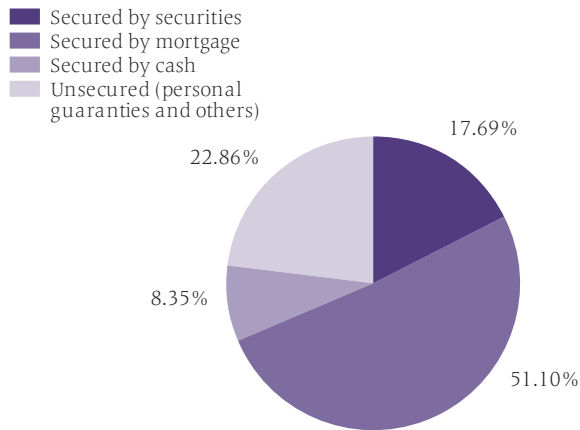
### EVOLUTION OF GROSS LOANS AND DISCOUNTS BY BANKING ENTITY 2013-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 8]

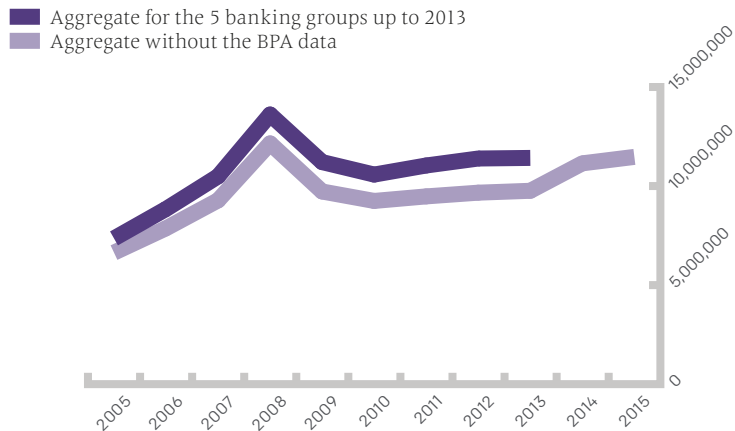
## LOANS GUARANTEES 2015



Source: Association of Andorran Banks

[pie chart 9]

## EVOLUTION OF AGGREGATE CUSTOMER LIABILITIES 2005-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 10]

## CUSTOMER LIABILITIES

The uncertainty generated by the international financial crisis led to a significant amount of customer funds managed off the balance sheet being transferred to more secure products, such as deposits during 2008. However, the upward trend of international capital markets in 2009 and 2010 has generated a roughly 5% fall in customer liabilities (customer deposits managed by banking entities and structured products issued by banks) in relation to 2009 as part of the customer funds has been transferred

off the balance sheet. This trend has changed in recent years with a consolidation of deposits, which have increased by 2.97% and an important increase in customer funds managed off-balance-sheet of 2.80%, as we can see in [figure 10](#) and [table 5](#).

[Figure 11](#) shows the evolution of customer deposits over the last three financial years. This evolution in customer deposits is in line with the increase experienced in the customer funds managed off-balance-sheet despite the great volatility of the stock markets.

**Customer deposits exceeded 11 billion euros, 2.97% higher than in 2014**

## GROSS LOANS TO CUSTOMER LIABILITIES RATIO

The following [figure 12](#) shows the evolution of the gross loans to customer liabilities ratio for the different Andorran banking entities in 2013, 2014 and 2015.

### CUSTOMER LIABILITIES BY BANKING ENTITY

	2014	% OF TOTAL	2015	% OF TOTAL	VAR. (%) 14-15
ANDBANK	3,741,084	33.56%	3,808,128	33.20%	1.79%
MORABANC GROUP	1,855,558	16.65%	2,101,160	18.32%	13.24%
CRÈDIT ANDORRÀ GROUP	5,020,999	45.04%	5,022,382	43.78%	0.03%
BANCSABADELL D'ANDORRA	528,947	4.75%	539,494	4.70%	1.99%
<b>TOTAL</b>	<b>11,146,588</b>	<b>100.00%</b>	<b>11,471,164</b>	<b>100.00%</b>	<b>2.91%</b>

(THOUSAND EUR) Source: Association of Andorran Banks

[table 5]

### CUSTOMER INTERMEDIATION BY BANKING ENTITY

	2014	% OF TOTAL	2015	% OF TOTAL	VAR. (%) 14-15
ANDBANK	17,775,518	53.59%	19,125,396	56.10%	7.59%
MORABANC GROUP	5,428,385	16.37%	5,090,058	14.93%	(6.23%)
CRÈDIT ANDORRÀ GROUP	8,788,381	26.50%	8,699,252	25.51%	(1.01%)
BANCSABADELL D'ANDORRA	1,174,090	3.54%	1,178,998	3.46%	0.42%
<b>TOTAL</b>	<b>33,166,374</b>	<b>100.00%</b>	<b>34,093,704</b>	<b>100.00%</b>	<b>2.80%</b>

(THOUSAND EUR) Source: Association of Andorran Banks

[table 6]

## AGGREGATE ASSETS UNDER MANAGEMENT

As we can see in figures 13 and 14, notwithstanding the events that have marked 2015, the assets under management by the Andorran banking entities including customers deposits and customer intermediations (guarded and non-guarded), have experimented a growth of 2.84% during the 2015 financial year until reaching the sum of 45,214 million euro, an amount which once again marks an all-time high. The mediation for clients (shares, investment funds, debentures, etc.) increased by 2.80% and represented 75.41% of the managed resources. Customer deposits increased by 2.97%.

Details of aggregate assets managed off the balance sheet by Andorran banks, taking into consideration assets off the balance sheet and other assets managed by management companies and banking entities forming part of Andorra banking groups for 2014 and 2015 are as shown in table 6.

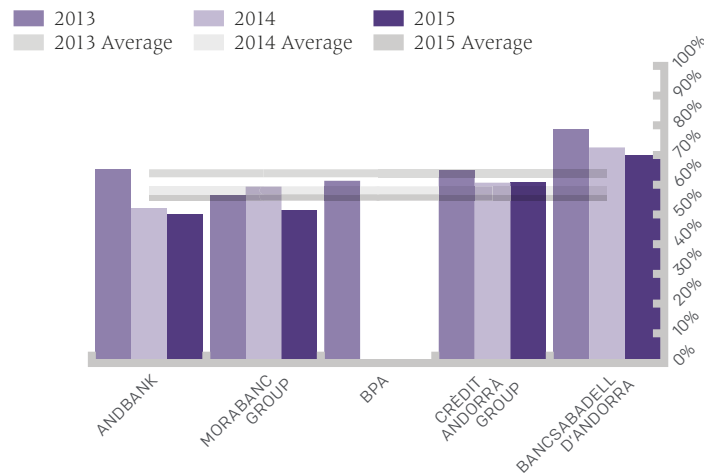
### EVOLUTION OF CUSTOMER LIABILITIES BY BANKING ENTITY 2013-2015



(THOUSANDEUR) Source: Association of Andorran Banks

[figure 11]

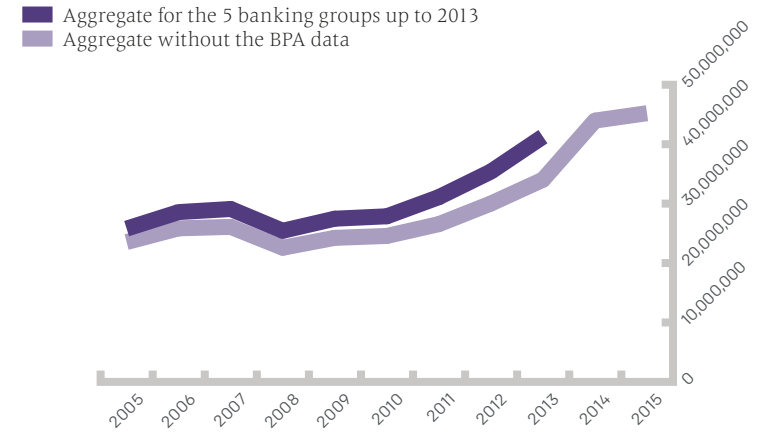
### EVOLUTION IN GROSS LOANS TO CUSTOMER LIABILITIES RATIO BY BANKING ENTITY 2013-2015



(% INVESTMENT/DEPOSITS) Source: Association of Andorran Banks

[figure 12]

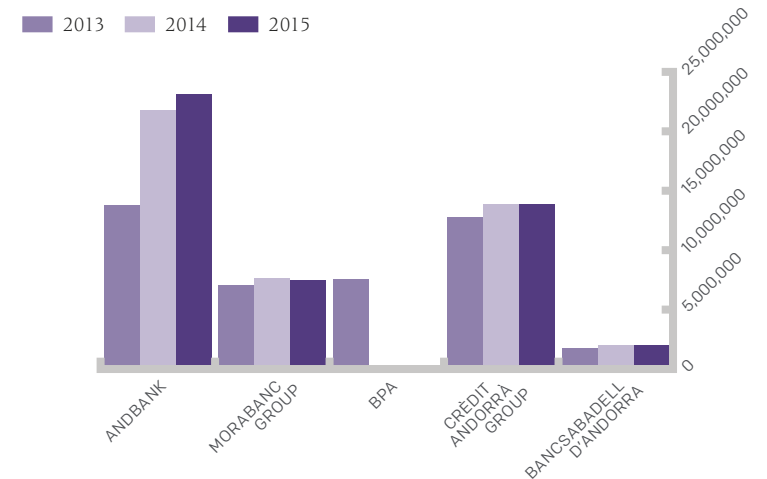
### EVOLUTION OF AGGREGATE ASSETS UNDER MANAGEMENT 2005-2015



(THOUSANDEUR) Source: Association of Andorran Banks

[figure 13]

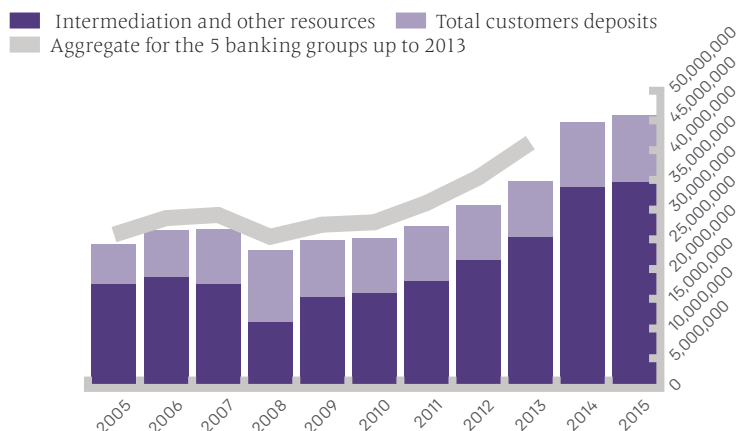
### EVOLUTION OF ASSETS UNDER MANAGEMENT BY ENTITY 2013-2015



(THOUSANDEUR) Source: Association of Andorran Banks

[figure 14]

## EVOLUTION OF AGGREGATE ASSETS UNDER MANAGEMENT 2005-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 15]

***In a year that has been marked by the BPA event, the increase in both on- and off-balance sheet managed resources demonstrates the solidity and the level of trust that the customers of the Andorran banks have in the entities***

The following **figure 15** shows the evolution of assets managed by the banking entities during the last ten years, and their distribution between customer deposits and customer intermediation.

Since 2010, interest rates have continued to fall reaching very low or even negative rates. 2015 was characterised by a high level of volatility in the financial markets.

## AGGREGATE CONSOLIDATED MEMORANDUM ACCOUNTS OF ANDORRAN BANKS

Details of the aggregate memorandum accounts of Andorran banks for 2014 and 2015 are as shown in **table 7**.

Chapter “V. Information of interest” shows the consolidated memorandum accounts of each banking group. We can see in **figure 16** the evolution of the aggregate memorandum accounts of each entity for 2013, 2014 and 2015.

A breakdown of aggregate memorandum accounts at 31 December 2015 is shown in **pie chart 17**.

## AGGREGATE CONSOLIDATED INCOME STATEMENTS FOR ANDORRAN BANKS

Details of the aggregate consolidated income statements of Andorran banks for 2014 and 2015 are as shown in **table 8**.

Chapter “V. Information of interest” shows the consolidated income statements of each four banking groups for 2014 and 2015.

With regard to the sector’s performance, the Andorran banks closed the year with a net income of 168 million euro, which corresponds to a decrease of 8.03%. These results are influenced by low interest rates within the framework of the European Union, which have pushed financial margins downwards, and by the increasing costs resulting from international expansion and adapting to the new regulatory framework of the European banking sector. In spite of this, the Andorran banks closed the last financial year with a ROE (the return that shareholders get from the funds they have invested in the company) of 10.93%, which is higher than the ROE of the Spanish banks (estimated to be between 5.2% and 5.5% in 2015, according to Standard & Poor’s) and the average for the European banks (situated at 8%, according to the same ratings agency).

### AGGREGATE MEMORANDUM ACCOUNTS

	2014	% OF TOTAL	2015	% OF TOTAL	VAR. (%) 14-15
Contingent liabilities	345,451	0.67%	346,137	0.73%	0.20%
Commitments and contingent risks	1,009,627	1.96%	912,654	1.93%	(9.60%)
Derivative financial instruments	11,261,484	21.90%	8,858,619	18.70%	(21.34%)
Securities deposited and others held in custody	34,318,489	66.74%	32,861,897	69.37%	(4.24%)
Other memorandum accounts for administrative control purposes only	4,488,900	8.73%	4,391,880	9.27%	(2.16%)
<b>TOTAL</b>	<b>51,423,951</b>	<b>100.00%</b>	<b>47,371,187</b>	<b>100.00%</b>	<b>(7.88%)</b>

(THOUSAND EUR) Source: Association of Andorran Banks

[table 7]

**The aggregate result of the sector amounted to 168 million euros**

**The banks closed the 2015 financial year with a ROE of 10.93%, above the average of the European banks which was situated at 8% according to S&P**

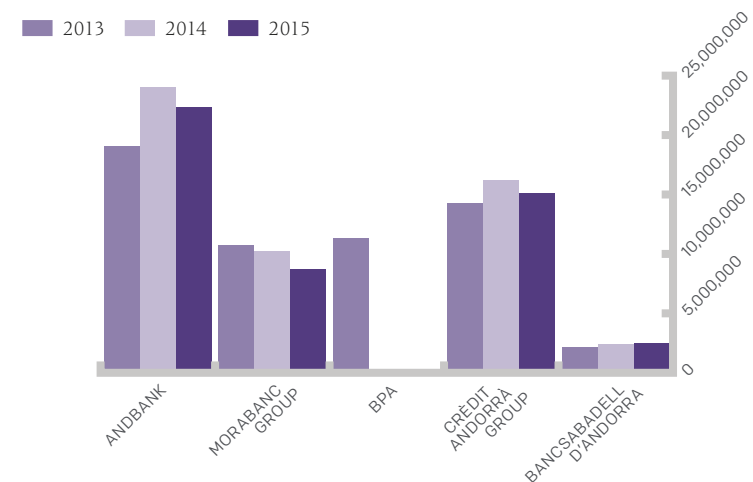
#### AGGREGATE CONSOLIDATED INCOME STATEMENTS FOR ANDORRAN BANKS

	2014	2015	VAR. (%) 14-15
Interest and similar income	290,877	282,853	(2.76%)
Interest and similar charges	(150,583)	(144,599)	(3.97%)
Revenue from variable income securities	8,037	1,669	(79.23%)
<b>FINANCIAL MARGIN</b>	<b>148,331</b>	<b>139,923</b>	<b>(5.67%)</b>
Comission	336,258	392,175	16.63%
Profits on financial operations	124,155	116,907	(5.84%)
Other profit on ordinary activities	10	2,730	-
<b>GROSS MARGIN</b>	<b>608,754</b>	<b>651,735</b>	<b>7.06%</b>
Personnel expenses	(169,371)	(209,881)	23.92%
General expenses	(106,699)	(143,061)	34.08%
Amortisation and depreciation, net of recoveries	(46,958)	(53,436)	13.80%
Provisions for depreciation of assets, net of recoveries	(10,014)	(6,437)	(35.72%)
<b>OPERATING MARGIN</b>	<b>275,712</b>	<b>238,920</b>	<b>(13.34%)</b>
Impairment losses on assets	-	(35)	-
Provisions for loan losses, net of recoveries	(90,163)	(52,231)	(42.07%)
Provisions for liabilities and charges, net of recoveries	(3,792)	(1,774)	(53.22%)
Allowance to provision for general risks	(20,508)	(10,979)	(46.46%)
<b>RESULTS ON ORDINARY ACTIVITIES</b>	<b>161,249</b>	<b>173,901</b>	<b>7.85%</b>
Net extraordinary income	35,355	4,469	(87.36%)
<b>PROFIT BEFORE TAXES</b>	<b>196,604</b>	<b>178,370</b>	<b>(9.27%)</b>
Corporate income tax	(12,506)	(7,873)	(37.05%)
Foreign corporate income tax	(780)	(1,799)	-
<b>CONSOLIDATED RESULTS</b>	<b>183,318</b>	<b>168,698</b>	<b>(7.98%)</b>
Losses attributable to minority interest	(50)	(150)	-
<b>PROFIT ATTRIBUTABLE TO THE GROUP</b>	<b>183,268</b>	<b>168,548</b>	<b>(8.03%)</b>

(THOUSAND EUR) Source: Association of Andorran Banks

[table 8]

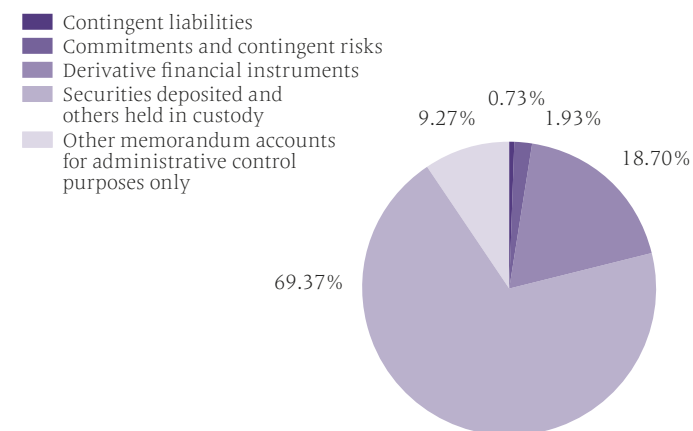
#### EVOLUTION OF MEMORANDUM ACCOUNTS BY BANKING ENTITY 2013-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 16]

#### AGGREGATE MEMORANDUM ACCOUNTS BY BANKING ENTITY 2015



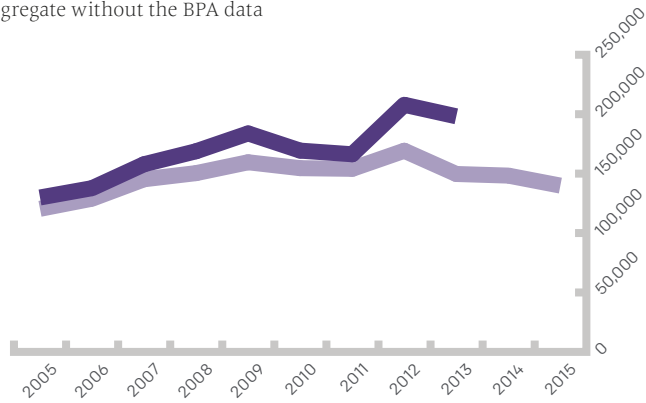
Source: Association of Andorran Banks

[pie chart 17]



### EVOLUTION OF AGGREGATE FINANCIAL MARGIN 2005-2015

■ Aggregate for the 5 banking groups up to 2013  
 ■ Aggregate without the BPA data

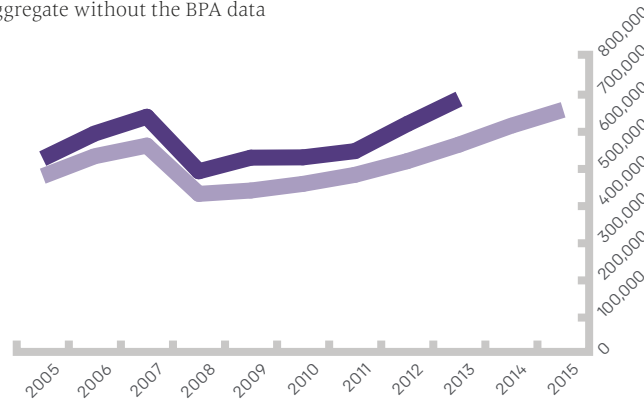


(THOUSAND EUR) Source: Association of Andorran Banks

[figure 18]

### EVOLUTION OF AGGREGATE GROSS MARGIN 2005-2015

■ Aggregate for the 5 banking groups up to 2013  
 ■ Aggregate without the BPA data



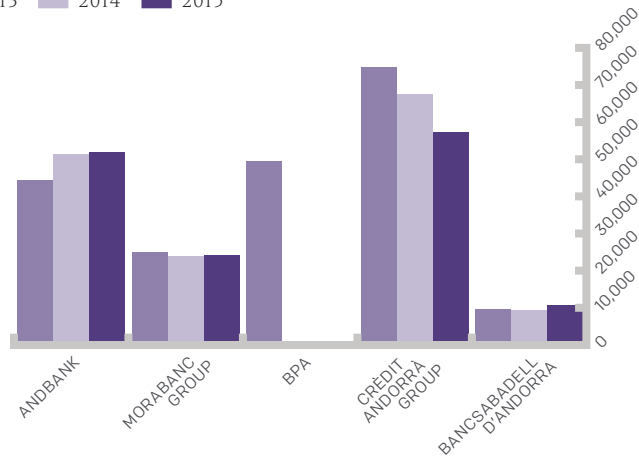
(THOUSAND EUR) Source: Association of Andorran Banks

[figure 20]

### EVOLUTION OF THE INCOME STATEMENT OF THE BANKING SECTOR IN ANDORRA

### EVOLUTION OF FINANCIAL MARGIN BY BANKING ENTITY 2013-2015

■ 2013 ■ 2014 ■ 2015

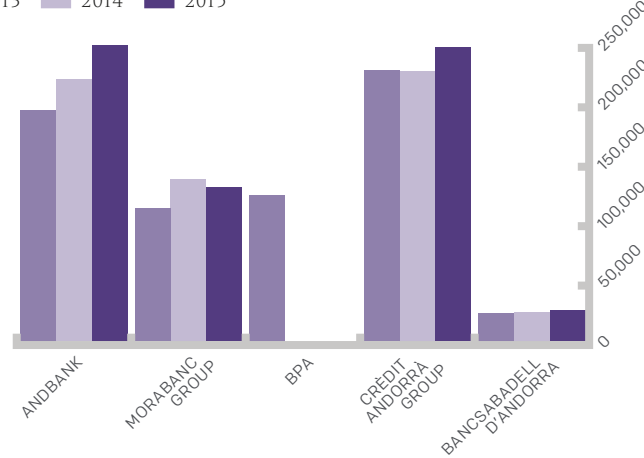


(THOUSAND EUR) Source: Association of Andorran Banks

[figure 19]

### EVOLUTION OF GROSS MARGIN BY BANKING ENTITY 2013-2015

■ 2013 ■ 2014 ■ 2015

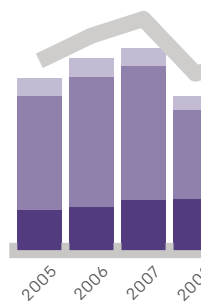


(THOUSAND EUR) Source: Association of Andorran Banks

[figure 21]

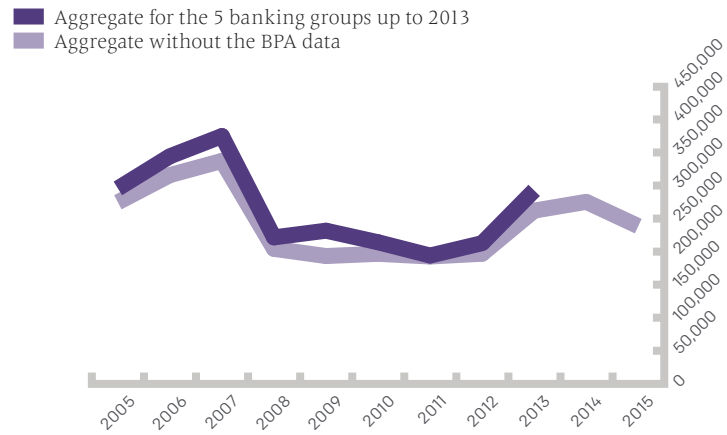
### EVOLUTION OF AGGREGATE GROSS MARGIN 2005-2015

■ Financial margin  
 ■ Net commissions  
 ■ Profits on financial operations and profit on ordinary activities  
 ■ Aggregate for the 5 banking groups up to 2013



(THOUSAND EUR) Source: Association of Andorran Banks

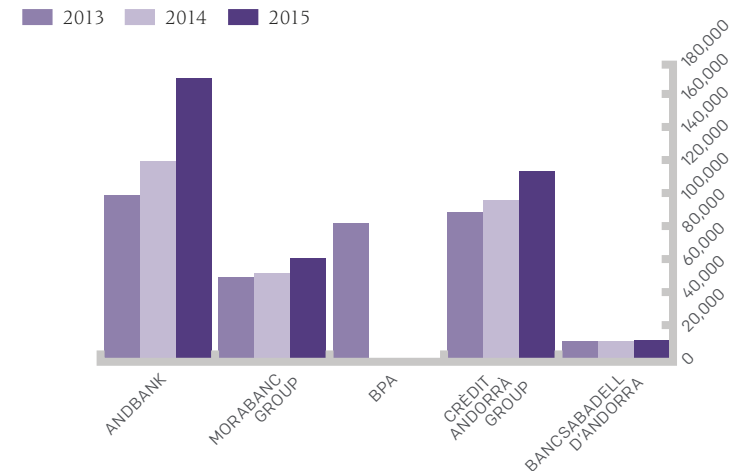
### EVOLUTION OF AGGREGATE NET OPERATING MARGIN 2005-2015



(THOUSANDEUR) Source: Association of Andorran Banks

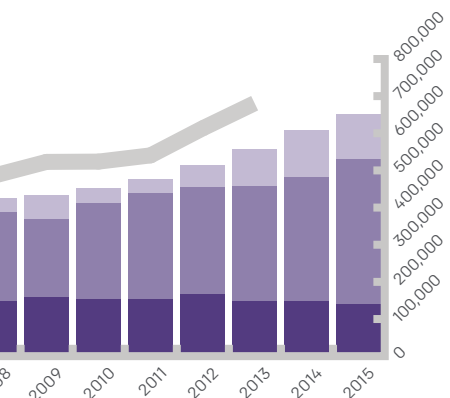
[figure 23]

### EVOLUTION IN TRANSFORMATION COSTS BY BANKING ENTITY 2013-2015



(THOUSANDEUR) Source: Association of Andorran Banks

[figure 25]



[figure 22]

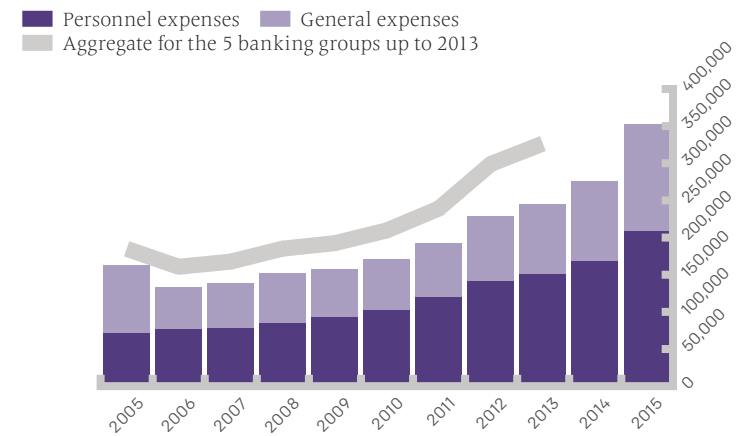
### EVOLUTION OF NET OPERATING MARGIN BY BANKING ENTITY 2013-2015



(THOUSANDEUR) Source: Association of Andorran Banks

[figure 24]

### EVOLUTION IN THE STRUCTURE OF AGGREGATE TRANSFORMATION COSTS 2005-2015

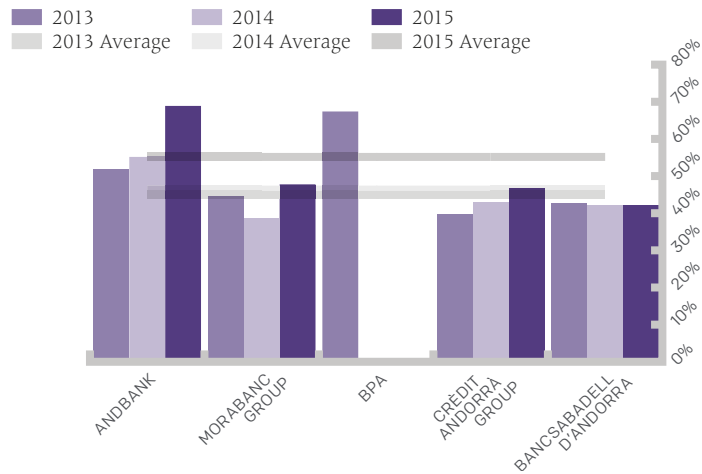


(THOUSANDEUR) Source: Association of Andorran Banks

[figure 26]

## EVOLUTION OF THE INDICATORS OF THE BANKING SECTOR IN ANDORRA

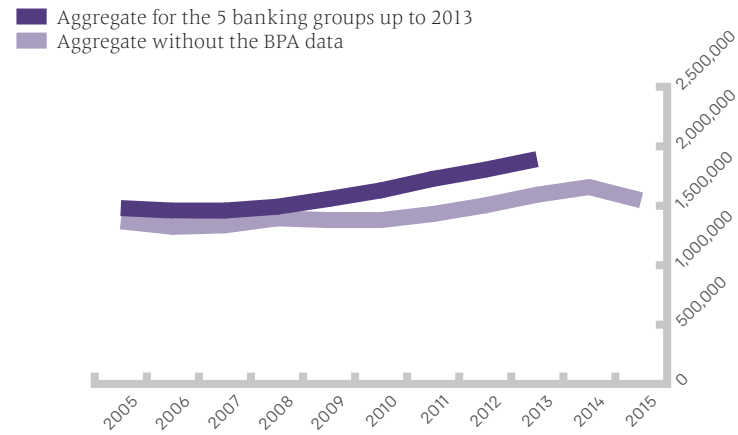
### EVOLUTION OF EFFICIENCY RATIOS OF BANKING ENTITIES 2013-2015



Source: Association of Andorran Banks

[figure 27]

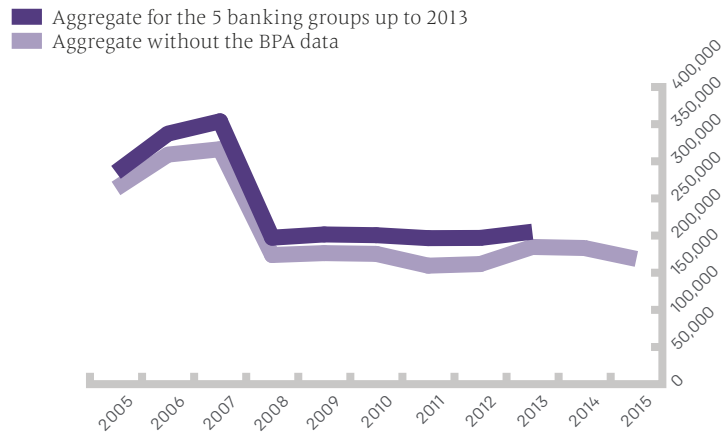
### EVOLUTION OF AGGREGATE EQUITY 2005-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 29]

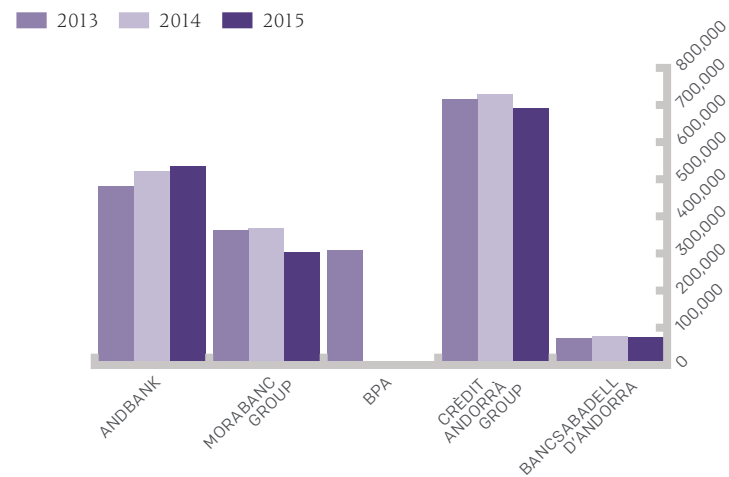
### EVOLUTION IN AGGREGATE PROFIT 2005-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 28]

### EVOLUTION OF EQUITY BY BANKING ENTITY 2013-2015



(THOUSAND EUR) Source: Association of Andorran Banks

[figure 30]

## CAPITAL ADEQUACY AND LIQUIDITY

On 29 February 1996 the General Council approved the *Law regulating the capital adequacy and liquidity criteria of financial institutions*, a revised text of which was published on 12 February 2014. This Law was introduced to guarantee the solidity of the structure of the Andorran financial system and originated from a recommendation by the Basel Committee on Banking Regulations and Supervisory Practices.

In order for the Andorran financial system to gain a positive reputation for being solvent at an international level, minimum capital

adequacy and liquidity ratios of 10% and 40% respectively, were introduced, which are more stringent than those prevailing in the majority of countries already using these ratios.

**Table 10** and **figures 31** and **32** show the changes in the two ratios for each banking entity during the 2014 and 2015 financial years which, as can be clearly observed, significantly exceed the established minimums, as well as the changes in those of the leading international private, retail or universal banking entities.

During the 2015 financial year, the Andorran banks have reinforced their balance sheets and they have

improved their solvency. At 31 December, the solvency ratio of the four banks was situated at 22.78%. This figure exceeds the ratio of last year, which was situated at 20.75%, by 203 basic points, and doubles the requirements of the Andorran banking regulations which sets this coefficient at a minimum of 10%.

**At the close of the 2015 financial year, the solvency ratio of the 4 banks was situated at 22.78%, exceeding the ratio of the previous year and doubling the Andorran regulatory requirements**

### PROFIT BY BANKING ENTITY

	2014	2015	VAR. (%) 14-15
ANDBANK	64,269	54,048	(15.90%)
MORABANC GROUP	40,187	34,885	(13.19%)
CRÉDIT ANDORRÀ GROUP	71,544	72,005	0.64%
BANCSABADELL D'ANDORRA	7,268	7,610	4.71%
<b>TOTAL</b>	<b>183,268</b>	<b>168,548</b>	<b>(8.03%)</b>

(THOUSAND EUR) Source: Association of Andorran Banks

[table 9]

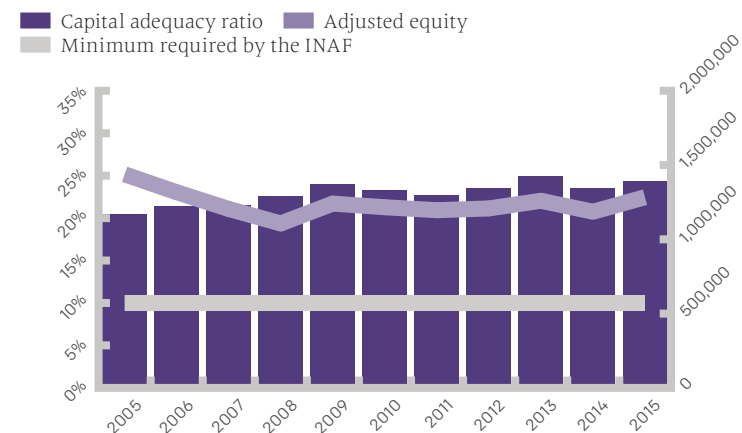
### CAPITAL ADEQUACY

	CAPITAL ADEQUACY		LIQUIDITY	
	2014	2015	2014	2015
ANDBANK	16.68%	20.72%	61.22%	76.60%
MORABANC GROUP	27.36%	28.50%	68.90%	76.03%
CRÉDIT ANDORRÀ GROUP	20.26%	21.82%	73.82%	65.14%
BANCSABADELL D'ANDORRA	22.99%	20.77%	89.37%	59.09%
<b>AGGREGATE RATIO</b>	<b>20.75%</b>	<b>22.78%</b>	<b>68.11%</b>	<b>71.24%</b>

Source: Association of Andorran Banks

[table 10]

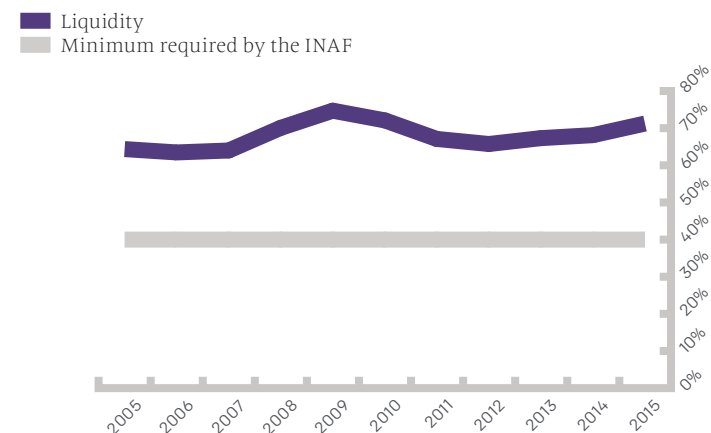
## EVOLUTION OF CAPITAL ADEQUACY RATIO AND ADJUSTED EQUITY 2005-2015



(PERCENTAGE/THOUSAND EUR) Source: Association of Andorran Banks

[figure 31]

## EVOLUTION OF THE AGGREGATE LIQUIDITY RATIO 2005-2015



(PERCENTAGE) Source: Association of Andorran Banks

[graph 32]

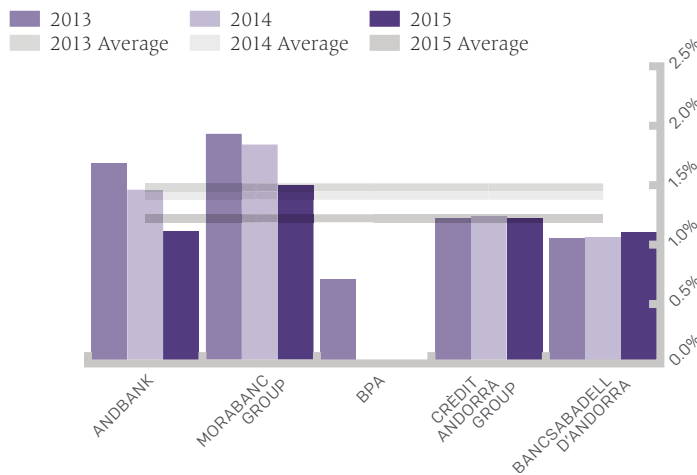
### AVERAGE RETURN ON EQUITY BY BANKING ENTITY 2013-2015



Source: Association of Andorran Banks

[figure 33]

### AVERAGE RETURN ON ASSETS BY BANKING ENTITY 2013-2015



Source: Association of Andorran Banks

[figure 34]

As far as the liquidity ratio is concerned, the ratio of the Andorran banks has also increased. The aggregate liquidity ratio for 2015 achieved by the members of the ABA was 71.24%, 313 basic points higher than that attained in 2014, when it reached 68.11%. This figure is well above the liquidity ratio required under Andorran banking regulations.

**The liquidity ratio attained by the Andorran banks during 2015 was 71.24%, More than 300 basic points higher than last year, well above the ratio required under Andorran regulatory requirements**

These two ratios illustrate the conservative and prudent management of Andorran banks.

Furthermore, on 2 February 2011, the General Council of the Principality of Andorra passed *Law 1/2011 creating a deposit guar-*

*antee system for banking entities (amended by Law 8/2015 on urgent measures to introduce mechanisms for the recovery and resolution of banking institutions)* with the aim of guaranteeing the return of deposited cash and securities funds to the depositors. Under the aforementioned Law, in order for the guarantee system to fulfil the obligations attributed to it therein, all banking entities authorized to operate in Andorra must create and maintain a restricted reserve to fulfil the guarantees covered, and an amount equivalent to this reserve must be invested in secure and liquid assets that fulfil a series of requirements established by the Law for this purpose.

**Law 8/2015 on urgent measures to introduce mechanisms for the recovery and resolution of banking institutions aims at guaranteeing the return of deposited cash and securities to the depositors**

### AVERAGE RETURN ON EQUITY (ROE)

The average return on equity of Andorran banks for the year ended 31<sup>st</sup> December 2015, as we can see in **table 11** and **figure 33**, was 10.93% (calculating profit/average equity).

**The average return on equity (ROE) for 2015 was 10.93%**

### RETURN ON AVERAGE ASSETS (ROA)

The following **table 12** and **figure 34** show that both the return on average assets (ROA) and the return on average equity (ROE) exceed those of the European banking sector.

**The returns of both ROA and ROE are above the average for the European banking sector**



## RATINGS

Another indicator of the capital adequacy of the banking entities is the rating system prepared by specialised agencies such as Fitch Ratings, Moody's or Standard & Poor's.

**Table 13** shows the ratings of the Andorran banking entities published by Fitch Ratings on 2 July 2015 (Ratings available at the close of publication on 31 May 2016).

With regard to the sovereign rating of the Principality of Andorra, Standard & Poor's has carried out five analyses since 3 October 2014, situating the rating at BBB- on 12 February 2016.

On 12 March 2015, two days after the FinCEN named BPA as a "financial institution of primary money laundering concern", the agency published a new assessment in which it lowered the long-term rating one level, situating it at BBB and it maintained the short-term A-2 rating with a negative outlook.

The report mentioned the increase in the risk profile of the country because of the FinCEN statement, highlighting the future uncertainty and the risks to which the financial sector might potentially be exposed. However, the report emphasised the adequate capitalisation of the Andorran banks, with solvency ratios of around 22% and liquidity ratios of 70%.

On 27 March 2015, the agency issued a new evaluation in which it lowered the rating of Andorra to BBB-/A-3 and maintained the negative watch of three months because of the uncertainties generated by the BPA affair. According to the agency, the risk profile of the Andorran financial sector had increased, although it did highlight the fact that the country's banks continue to be adequately capitalised.

On 12 February 2016, the agency maintained the rating of Andorra at BBB-/A-3 with a negative outlook, just as it had done in the preceding report of 25 September 2015. The evaluators believe that significant progress has been made in the resolution process at BPA, but that the definitive outcome is still pending.

On the other hand, the agency states that the Andorran economy has continued on the path to growth started in 2014, and it

expects a moderate growth of between 1% and 2% for the period 2016-2019.

Additionally and for the first time, the Fitch ratings agency assessed on 11 September 2015 the sovereign rating of the Principality of Andorra, placing it at BBB with a stable perspective. The agency maintained this rating on 11 March 2016.

### AVERAGE RETURN ON EQUITY (ROE)

	2014	2015
ANDBANK	12.67%	9.93%
MORABANC GROUP	12.79%	10.78%
CRÈDIT ANDORRÀ GROUP	12.09%	11.92%
BANCSABADELL D'ANDORRA	10.77%	10.59%
<b>AGGREGATE RATIO</b>	<b>12.38%</b>	<b>10.93%</b>

Source: Association of Andorran Banks

[table 11]

### AVERAGE RETURN ON ASSETS (ROA)

	2014	2015
ANDBANK	1.43%	1.08%
MORABANC GROUP	1.81%	1.47%
CRÈDIT ANDORRÀ GROUP	1.21%	1.19%
BANCSABADELL D'ANDORRA	1.03%	1.07%
<b>AGGREGATE RATIO</b>	<b>1.38%</b>	<b>1.19%</b>

Source: Association of Andorran Banks

[table 12]

## RATINGS

	RATINGS		AGENCY
	LONG TERM	SHORT TERM	
ANDBANK	BBB	F3	Fitch Ratings
MORABANC GROUP	BBB-	F3	Fitch Ratings
CRÈDIT ANDORRÀ GROUP	BBB	F3	Fitch Ratings
BANCSABADELL D'ANDORRA (*)	-	-	-

(\*) With 51% ownership of Banc Sabadell

Source: Fitch Ratings reports published in July 2015.

[table 13]







V



### V.1. ANDORRAN BANKING GROUPS

#### ANDORRA BANC AGRÍCOL REIG, SA

Ed. Centre de Negoci  
C/ Manuel Cerqueda i Escaler, 4-6  
AD700 Escaldes-Engordany  
(Principality of Andorra)  
Tel. +376 873333 - Fax +376 863905  
www.andbank.com

#### Honorary Chairman:

Mr. Òscar Ribas Reig

#### Chairman:

Mr. Manel Cerqueda Donadeu

#### Vice Chairman:

Mr. Oriol Ribas Duró

#### Chief Executive Officer:

Mr. Ricard Tubau Roca

#### Deputy CEO Corporate Services:

Mr. José Luis Muñoz Lasuén

#### Deputy CEO Investments:

Mr. Santiago Mora Torres

#### CONSOLIDATED BALANCE SHEETS OF ANDORRA BANC AGRÍCOL REIG, SA (ANDBANK) AT 31 DECEMBER 2014 AND 2015

ASSETS	2014	% OF TOTAL	2015	% OF TOTAL	VAR. (%) 14-15
Cash and central banks OECD	40,560	0.83%	76,818	1.52%	89.39%
INAF	210	-	210	-	-
Financial intermediaries	1,268,929	25.90%	1,030,201	20.34%	(18.81%)
Loans	1,853,800	37.85%	1,816,948	35.88%	(1.99%)
Securities portfolio	1,169,515	23.88%	1,646,256	32.51%	40.76%
Gains on consolidation	136,338	2.78%	149,630	2.95%	9.75%
Intangible assets and amortisable costs	76,110	1.55%	85,115	1.68%	11.83%
Tangible assets	166,631	3.40%	93,298	1.84%	(44.01%)
Prepayment and accrued receivables	50,373	1.03%	49,134	0.97%	(2.46%)
Other assets	135,935	2.78%	116,386	2.30%	(14.38%)
<b>TOTAL ASSETS</b>	<b>4,898,401</b>	<b>100.00%</b>	<b>5,063,996</b>	<b>100.00%</b>	<b>3.38%</b>
<b>LIABILITIES</b>					
INAF	4,212	0.09%	13,115	0.26%	-
Due to banks and credit entities	328,880	6.71%	454,037	8.97%	38.06%
Other financial intermediaries	97,615	1.99%	27,160	0.54%	(72.18%)
Customer deposits	3,675,575	75.04%	3,634,453	71.77%	(1.12%)
Debts represented by securities	65,509	1.34%	173,675	3.43%	-
Provision for liabilities and charges	12,898	0.26%	15,674	0.31%	21.53%
Provision for general risks	8,493	0.17%	4,729	0.09%	(44.32%)
Subordinated liabilities	-	-	50,000	0.99%	-
Accruals	34,024	0.69%	41,112	0.81%	20.83%
Other liabilities	132,434	2.71%	97,616	1.92%	(26.29%)
Share capital	78,842	1.61%	78,842	1.56%	-
Reserves	395,650	8.08%	418,849	8.27%	5.86%
Profit	64,269	1.31%	54,048	1.07%	(15.90%)
Prior years' result	-	-	-	-	-
Interim dividends	-	-	-	-	-
Minority interest	-	-	686	0.01%	-
<b>TOTAL LIABILITIES</b>	<b>4,898,401</b>	<b>100.00%</b>	<b>5,063,996</b>	<b>100.00%</b>	<b>3.38%</b>

(THOUSAND EUR) Source: Annual report of banking entity

(1) Information of interest relates to posts occupied by individuals prior to 31 May 2016

**CONSOLIDATED MEMORANDUM ACCOUNTS OF ANDORRA BANC AGRÍCOL REIG, SA (ANDBANK)  
AT 31 DECEMBER 2014 AND 2015**

	<u>2014</u>	<u>% OF TOTAL</u>	<u>2015</u>	<u>% OF TOTAL</u>	<u>VAR. (%) 14-15</u>
Contingent liabilities	87,101	0.37%	94,412	0.43%	8.39%
Commitments and contingent risks	302,173	1.27%	244,533	1.11%	(19.08%)
Derivative financial instruments	6,612,725	27.89%	5,294,332	24.01%	(19.94%)
Securities deposited and others held in custody	15,388,132	64.90%	15,177,880	68.85%	(1.37%)
Other memorandum accounts for administrative control purposes only	1,319,827	5.57%	1,234,818	5.60%	(6.44%)
<b>TOTAL</b>	<b>23,709,958</b>	<b>100.00%</b>	<b>22,045,975</b>	<b>100.00%</b>	<b>(7.02%)</b>

(THOUSAND EUR) Source: Annual report of banking entity

**CONSOLIDATED INCOME STATEMENTS OF ANDORRA BANC AGRÍCOL REIG, SA (ANDBANK)  
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2015**

	<u>2014</u>	<u>2015</u>	<u>VAR. (%) 14-15</u>
Interest and similar income	135,466	146,367	8.05%
Interest and similar charges	(90,450)	(95,652)	5.75%
Revenue from variable income securities	5,354	198	(96.30%)
<b>FINANCIAL MARGIN</b>	<b>50,370</b>	<b>50,913</b>	<b>1.08%</b>
Commissions	120,527	158,963	31.89%
Profits on financial operations	49,198	37,780	(23.21%)
Other profit on ordinary activities	164	1,469	-
<b>MARGIN ON ORDINARY ACTIVITIES</b>	<b>220,259</b>	<b>249,125</b>	<b>13.11%</b>
Personnel expenses	(79,193)	(105,639)	33.39%
General expenses	(40,060)	(63,441)	58.36%
Amortisation and depreciation, net of recoveries	(11,289)	(19,391)	71.77%
Provisions for depreciation of assets, net of recoveries	(3,608)	(582)	(83.87%)
<b>OPERATING MARGIN</b>	<b>86,109</b>	<b>60,072</b>	<b>(30.24%)</b>
Impairment losses on assets	-	-	-
Provisions for loan losses, net of recoveries	(7,479)	(8,042)	7.53%
Provisions for liabilities and charges, net of recoveries	(737)	(1,742)	-
Allowance to provision for general risks	(3,100)	(200)	(93.55%)
<b>RESULTS ON ORDINARY ACTIVITIES</b>	<b>74,793</b>	<b>50,088</b>	<b>(33.03%)</b>
Net extraordinary income	(3,389)	6,588	-
<b>PROFIT BEFORE TAXES</b>	<b>71,404</b>	<b>56,676</b>	<b>(20.63%)</b>
Corporate income tax	(6,562)	(722)	(89.00%)
Foreign corporate income tax	(573)	(1,906)	-
<b>CONSOLIDATED RESULTS</b>	<b>64,269</b>	<b>54,048</b>	<b>(15.90%)</b>
Results attributable to minority interest	-	-	-
<b>RESULTS ATTRIBUTABLE TO THE GROUP</b>	<b>64,269</b>	<b>54,048</b>	<b>(15.90%)</b>

(THOUSAND EUR) Source: Annual report of banking entity



## MORA BANC GROUP, SA

Av. Meritxell, 96  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 884488 - Fax +376 884499  
www.morabanc.com

### Honorary Chairman:

Mr. Joan Mora Font

### Chairman:

Mr. Francesc Mora Sagués (\*)

### Chief Executive Officer:

Mr. Pedro González Grau

## MORA BANC, SAU

Av. Meritxell, 96  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 884488 - Fax +376 884499  
www.morabanc.com

### Chairman:

Mora Fills, SA represented by Mr.  
Jordi Mora Magriñà (\*\*)

### Chief Executive Officer:

Mr. Pedro González Grau

## CONSOLIDATED BALANCE SHEETS OF BANC INTERNACIONAL D'ANDORRA, SA, BANCA MORA, SAU (MORABANC GROUP) AT 31 DECEMBER 2014 AND 2015

ASSETS	2014	% OF TOTAL	2015	% OF TOTAL	VAR. (%) 14-15
Cash and central banks OECD	23,404	1.02%	25,465	0.99%	8.81%
INAF	210	0.01%	210	0.01%	-
Financial intermediaries	549,893	23.94%	681,093	26.36%	23.86%
Loans	1,050,926	45.76%	1,021,877	39.55%	(2.76%)
Securities portfolio	513,111	22.34%	695,703	26.92%	35.59%
Gains on consolidation	9,771	0.43%	9,179	0.36%	(6.06%)
Intangible assets and amortisable costs	8,746	0.38%	10,204	0.39%	16.67%
Tangible assets	107,468	4.68%	105,041	4.07%	(2.26%)
Prepayment and accrued receivables	16,268	0.71%	16,691	0.65%	2.60%
Other assets	16,980	0.74%	18,402	0.70%	8.37%
<b>TOTAL ASSETS</b>	<b>2,296,777</b>	<b>100.00%</b>	<b>2,583,865</b>	<b>100.00%</b>	<b>12.50%</b>
<b>LIABILITIES</b>					
INAF	2,073	0.09%	16,394	0.63%	-
Due to banks and credit entities	24,187	1.05%	44,683	1.73%	84.74%
Other financial intermediaries	-	-	-	-	-
Customer deposits	1,855,558	80.79%	2,101,160	81.32%	13.24%
Debts represented by securities	-	-	-	-	-
Provision for liabilities and charges	12,902	0.56%	12,265	0.48%	(4.94%)
Provision for general risks	2,981	0.13%	12,470	0.48%	-
Subordinated liabilities	56,675	2.47%	52,216	2.02%	(7.87%)
Accruals	12,070	0.53%	16,634	0.64%	37.81%
Other liabilities	23,250	1.01%	19,290	0.75%	(17.03%)
Share capital	42,407	1.85%	42,407	1.64%	-
Reserves	249,489	10.86%	256,465	9.93%	2.80%
Profit	40,187	1.75%	34,885	1.35%	(13.19%)
Prior years' result	-	-	-	-	-
Interim dividends	(25,000)	(1.09%)	(25,000)	(0.97%)	-
Minority interest	(2)	-	(4)	-	-
<b>TOTAL LIABILITIES</b>	<b>2,296,777</b>	<b>100.00%</b>	<b>2,583,865</b>	<b>100.00%</b>	<b>12.50%</b>

(THOUSAND EUR) Source: Annual report of banking entity

(\*) With the expiry of the statutory period for which Mr. Francesc Mora Sagués was appointed, at its session of 26 April 2016, the Board of Directors agreed to appoint Mr. Jordi Mora Magriñà as the new Chairman of Mora Banc Grup, SA and this appointment was ratified by the General Meeting of Shareholders held on the same day. The pertinent authorisations for this appointment from the INAF are still pending.

(\*\*) With the expiry of the statutory period for which Mora Fills, SA was appointed, at its session of 26 April 2016, the Board of Directors agreed to appoint Mr. Oscar Aristot Borràs as the new Chairman of Mora Banc, SAU and this appointment was ratified by the General Meeting of Shareholders held on the same day. The pertinent authorisations for this appointment from the INAF are still pending.

(1) Information of interest relates to posts occupied by individuals prior to 31 May 2016

**CONSOLIDATED MEMORANDUM ACCOUNTS OF BANC INTERNACIONAL D'ANDORRA, SA, BANCA MORA, SAU (MORABANC GROUP) AT 31 DECEMBER 2014 AND 2015**

	2014	% OF TOTAL	2015	% OF TOTAL	VAR. (%) 14-15
Contingent liabilities	82,117	0.83%	75,224	0.90%	(8.39%)
Commitments and contingent risks	204,169	2.07%	216,841	2.58%	6.21%
Derivative financial instruments	1,470,886	14.92%	1,189,921	14.18%	(19.10%)
Securities deposited and others held in custody	6,845,518	69.42%	5,601,293	66.74%	(18.18%)
Other memorandum accounts for administrative control purposes only	1,258,350	12.76%	1,308,902	15.60%	4.02%
<b>TOTAL</b>	<b>9,861,040</b>	<b>100.00%</b>	<b>8,392,181</b>	<b>100.00%</b>	<b>(14.90%)</b>

(THOUSAND EUR) Source: Annual report of banking entity

**CONSOLIDATED INCOME STATEMENTS OF BANC INTERNACIONAL D'ANDORRA, SA, BANCA MORA, SAU (MORABANC GROUP) FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2015**

	2014	2015	VAR. (%) 14-15
Interest and similar income	34,397	31,831	(7.46%)
Interest and similar charges	(11,552)	(9,137)	(20.91%)
Revenue from variable income securities	93	408	-
<b>FINANCIAL MARGIN</b>	<b>22,938</b>	<b>23,102</b>	<b>0.71%</b>
Commissions	76,086	76,899	1.07%
Profits on financial operations	37,125	29,364	(20.91%)
Other profit on ordinary activities	156	157	0.64%
<b>MARGIN ON ORDINARY ACTIVITIES</b>	<b>136,305</b>	<b>129,522</b>	<b>(4.98%)</b>
Personnel expenses	(28,311)	(33,398)	17.97%
General expenses	(22,944)	(27,159)	18.37%
Amortisation and depreciation, net of recoveries	(9,510)	(8,452)	(11.13%)
Provisions for depreciation of assets, net of recoveries	(189)	(1,947)	-
<b>OPERATING MARGIN</b>	<b>75,351</b>	<b>58,566</b>	<b>(22.28%)</b>
Impairment losses on assets	-	-	-
Provisions for loan losses, net of recoveries	(22,943)	(6,040)	(73.67%)
Provisions for liabilities and charges, net of recoveries	(3,330)	(527)	(84.17%)
Allowance to provision for general risks	(2,981)	(9,489)	-
<b>RESULTS ON ORDINARY ACTIVITIES</b>	<b>46,097</b>	<b>42,510</b>	<b>(7.78%)</b>
Net extraordinary income	(2,583)	(5,071)	96.32%
<b>PROFIT BEFORE TAXES</b>	<b>43,514</b>	<b>37,439</b>	<b>(13.96%)</b>
Corporate income tax	(3,328)	(2,555)	(23.23%)
Foreign corporate income tax	-	-	-
<b>CONSOLIDATED RESULTS</b>	<b>40,186</b>	<b>34,884</b>	<b>(13.19%)</b>
Results attributable to minority interest	1	1	-
<b>RESULTS ATTRIBUTABLE TO THE GROUP</b>	<b>40,187</b>	<b>34,885</b>	<b>(13.19%)</b>

(THOUSAND EUR) Source: Annual report of banking entity

## CRÈDIT ANDORRÀ GROUP

Av. Meritxell, 80  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 888000 - Fax +376 888021  
www.creditandorragroup.com

### Chairman:

Mr. Jaume Casal Mor

### Vice Chairman:

Mr. Antoni Pintat Mas

### Chief Executive Officer:

Mr. Josep Peralba Duró

### General Manager:

Mr. Xavier Cornella Castel

## CONSOLIDATED BALANCE SHEETS OF CRÈDIT ANDORRÀ GROUP AT 31 DECEMBER 2014 AND 2015

ASSETS	2014	% OF TOTAL	2015	% OF TOTAL	VAR. (%) 14-15
Cash and central banks OECD	41,291	0.67%	62,722	1.03%	51.90%
INAF	210	-	2,235	0.04%	-
Financial intermediaries	439,076	7.09%	518,702	8.49%	18.13%
Loans	2,909,195	46.95%	2,908,672	47.64%	(0.02%)
Securities portfolio	2,231,116	36.00%	2,035,989	33.34%	(8.75%)
Gains on consolidation	46,707	0.75%	46,273	0.76%	(0.93%)
Intangible assets and amortisable costs	59,172	0.95%	62,538	1.02%	5.69%
Tangible assets	324,055	5.23%	326,959	5.35%	0.90%
Prepayment and accrued receivables	59,035	0.95%	57,667	0.94%	(2.32%)
Other assets	87,372	1.41%	84,863	1.39%	(2.87%)
<b>TOTAL ASSETS</b>	<b>6,197,229</b>	<b>100.00%</b>	<b>6,106,620</b>	<b>100.00%</b>	<b>(1.46%)</b>
<b>LIABILITIES</b>					
INAF	22,868	0.37%	20,310	0.33%	(11.19%)
Due to banks and credit entities	310,816	5.02%	178,129	2.92%	(42.69%)
Other financial intermediaries	30,158	0.49%	31,210	0.51%	3.49%
Customer deposits	4,775,752	77.06%	4,883,694	79.97%	2.26%
Debts represented by securities	245,247	3.96%	138,688	2.27%	(43.45%)
Provision for liabilities and charges	1,618	0.03%	1,135	0.02%	(29.85%)
Provision for general risks	10,000	0.16%	5,427	0.09%	(45.73%)
Subordinated liabilities	150,000	2.42%	150,000	2.46%	-
Accruals	21,658	0.35%	31,610	0.52%	45.95%
Other liabilities	29,343	0.47%	34,467	0.56%	17.46%
Share capital	70,000	1.13%	70,000	1.15%	-
Reserves	467,926	7.55%	500,858	8.20%	7.04%
Profit	71,544	1.15%	72,005	1.18%	0.64%
Prior years' result	-	-	-	-	-
Interim dividends	(20,000)	(0.32%)	(20,000)	(0.33%)	-
Minority interest	10,299	0.16%	9,087	0.15%	(11.77%)
<b>TOTAL LIABILITIES</b>	<b>6,197,229</b>	<b>100.00%</b>	<b>6,106,620</b>	<b>100.00%</b>	<b>(1.46%)</b>

(THOUSAND EUR) Source: Annual report of banking entity

(1) Information of interest relates to posts occupied by individuals prior to 31 May 2016

**CONSOLIDATED MEMORANDUM ACCOUNTS OF CRÈDIT ANDORRÀ GROUP  
AT 31 DECEMBER 2014 AND 2015**

	<u>2014</u>	<u>% OF TOTAL</u>	<u>2015</u>	<u>% OF TOTAL</u>	<u>VAR. (%) 14-15</u>
Contingent liabilities	156,371	0.99%	156,487	1.06%	0.07%
Commitments and contingent risks	431,673	2.73%	356,714	2.41%	(17.36%)
Derivative financial instruments	2,903,771	18.35%	2,084,764	14.11%	(28.20%)
Securities deposited and others held in custody	10,554,967	66.70%	10,416,970	70.47%	(1.31%)
Other memorandum accounts for administrative control purposes only	1,777,663	11.23%	1,766,268	11.95%	(0.64%)
<b>TOTAL</b>	<b>15,824,445</b>	<b>100.00%</b>	<b>14,781,203</b>	<b>100.00%</b>	<b>(6.59%)</b>

(THOUSAND EUR) Source: Annual report of banking entity

**CONSOLIDATED INCOME STATEMENTS OF CRÈDIT ANDORRÀ GROUP  
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2015**

	<u>2014</u>	<u>2015</u>	<u>VAR. (%) 14-15</u>
Interest and similar income	104,630	90,724	(13.29%)
Interest and similar charges	(40,655)	(35,495)	(12.69%)
Revenue from variable income securities	2,574	1,032	(59.91%)
<b>FINANCIAL MARGIN</b>	<b>66,549</b>	<b>56,261</b>	<b>(15.46%)</b>
Commissions	125,475	142,131	13.27%
Profits on financial operations	35,758	47,945	34.08%
Other profit on ordinary activities	(375)	921	-
<b>MARGIN ON ORDINARY ACTIVITIES</b>	<b>227,407</b>	<b>247,258</b>	<b>8.73%</b>
Personnel expenses	(55,863)	(64,409)	15.30%
General expenses	(39,546)	(48,279)	22.08%
Amortisation and depreciation, net of recoveries	(24,083)	(23,674)	(1.70%)
Provisions for depreciation of assets, net of recoveries	(5,210)	(3,377)	(35.18%)
<b>OPERATING MARGIN</b>	<b>102,705</b>	<b>107,519</b>	<b>4.69%</b>
Impairment losses on assets	-	-	-
Provisions for loan losses, net of recoveries	(56,240)	(29,637)	(47.30%)
Provisions for liabilities and charges, net of recoveries	281	535	90.39%
Allowance to provision for general risks	(10,000)	-	-
<b>RESULTS ON ORDINARY ACTIVITIES</b>	<b>36,746</b>	<b>78,417</b>	<b>-</b>
Net extraordinary income	37,271	(2,084)	-
<b>PROFIT BEFORE TAXES</b>	<b>74,017</b>	<b>76,333</b>	<b>3.13%</b>
Corporate income tax	(2,215)	(4,284)	93.41%
Foreign corporate income tax	(207)	107	-
<b>CONSOLIDATED RESULTS</b>	<b>71,595</b>	<b>72,156</b>	<b>0.78%</b>
Results attributable to minority interest	(51)	(151)	-
<b>RESULTS ATTRIBUTABLE TO THE GROUP</b>	<b>71,544</b>	<b>72,005</b>	<b>0.64%</b>

(THOUSAND EUR) Source: Annual report of banking entity

**BANCSABADELL  
D'ANDORRA, SA**

Av. del Fener, 7  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 735600 - Fax +376 735601  
www.bsa.ad

**Chairman:**

Mr. Josep Permanyer Cunillera

**Chief Executive Officer:**

Mr. Miquel Alabern Comas

**General Manager:**

Mr. Josep Segura Solà

**CONSOLIDATED BALANCE SHEETS OF BANCSABADELL D'ANDORRA, SA AT 31 DECEMBER 2014 AND 2015**

<b>ASSETS</b>	<b>2014</b>	<b>% OF TOTAL</b>	<b>2015</b>	<b>% OF TOTAL</b>	<b>VAR. (%) 14-15</b>
Cash and central banks OECD	8,050	1.23%	20,018	3.05%	-
INAF	210	0.04%	210	0.03%	-
Financial intermediaries	71,559	10.94%	43,252	6.58%	(39.56%)
Loans	369,865	56.54%	355,846	54.14%	(3.79%)
Securities portfolio	165,267	25.26%	194,608	29.61%	17.75%
Gains on consolidation	-	-	-	-	-
Intangible assets and amortisable costs	2,726	0.42%	2,762	0.42%	1.32%
Tangible assets	26,181	4.00%	33,155	5.04%	26.64%
Prepayment and accrued receivables	7,090	1.08%	4,090	0.62%	(42.31%)
Other assets	3,208	0.49%	3,380	0.51%	5.36%
<b>TOTAL ASSETS</b>	<b>654,156</b>	<b>100.00%</b>	<b>657,321</b>	<b>100.00%</b>	<b>0.48%</b>
<b>LIABILITIES</b>					
INAF	39,192	5.99%	32,568	4.95%	(16.90%)
Due to banks and credit entities	3,546	0.54%	2,812	0.43%	(20.70%)
Other financial intermediaries	153	0.02%	330	0.05%	-
Customer deposits	492,557	75.30%	501,074	76.23%	1.73%
Debts represented by securities	36,390	5.56%	38,420	5.84%	5.58%
Provision for liabilities and charges	399	0.06%	445	0.07%	11.53%
Provision for general risks	3,640	0.56%	-	-	-
Subordinated liabilities	-	-	-	-	-
Accruals	4,666	0.71%	1,688	0.26%	(63.82%)
Other liabilities	4,118	0.63%	5,487	0.83%	33.24%
Share capital	30,068	4.60%	30,068	4.57%	-
Reserves	32,159	4.92%	36,819	5.60%	14.49%
Profit	7,268	1.11%	7,610	1.17%	4.71%
Prior years' result	-	-	-	-	-
Interim dividends	-	-	-	-	-
Minority interest	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>654,156</b>	<b>100.00%</b>	<b>657,321</b>	<b>100.00%</b>	<b>0.48%</b>

(THOUSAND EUR) Source: Annual report of banking entity

(1) Information of interest relates to posts occupied by individuals prior to 31 May 2016



**CONSOLIDATED MEMORANDUM ACCOUNTS OF BANCSABADELL D'ANDORRA, SA  
AT 31 DECEMBER 2014 AND 2015**

	<u>2014</u>	<u>% OF TOTAL</u>	<u>2015</u>	<u>% OF TOTAL</u>	<u>VAR. (%) 14-15</u>
Contingent liabilities	19,862	0.98%	20,014	0.93%	0.77%
Commitments and contingent risks	71,612	3.53%	94,566	4.39%	-
Derivative financial instruments	274,102	13.51%	289,602	13.46%	5.65%
Securities deposited and others held in custody	1,529,872	75.42%	1,665,754	77.41%	8.88%
Other memorandum accounts for administrative control purposes only	133,060	6.56%	81,892	3.81%	(38.45%)
<b>TOTAL</b>	<b>2,028,508</b>	<b>100.00%</b>	<b>2,151,828</b>	<b>100.00%</b>	<b>6.08%</b>

**(THOUSAND EUR)** Source: Annual report of banking entity

**CONSOLIDATED INCOME STATEMENTS OF BANCSABADELL D'ANDORRA, SA  
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2015**

	<u>2014</u>	<u>2015</u>	<u>VAR. (%) 14-15</u>
Interest and similar income	16,384	13,931	(14.97%)
Interest and similar charges	(7,926)	(4,315)	(45.56%)
Revenue from variable income securities	16	31	93.75%
<b>FINANCIAL MARGIN</b>	<b>8,474</b>	<b>9,647</b>	<b>13.84%</b>
Commissions	14,170	14,182	0.08%
Profits on financial operations	2,074	1,818	(12.34%)
Other profit on ordinary activities	65	183	-
<b>MARGIN ON ORDINARY ACTIVITIES</b>	<b>24,783</b>	<b>25,830</b>	<b>4.22%</b>
Personnel expenses	(6,004)	(6,435)	7.18%
General expenses	(4,149)	(4,182)	0.80%
Amortisation and depreciation, net of recoveries	(2,076)	(1,919)	(7.56%)
Provisions for depreciation of assets, net of recoveries	(1,007)	(531)	(47.27%)
<b>OPERATING MARGIN</b>	<b>11,547</b>	<b>12,763</b>	<b>10.53%</b>
Impairment losses on assets	-	(35)	-
Provisions for loan losses, net of recoveries	(3,501)	(8,512)	-
Provisions for liabilities and charges, net of recoveries	(6)	(40)	-
Allowance to provision for general risks	(4,427)	(1,290)	(70.86%)
<b>RESULTS ON ORDINARY ACTIVITIES</b>	<b>3,613</b>	<b>2,886</b>	<b>(20.12%)</b>
Net extraordinary income	4,056	5,036	24.16%
<b>PROFIT BEFORE TAXES</b>	<b>7,669</b>	<b>7,922</b>	<b>3.30%</b>
Corporate income tax	(401)	(312)	(22.19%)
Foreign corporate income tax	-	-	-
<b>CONSOLIDATED RESULTS</b>	<b>7,268</b>	<b>7,610</b>	<b>4.71%</b>
Results attributable to minority interest	-	-	-
<b>RESULTS ATTRIBUTABLE TO THE GROUP</b>	<b>7,268</b>	<b>7,610</b>	<b>4.71%</b>

**(THOUSAND EUR)** Source: Annual report of banking entity

## **VALL BANC, SAU**

Av. Carlemany, 119  
AD700 Escaldes-Engordany  
(Principality of Andorra)  
Tel. +376 750700 - Fax +376 750701  
www.vallbanc.ad

Vall Banc, S.A.U. is a banking entity that was established on 17 July 2015 by the Board of Directors of the State Agency for the Resolution of Banking Institutions (the AREB) under the provisions of Article 17 of Law 8/2015 of 2 April on urgent measures introducing mechanisms for the recovering and resolution of banking entities. On 21 April 2016, the resolution process at BPA was approved making the launch of Vall Banc possible by enabling its capitalisation and the transfer of the cleared assets and liabilities of BPA. Vall Banc commenced operations on 11 May 2016.

### **Chairman:**

Mr. César Goyache País

### **Chief Executive Officer:**

Mr. Fernando Vázquez de Lapuerta

## **BANCA PRIVADA D'ANDORRA, SA**

C/ de la Unió, 3  
AD700 Escaldes-Engordany  
(Principality of Andorra)  
Tel. +376 873500 - Fax +376 873519  
www.bpa.ad

Banca Privada d'Andorra (BPA) is an entity in the process of resolution by the AREB.

### **Sole Administrator:**

Mr. Fernando Vázquez de Lapuerta

*(1) Information of interest relates to posts occupied by individuals prior to 31 May 2016*

## V.2. OTHER INFORMATION OF INTEREST

### GOVERNMENT OF ANDORRA

Ed. Administratiu de Govern  
C/ Prat de la Creu, 62-64  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 875700  
www.govern.ad

THE ANDORRAN  
GOVERNMENT IS FORMED  
AS FOLLOWS:

#### Head of Government:

The Hon. Mr. Antoni Martí Petit

#### Minister of Finance:

The Hon. Mr. Jordi Cinca Mateos

#### Minister of Foreign Affairs:

The Hon. Mr. Gilbert Saboya Sunyé

#### Minister of Public Administration, Transports and Telecommunications:

The Hon. Mr. Jordi Alcobé Font

#### Minister of Social Affairs, Justice and Home Affairs:

The Hon. Mr. Xavier Espot Zamora

#### Minister of Tourism and Commerce:

The Hon. Mr. Francesc Camp  
Torres

#### Minister of Territory:

The Hon. Mr. Jordi Torres Falcó

#### Minister of Environment, Agriculture and Sustainability:

The Hon. Ms. Silvia Calvó  
Armengol

#### Minister of Education and Higher Education:

The Hon. Mr. Eric Jover Comas

#### Minister of Culture, Youth and Sports:

The Hon. Ms. Olga Gelabert  
Fàbrega

#### Minister of Health:

The Hon. Mr. Carles Alvarez  
Marfany

#### Secretary General of the Government:

Mr. Jordi Casadevall Touseil

### ANDORRAN NATIONAL INSTITUTE OF FINANCE (*INSTITUT NACIONAL ANDORRÀ DE FINANCES (INAF)*)

C/ Bonaventura Armengol, 10  
Ed. Montclar, bloc 2, 4a planta  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 808898 - Fax +376 865977  
www.inaf.ad

#### Chairman:

Mr. Raül González Fernández

#### General Manager:

Ms. Maria Cosan Canut

### ASSOCIATION OF ANDORRAN BANKS (*ASSOCIACIÓ DE BANCS ANDORRANS (ABA)*)

C/ Ciutat de Consuegra, 16  
Ed. l'Illa, esc. A, 2n pis  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 807110 - Fax +376 867110  
www.aba.ad

#### Chairman:

Mr. Xavier Cornella Castel

#### Vice Chairman:

Mr. Pedro González Grau

#### General Manager:

Ms. Esther Puigcercós Font

**ANDORRAN FINANCIAL INTELLIGENCE UNIT (UNITAT D'INTEL·LIGÈNCIA FINANCERA D'ANDORRA (UIFAND))**

C/ Dr. Vilanova, 15-17 (planta -4)  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 806730 - Fax +376 828842  
www.uifand.ad

**Director:**  
Mr. Carles Fiñana Pifarré

**CORRUPTION PREVENTION UNIT (UNITAT DE PREVENCIÓ I LLUITA CONTRA LA CORRUPCIÓ (UPLC))**

Ed. Administratiu de Govern  
C/ Prat de la Creu, 62-64  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 875606 - Fax +376 875695  
www.upreccio.ad

**Head of Unit:**  
Ms. Clàudia Cornella Durany

**AGENCY FOR THE RESOLUTION OF BANKING ENTITIES (AREB)**

C/ Bonaventura Armengol, 10  
Ed. Montclar, bloc 1, 2a planta  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 885671 - Fax +376 816451  
www.areb.ad

**Chairman:**  
Mr. Albert Hinojosa Besolí  
**Chief Executive Officer:**  
Mr. Cesar Goyache Pais

**ANDORRAN DEVELOPMENT AND INVESTMENT (ANDORRA DESENVOLUPAMENT I INVERSIÓ (ADI))**

C/ Camí de la Grau  
Ed. Prat del Rull, 2n pis,  
Despatx 212  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 812020 - Fax +376 812021  
www.adi.ad

**Director:**  
Ms. Imma Jiménez González

**ANDORRAN TAX AND BORDER AGENCY (AAFF) (AGÈNCIA ANDORRANA FISCAL I DE FRONTERES (AAFF))**

Baixada del Molí, 26  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 885005 - Fax +376 816244  
www.impostos.ad

**Director:**  
Mr. Albert Hinojosa Besolí

**ANDORRAN CHAMBER OF COMMERCE, INDUSTRY AND SERVICES (CAMBRA DE COMERÇ, INDÚSTRIA I SERVEIS D'ANDORRA (CCIS))**

C/ Prat de la Creu, 8, baixos,  
Despatx 107  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 809292 - Fax +376 809293  
www.ccis.ad

**Chairman:**  
Mr. Marc Pantebre Palmitjavila  
**Director:**  
Ms. Pilar Escaler Penella

**ANDORRAN BUSINESS CONFEDERATION (CONFEDERACIÓ EMPRESARIAL ANDORRANA (CEA))**

C/ Prat de la Creu, 59-65,  
esc. B, 2n pis  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 800020 - Fax +376 800024  
www.cea.ad

**Chairman:**  
Mr. Xavier Altimir Planes

**Director:**  
Ms. Sílvia Gabarre Iglesias

**ANDORRAN INSTITUTE OF ECONOMISTS (COL·LEGI D'ECONOMISTES D'ANDORRA (COEA))**

C/ Bonaventura Armengol, 15,  
6e pis  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 868678 - Fax +376 807817  
www.coea.net

**Dean:**  
Ms. Neus Cornella Ayerbe  
**Secretary:**  
Mr. David Berruezo

(1) Information of interest relates to posts occupied by individuals prior to 31 May 2016

**UNIVERSITY OF ANDORRA  
(UNIVERSITAT D'ANDORRA  
(UDA))**

Plaça de la Germandat, 7  
AD600 Sant Julià de Lòria  
(Principality of Andorra)  
Tel. +376 743000 - Fax +376 743043  
www.uda.ad

**Chancellor:**

The Hon. Mr. Miquel Nicolau

**ANDORRAN DATA  
PROTECTION AGENCY  
(AGÈNCIA ANDORRANA  
DE PROTECCIÓ DE DADES  
(APDA))**

C/ Dr. Vilanova, 15, Nova seu del  
Consell General (planta -5)  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 808115 - Fax +376 808118  
www.apda.ad

**Head:**

Mr. Joan Crespo Piedra

**INSTITUTE OF ANDORRAN  
STUDIES (INSTITUT  
D'ESTUDIS ANDORRANS  
(IEA))**

Av. Rocafort, 21-23  
Ed. Molí, 3r pis  
AD600 Sant Julià de Lòria  
(Principality of Andorra)  
Tel. +376 742630 - Fax +376 843585  
www.iea.ad

**Chairman:**

The Hon. Mr. Eric Jover Comas

**Director:**

Mr. Jordi Guillamet Anton

**ANDORRA TURISME**

C/ Prat de la Creu, 59-65,  
esc. D, 4r pis  
AD500 Andorra la Vella  
(Principality of Andorra)  
Tel. +376 891189 - Fax +376 828123  
www.andorra.ad

**Chairman:**

The Hon. Mr. Francesc Camp  
Torres

**Director:**

Mr. Betim Budzaku





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ASSOCIACIÓ DE BANCS ANDORRANS