FMA

Financial Market Authority
Liechtenstein

Liechtenstein Financial Market

Facts and figures on financial intermediaries subject to supervision by the FMA

2011 edition

FOREWORD

Dear Readers

As an integrated supervisory authority, the FMA Liechtenstein supervises banks and insurances as well as other participants in the Liechtenstein financial markets such as asset managers, investment undertakings, and professional trustees. In this publication, we have presented the most important facts and figures on these market participants in a compact form.

Because of its small home market, the Liechtenstein financial center is mainly oriented toward foreign clients and markets. The development of the international economy and global financial markets is therefore of the utmost importance to the country. These were characterized in 2010 by a surprisingly good recovery of the world economy, by historically low interest rates, and by a strong Swiss franc. The high public debt levels of certain European countries and the developments in the Arab world have, however, caused anxiety in the financial markets and concerning the further economic development.

In this challenging environment, the Liechtenstein financial market has asserted itself well and is stable. The client assets managed by the banks did decline slightly in 2010. But a turnaround was observed from mid-2010 in the direction of an inflow of new money. Insurers have again taken in more premiums. And also in the fund sector, the assets under management increased slightly. Only minor changes have been noted regarding the number of financial market participants.

These developments cannot conceal the fact that the Liechtenstein financial market is facing great challenges. The financial crisis has triggered a major thrust in regulation at the international level. At the same time, regulation of the financial markets is being harmonized, so that the regulatory differentials between countries are declining. It is thus becoming more difficult to occupy niches based on those differentials. The financial market players must prepare themselves for these new conditions.

Factors such as financial market stability, political stability, healthy public finances, high quality of services, and security are becoming increasingly important in the prevailing environment. Liechtenstein's financial center thus has good prerequisites to remain successful in the future.

Mario Gassner
Chief Executive Officer

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INTERNATIONAL ECONOMY AND FINANCIAL MARKETS

1. INTERNATIONAL ECONOMY AND FINANCIAL MARKETS

1.1 INTERNATIONAL ECONOMY AND FOREIGN FINANCIAL MARKETS

The unexpectedly good recovery of the world economy, historically low interest rates, and an increasing risk appetite of investors characterized the year 2010 on the financial markets. This picture was clouded by the public debt crisis in certain countries in the Eurozone, which necessitated far-reaching support measures by the international community. The high valuation of the Swiss franc is also burdening both the Swiss and Liechtenstein export economy. In the first months of 2011, the volatility on the financial markets increased again due to the dramatic earthquake in Japan and its consequences, the unrest in the Arab world, and the European debt crisis.

The recovery of the world economy initially continued with strong momentum in the first half of 2010. In Europe, however, growth slowed down over the course of the year, with the consequence of structural adjustments and fiscal challenges some countries had to face. In the United States, a slump in activity on the housing market – after the expiry of government incentives to buy – gave rise to doubts about the sustainability of the economic upswing. These doubts persisted for a long time in light of the high unemployment and hesitant private consumption. Toward the end of the year, world economic growth accelerated again; especially the Asian emerging markets are an important driver of the expansion of the world economy. In its recent appraisal of world economic growth, the IMF estimates a growth of 5% for 2010, but it has revised its estimate for 2011 downward slightly from 4.5% to 4.4%.

The debt problems of certain European countries gave rise to anxiety on the financial markets several times over the course of the year. Growing doubts about the solvency of the Greek state led to a reevaluation of the country risk on the markets in the spring, which quickly spread to other countries such as Spain, Portugal, and Ireland, whose public finances were also considered to be problematic and whose competitiveness had suffered in recent years. A lack of trust in the creditworthiness of some states quickly strained the creditworthiness of many European banks as well, given the tight links characterizing that sector. The situation threatened to escalate into a mutually reinforcing process in which the problems of the public sector and the banking sector aggravated each other.

As a consequence, the countries in the European Monetary Union (EMU) and the IMF jointly put together an aid package, which averted the insolvency of Greece and initially was able to stabilize the situation on the financial markets. Toward the end of the year, however, volatility increased again, and the Irish government finally needed to use the euro rescue umbrella. The Irish banking sector, which is extraordinarily large compared with the national economy, is sitting on bad mortgage loans that it accumulated during the boom years prior to the financial and economic crisis and that are now causing major losses. At the beginning of 2011, the market interest rates of some European countries, especially Portugal, rose again dramatically, which ultimately contributed to Portugal requesting help from the international community.

The risk capacity of the financial sector has increased. The financing conditions improved on a broad basis in the second half of 2010, despite swelling vulnerabilities. Stock prices are rising, credit risk margins are contracting, and lending conditions of banks are easing, often also for smaller and medium-size businesses. Vulnerabilities persist in certain areas of the financial sector, however. For instance, real estate markets and the disposable income of private households are generally dampened, while some frictions remain in the securitization markets. Additionally, continuingly low capital costs mean that there is still a risk of financial market participants building up risky positions which, once the interest curves eventually flip, would have to be reduced abruptly.

1.2 LIECHTENSTEIN FINANCIAL MARKET

Comparatively speaking, the Liechtenstein financial market has survived the global financial crisis well, and also for the year 2010 a positive conclusion can be drawn in terms of stability: Compared to other countries, the banks operating in Liechtenstein are distinguished by high core capital ratios that lie above the international standards and that were increased over the course of 2010, while at the same time risks were reduced slightly. They also have a comfortable liquidity buffer at their disposal that is far above the minimum standards. Also other financial intermediaries working in the Liechtenstein financial center such as insurers and investment undertakings are stable and solvent.

It cannot be overlooked, however, that the Liechtenstein financial center is facing considerable structural challenges. Not least of all, these consist in the need to open up new growth markets and products and to ensure the profitability of business.

- Banks: At the end of 2010, the Liechtenstein banks, including foreign group companies, managed client assets in the amount of CHF 168.1 billion. Compared with the previous year, this is a decline of 2.5%. The decline is primarily due to the strong franc. Since mid-2010, there has been a turnaround in the direction of increased inflows of new assets. The net inflow of new assets was CHF 5.8 billion.
- Insurance undertakings: Premium income in 2010 rose by 7% to CHF 9.42 billion. Life insurers were responsible for CHF 8.86 billion. The capital investments of insurance undertakings amounted to CHF 29.5 billion at the end of 2010 (2009: CHF 29.4 billion).
- Investment undertakings (funds): The total net assets under management rose in 2010 by 1% to CHF 37.7 billion.
- Asset management companies: The client assets under management by the companies rose by CHF 1.81 billion to CHF 24.3 billion. CHF 17.28 billion of these assets are invested at Liechtenstein banks.

FINANCIAL INTERMEDIARIES

2. FINANCIAL INTERMEDIARIES

2.1 BANKS

17 banks were licensed at the end of 2010. Of these, 7 banks were subsidiaries of Swiss or Austrian institutions. The banks play a major role in the Liechtenstein financial center. Their activities focus on private banking and wealth management. Thanks to Liechtenstein's membership in the European single market, the banks have full freedom of movement in all EEA states. Several banks are also active outside Europe, especially in Asia, with representative offices or subsidiaries.

Development in 2010
In numerous ways, the year 2010 was a challenging year for Liechtenstein banks, but the worst now seems to be over. While a difficult situation in terms of client assets under management was observed in the first half of 2010, these assets visibly improved over the course of the rest of the year. Especially banking groups were generally able to benefit from this positive development earlier on thanks to their foreign branches. The leading Liechtenstein banking groups have expanded their presence abroad in recent years in order to open up areas of growth.

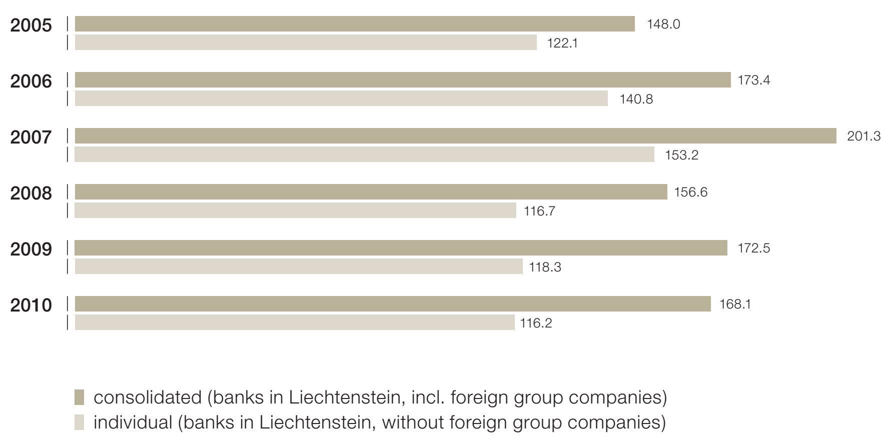

Figure 1
Client assets under management
(in CHF billions)

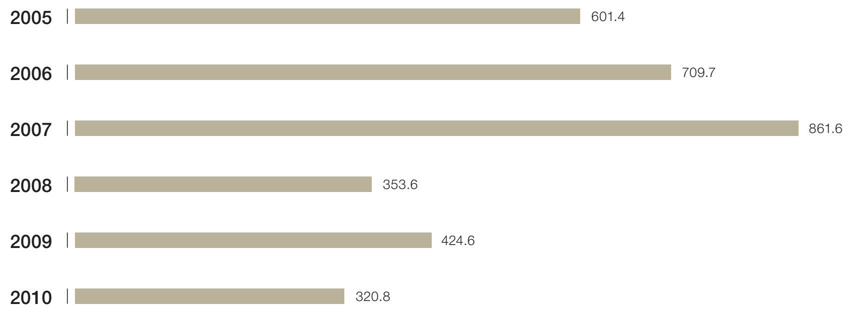

Figure 2
Result of regular business activity
(in CHF millions)

On the domestic market, this turnaround was only hesitant. Moreover, not all banks were able to compensate outflows from the first half-year with inflows in the second half-year.

Taking account of the market development and currency effects and deducting double counts, the client assets under management across the entire banking center as of the end of the year (including foreign group companies) was CHF 168.1 billion (previous year CHF 172.5 billion), which represents a decline of 2.5%. The net inflow of new assets was CHF 5.8 billion. The balance sheet total of the banks totaled CHF 64.1 billion as of the end of 2010.

Taking a look at individual banks (banks in Liechtenstein without foreign group companies), the decrease of assets under management was 1.8% to a total of CHF 116.2 billion (previous year: CHF 118.3 billion).

Especially challenging for the banks is the persistently low interest rate level, which caused a collapse of the interest rate business and had a deep impact on the results of regular business activity. Consolidated across all banks, the interest rate business declined by more than 24% to CHF 320.8 million (previous year: CHF 423.4 million). However, nearly all banks achieved a positive result. Both the comparatively good development of the Swiss economy and the recovery of the euro benchmark rate by the European Central Bank indicate that an increase of the benchmark rate for the Swiss franc should also be expected in 2011, which should have a positive impact on the interest rate business and thus on the income situation of the banks.

The positive results contribute to a further strengthening of the already solid capital base of Liechtenstein banks. The core capital ratio (Tier 1 ratio) consolidated across all banks was 17.8% as of the end of 2010, which represents and improvement of 0.8% over the previous year. The consistent reliance on private banking, the high level of capital adequacy, and the conservative attitude toward new risks offer a guarantee of a stable financial center and security for bank clients.

The financial sector and especially the banks are of major importance to the Liechtenstein national economy, also in terms of its role as an employer. After the decline of full-time equivalent jobs at banks by 35 as of the end of 2009, the number of employees increased by 21 as of the end of 2010 to a total of 1,932. The number of jobs including of the foreign group companies rose by 246 to 4,131 in 2010, after a decline in 2009 by 96 jobs. The stronger increase abroad makes clear that the expansion of Liechtenstein banks abroad has not yet come to an end, and the trend away from offshore toward onshore banking continues.

The banks are operating in a challenging environment. The development especially in the second half-year indicates, however, that the turnaround has been achieved and that the chances for a positive development are good.

2008	1946
2009	1911
2010	1932

Figure 3
Number of jobs at banks in Liechtenstein, without foreign group companies

2008	3981
2009	3885
2010	4131

Figure 4
Number of jobs at banks in Liechtenstein, incl. foreign group companies

Regulatory developments

Since the beginning of the global financial crisis, the banking sector has been exposed to a major regulatory push. The Basel III reform package is intended to increase the security of institutions in the event of future financial and economic crises. Already before the financial crisis, the Basel II reform package implemented equity capital requirements in Europe with the purpose of securing an appropriate capital adequacy of institutions and creating uniform competitive conditions both for lending and for the trading in credit.

Implementation of Capital Requirements Directives

The comprehensive Capital Requirement Directives (CRD) I, II and III modify the Basel II directives, by partially revising and supplementing the capital and risk management requirements contained therein. In addition, they expand the international cooperation of supervisory authorities. Moreover, new norms are set out to govern the remuneration policy and practice of banks and investment firms. The CRD legislation must enter into force in Liechtenstein by 1 July 2011 at the latest.

Deposit guarantee schemes
In the 2nd phase of implementation of the Deposit Guarantee Schemes Directive, the applicable deadlines for determining and paying out claims are to be tightened significantly. The required adjustments at the level of legislation and ordinances must enter into force throughout the EU by 1 January 2011; the binding implementation for EEA countries has not yet been scheduled.

Basel III
Basel III is a comprehensive reform package of the Basel Committee on Banking Supervision. Its goal is to better protect the banking sector against shocks in the financial system. The reforms intend to improve the regulation, supervision, and risk management of banks and thus to strengthen the resilience of individual banks as well as of the entire banking system.

The Basel III rules were adopted at the G20 summit in Seoul in mid-November 2010 and are thus applicable to the EU and, within the framework of the EEA Agreement, to Liechtenstein. The EU countries will incorporate the Basel III provisions into their national law as part of CRD IV.

Administrative assistance
The Liechtenstein administrative assistance procedure relating to securities was harmonized with the international standards of IOSCO in 2010. By amending the Financial Market Authority Act (FMA Act), the access of Liechtenstein financial intermediaries to the international financial markets will be preserved. The legislative amendments entered into force on 1 January 2011.

Banks	
Basic laws and ordinances (www.gesetze.li) Banking Act Banking Ordinance	**More detailed information on licenses, legal foundations, and supervision** www.fma-li.li – Banks & Investment Firms
FMA Annual Report 2010 Supervision: p. 17 – 23 Regulation: p. 45 – 46	**Liechtenstein Bankers Association** www.bankenverband.li

2.2 ASSET MANAGEMENT COMPANIES

The core business of asset management companies includes portfolio management and investment advisory services. They also work in securities and financial analysis as well as the acceptance and transmission of orders dealing with financial instruments. Asset management companies are not allowed to receive or hold assets by third parties.

At the end of 2010, 107 asset management companies were licensed in Liechtenstein. The number of companies operating in Liechtenstein thus rose by 5 companies, after a period of consolidation in 2008 and 2009.

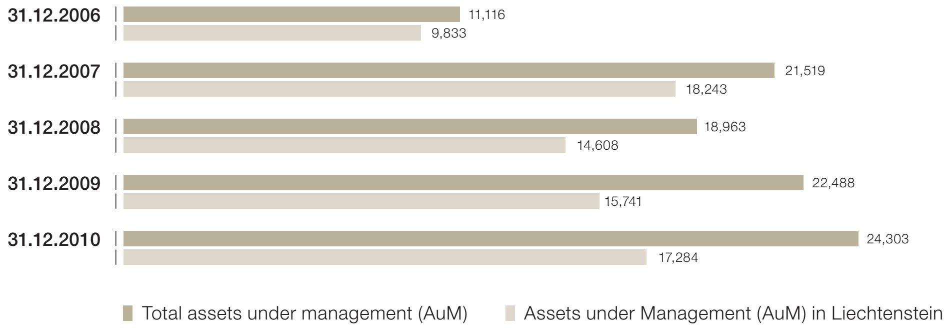

Figure 5
Development of client assets managed
by asset management companies (in CHF millions)

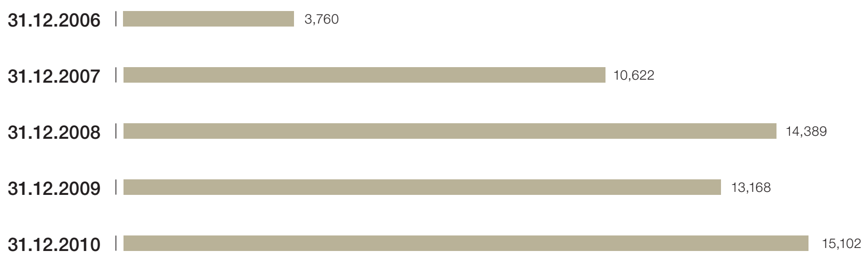

Figure 6
Development of number of client relationships
of asset management companies

The licensed asset management companies employed 405 people at the end of 2010, 29 more than in the previous year. In 2010, more than 15,102 client relationships (increase of 1,934 relative to 2009) were administered, 13,136 of which pursuant to an asset management mandate. This corresponds to an increase of 1,703 mandates. The client assets under the management of the companies rose by CHF 1.81 billion to CHF 24.30 billion, of which CHF 17.28 billion or 71% are invested at Liechtenstein banks.

Asset management companies

Basic laws and ordinances (www.gesetze.li)
Asset Management Act (AMA)
Asset Management Ordinance (AMO)

FMA Annual Report 2010
Supervision: p. 26–30

More detailed information on licenses, legal foundations, and supervision
www.fma-li.li – Asset Managers

Association of Independent Asset Managers in Liechtenstein
www.vuvl.li

2.3 INVESTMENT UNDERTAKINGS (FUNDS)

The Liechtenstein fund center is a young market that has grown successively in recent years. Thanks to Liechtenstein's membership in the EEA, investment undertakings benefit from free access to the European market.

Taking account of liquidations and deletions, the number of Liechtenstein investment undertakings (IUs) rose by 58 to 469 as of the end of 2010. 693 individual funds were licensed as of the end of 2010. These were managed by 24 management companies, including 21 fund managements and 3 self-managed investment companies. Figure 7 shows the development of the number of individual funds as of the end of each year. The positive development in the number of individual funds in recent years, i.e. double-digit growth rates, thus continued in 2010 as well.

2004	240
2005	276
2006	339
2007	468
2008	560
2009	618
2010	693

Figure 7
Development of number of individual funds of investment undertakings

Liechtenstein as a marketing location for foreign IUs consolidated at a high level last year, so that 193 foreign IUs with 1,079 (increase of 10) individual funds were licensed for marketing at the end of 2010.

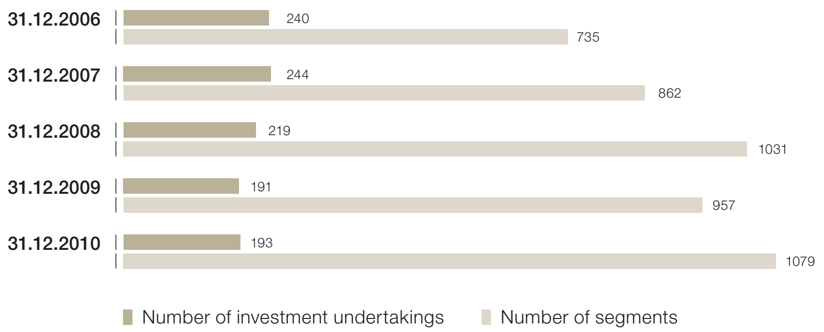

Figure 8
Number of licensed foreign investment undertakings

The client assets under management rose in 2010 by 1% to CHF 37.7 billion. The increases in value by 4% in the first quarter of 2010 were mainly lost again by the end of the year due to the negative currency effects. Major outflows of assets were not noted in 2010.

The year 2010 was heavily used by many market participants to prepare for implementation of the new UCITS Act and AIFM Act. From the perspective of the FMA, a higher level of product adjustments was noted. Moreover, market enquiries concerning existing products noticeably decreased in 2010.

2004	15.6
2005	20.6
2006	26.6
2007	30.4
2008	26.4
2009	37.3
2010	37.7

Figure 9
Development of net assets managed by investment undertakings (in CHF billions)

Regulatory developments

UCITS and AIFM

In July 2009, the EU Commission adopted the UCITS Directive 2009/65/EC (UCITS stands for undertakings for collective investment in transferable securities, which generally is equivalent to an "investment fund"). The UCITS Directive is intended to improve the EU legal framework for investment funds by eliminating bureaucratic obstacles in the cross-border movement of services, by permitting more flexible structures, and by achieving standardization of the most important information for investors.

Under the new directive, a greater spectrum of investment funds with more transparent structures and lower management costs are expected to be offered to investors.

In parallel with the UCITS Directive, the directive on alternative investment fund managers (AIFM Directive) was developed. The AIFM Directive aims to regulate financial actors that previously had been subject to no or only little regulation (alternative investment fund managers) such as hedge fund managers or private equity managers. Additionally, the AIFM Directive aims to establish harmonized regulatory standards for managers and for the funds they manage as well as to improve transparency vis-à-vis investors and supervision.

Within the framework of the Government's fund center project and the changing regulatory conditions, Liechtenstein is currently revising its Investment Undertakings Act (IUA). The IUA will be split up into two laws, the UCITS Act and the AIFM Act. The UCITS Act is scheduled to enter into force on 1 August 2011. Due to delays on the EU side, the AIFM Act will enter into force at a later date.

Investment undertakings (funds)	
Basic laws and ordinances (www.gesetze.li) Investment Undertakings Act (IUA) Investment Undertakings Ordinance (IUO)	**More detailed information on licenses, legal foundations, and supervision** www.fma-li.li – Investment Undertakings
FMA Annual Report 2010 Supervision: p. 23–26 Regulation: p. 46–48	**Liechtenstein Investment Fund Association (LIFA)** www.lafv.li

2.4 INSURANCE UNDERTAKINGS

Liechtenstein is the only insurance center that offers insurance undertakings direct access to both the European Economic Area and Switzerland. The basis for the development of the Liechtenstein insurance market was Liechtenstein's accession to the EEA in 1995 and the Direct Insurance Agreement with Switzerland from 1997.

Life insurers, non-life insurers, and reinsurers operate in Liechtenstein. Most significant are life insurers. Their main business is fund-linked/unit-linked life insurance. Non-life insurers cover all relevant insurance classes. All reinsurance undertakings in Liechtenstein are captives (company insurance undertakings offering coverage of company insurance risks for the parent undertaking).

Development in 2010

The number of insurance undertakings stayed nearly constant. At the end of 2010, a total of 40 (previous year: 41) insurance undertakings operated with registered offices in Liechtenstein (21 life insurers, 14 non-life insurers, and 5 reinsurers). 12 undertakings operated as captives, of which 7 as direct insurers and 5 as reinsurers.

	2004	2005	2006	2007	2008	2009	2010
Non-life insurance	7	9	13	13	14	14	14
Life insurance	15	17	17	19	23	22	21
Reinsurance	6	5	5	5	5	5	5
Total licenses	**28**	**31**	**35**	**37**	**42**	**41**	**40**

Figure 10
Number of insurance undertakings
(as of the end of the year)

The provisional figures from the 2010 business year again showed a very positive development of the insurance center. Premium income was CHF 9.42 billion in 2010, compared with CHF 8.79 billion in 2009. This represents an increase of 7%. Of the premiums received, about CHF 8.86 billion (94%) were in life insurance, about CHF 514.5 million (5%) in non-life insurance, and about CHF 48.1 million (1%) in reinsurance.

The capital invested for clients in connection with fund-linked or unit-linked insurances was CHF 27.2 billion in 2010. In total, capital investments amounted to CHF 29.5 billion. The balance sheet totals of all insurance undertakings domiciled in Liechtenstein were about CHF 31.3 billion. The number of people employed at insurance undertakings at the end of the last business year was 510.

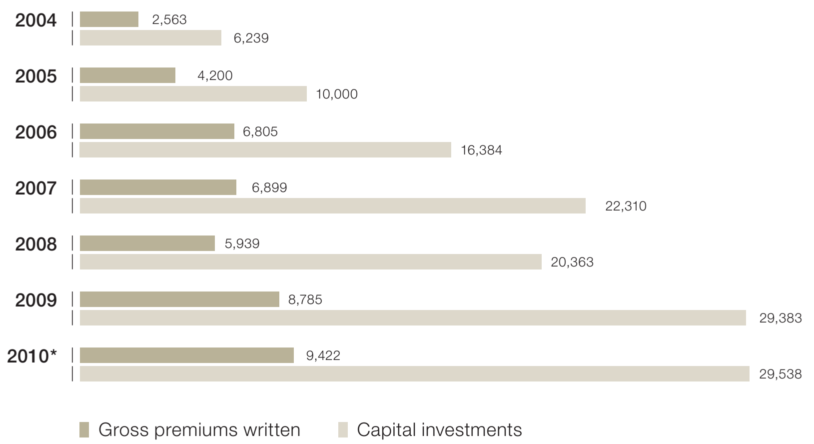

Figure 11
Development of gross premiums written and capital investments of the insurance undertakings (in CHF millions)

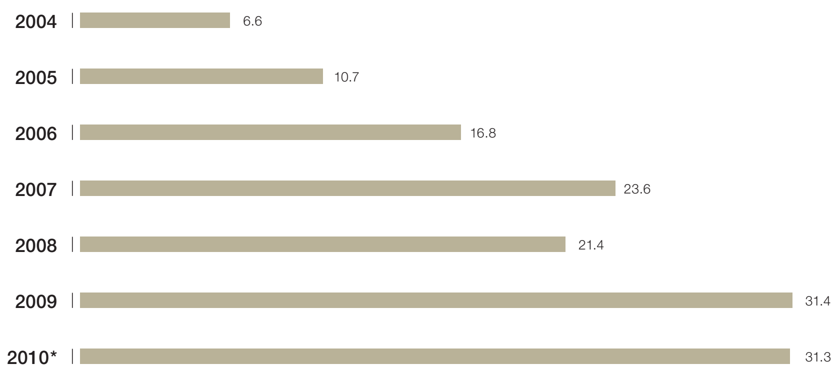

Figure 12
Development of balance sheet totals of insurance undertakings (in CHF millions)

* provisional figures

Cross-border movement of services
By the end of 2010, 212 insurance undertakings from various EEA countries and Switzerland have notified the FMA of assumption of cross-border provision of services in Liechtenstein via their home country authorities.

Pursuant to the Direct Insurance Agreement between Liechtenstein and Switzerland, Liechtenstein insurance undertakings may engage in insurance business in Switzerland and vice-versa. In the area of non-life insurance, the insurance business offered in Switzerland was exclusively by way of free movement of services. The gross premiums generated by Liechtenstein insurance undertakings in Switzerland in 2009 rose by about 10% to CHF 120.9 million; 93% of these gross premiums were attributable to captives. In the life insurance business, the gross premiums earned in Switzerland rose by about 94% from CHF 284.0 million in the 2008 business year to CHF 551.8 million. 96% of life insurance business was by way of free movement of services.

The share of premiums earned in Switzerland was 8% of the total premiums (after Italy at 38%, Germany at 22%, and the United Kingdom at 9%).

United Kingdom	0.75
Germany	1.92
Italy	3.30
Liechtenstein	0.08
Austria	0.18
Sweden	0.13
other EEA countries	0.56
Switzerland	0.72
other third countries	1.17

Figure 13
Gross premiums written in 2009
by country (in CHF billions)

Compulsory building insurance
As of 31 December 2009, 17 insurance undertakings offered compulsory building insurance in Liechtenstein. The fire insurance sum of Liechtenstein buildings as of 31 December 2009 was CHF 15.74 billion for buildings (2008: CHF 14.77 billion), CHF 1.75 billion for household effects (2008: CHF 1.66 billion), and CHF 4.62 billion for other moveable objects (2007: CHF 4.82 billion). In total, the fire insurance sum in 2009 amounted to CHF 22.11 billion (2008: CHF 21.26 billion). The premium income for fire insurance in 2009 was CHF 8.42 million (2008: CHF 8.57 million). In total, CHF 17.38 million in premiums was earned in compulsory building insurance in 2009. Claims payments in the amount of CHF 1.95 million were made (CHF 1.24 million for fire damage and CHF 0.71 million for damage from natural hazards).

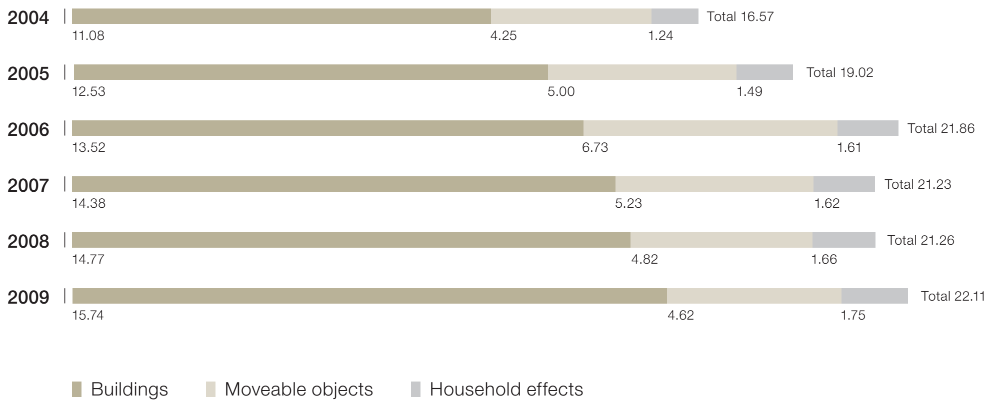

Figure 14
Fire insurance sum of Liechtenstein buildings
(in CHF billions)

Regulatory developments

Solvency II – Directive 2009/138/EC of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance

Insurance supervision law in Europe is undergoing a fundamental reform with Solvency II. The new solvency system for the insurance industry, which is expected to enter into effect on 1 January 2013, poses a great challenge to insurance companies and supervisory authorities and will bring about fundamental changes. The risk-oriented approach of Solvency II entails a new approach to calculation of the own funds of insurance undertakings and a reform of the available supervisory measures and instruments. The supervisory provisions under Solvency II are based more strongly than before on qualitative requirements. Moreover, the supervision of insurance groups will be governed by new rules.

On 24 May 2011, the draft of a total revision of the Insurance Supervision Act to implement Solvency II was circulated for preliminary consultations. The Government plans to adopt the consultation report by the end of 2011.

Insurance undertakings

Basic laws and ordinances (www.gesetze.li)
Insurance Supervision Act (ISA)
Insurance Supervision Ordinance (ISO)
Insurance Contract Act (ICA)

FMA Annual Report 2010
Supervision: p. 31–36
Regulation: p. 48–50

More detailed information on licenses, legal foundations, and supervision
www.fma-li.li – Insurance Undertakings

Liechtenstein Insurance Association (LIA)
www.versicherungsverband.li

2.5 INSURANCE INTERMEDIARIES

At the end of 2010, the FMA supervised a total of 71 licensed and registered insurance intermediaries, of which 61 were legal persons, 6 sole proprietorships, and 4 natural persons. Of the 71 registered insurance intermediaries, 58 work as insurance brokers and 13 as insurance agents.

	2006	2007	2008	2009	2010
Brokers	3	25	50	57	58
Agents	0	10	14	13	13
Total licenses	**3**	**35**	**64**	**70**	**71**

Figure 15
Registered insurance intermediaries
under supervision of the FMA

Cross-border business pursuant to the free movement of services was primarily conducted in Switzerland (50% of all insurance intermediaries), followed by Germany (27%) and Austria (23%). So far, no insurance intermediaries have operated pursuant to the freedom of establishment.

According to the annual reports for the 2009 business year, the gross income generated by insurance mediation totaled CHF 18.7 million, of which 37% was generated in life insurance and 63% in non-life insurance. Only two insurance intermediaries worked in reinsurance. The income generated there made up less than 0.5% of the total income. Only 1% of the abovementioned gross income generated in insurance mediation is due to inducements (fee income) on the part of policyholders.

As of 31 December 2009, a total of 124 people were employed with Liechtenstein insurance mediation undertakings. Of these, 69 worked directly as insurance intermediaries. 55 employees performed administrative work.

Regulatory developments
The draft revised Directive 2002/92/EC on insurance mediation is expected in autumn 2011. The general goal is to further strengthen the interests of insured persons. Discussion points during the revision of the directive are the inclusion of employed field staff, disclosure of distribution fees, a new definition of the term "intermediary", and modifications of the information and advisory requirements.

Insurance intermediaries	
Basic laws and ordinances (www.gesetze.li) Insurance Mediation Act (IMA) Insurance Mediation Ordinance (IMO)	**More detailed information on licenses, legal foundations, and supervision** www.fma-li.li – Insurance intermediaries
FMA Annual Report 2010 Supervision: p. 34–36	**Liechtenstein Insurance Brokers Association (LIBA)** www.liba.li

2.6 PENSION SCHEMES

The Liechtenstein pension provision system is based on three pillars: state pension provision (1st pillar), occupational pension provision (2nd pillar), and private pension provision (3rd pillar). The pension schemes in Liechtenstein administer occupational pension provision. Together with the first pillar, this second pillar protects the insured employees from the economic consequences of old age, disability, and death. It makes old age, disability, and survivors' payments.

At the end of 2010, 33 pension schemes were under the supervision of the FMA in Liechtenstein (previous year: 33), of which 9 collective foundations, 23 company pension schemes, and the pension insurance for state employees.

Despite the generally positive development of the financial situation of the pension schemes, four of these schemes had a funding ratio of less than 100%. While in three cases, the failure to meet the required funding ratio was insignificant (funding ratio of at least 90%), the necessary restructuring measures in the fourth case are closely accompanied and supervised by the FMA in cooperation with the pension scheme.

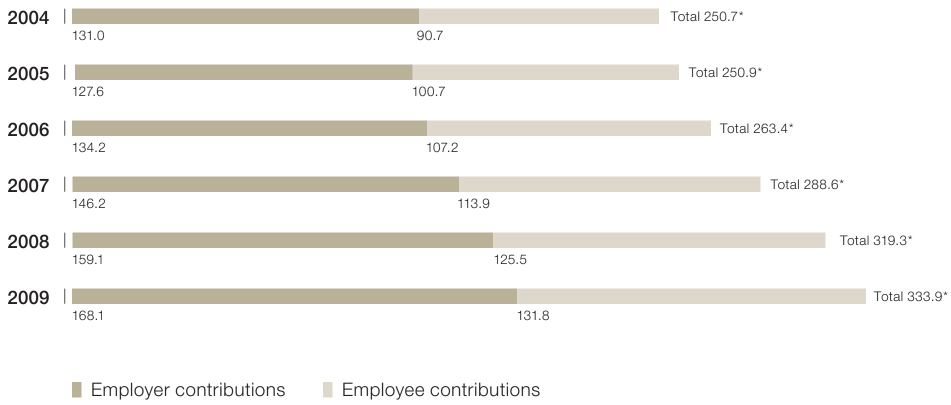

Figure 16
Development of employer and employee contributions (in CHF millions)

* Total including special and supplementary contributions as well as deposits to employer reserves

In 2009, the contributions of employees amounted to CHF 131.8 million and the contributions of employers to CHF 168.1 million for a total of CHF 333.9 million (including special and supplementary contributions as well as deposits to employer contribution reserves).

The number of insured persons as of 31 December 2009 was 36,369. 20,478 insured persons (56%) were insured by collective foundations, 11,826 (33%) by company pension schemes, and 4,065 (11%) by the pension insurance for state employees.

Pension capital and technical provisions as of 31 December 2009 amounted to CHF 3.89 billion (previous year: CHF 3.66 billion). Of this amount, CHF 1.14 billion made up the pension capital of collective foundations, CHF 2.0 billion of company pension schemes, and CHF 0.75 billion of the pension insurance for state employees. The interest rates on the pension capital fluctuated between 0% and 5.0% for the pension schemes in 2009.

Figure 17
Development of pension capital (in CHF billions)

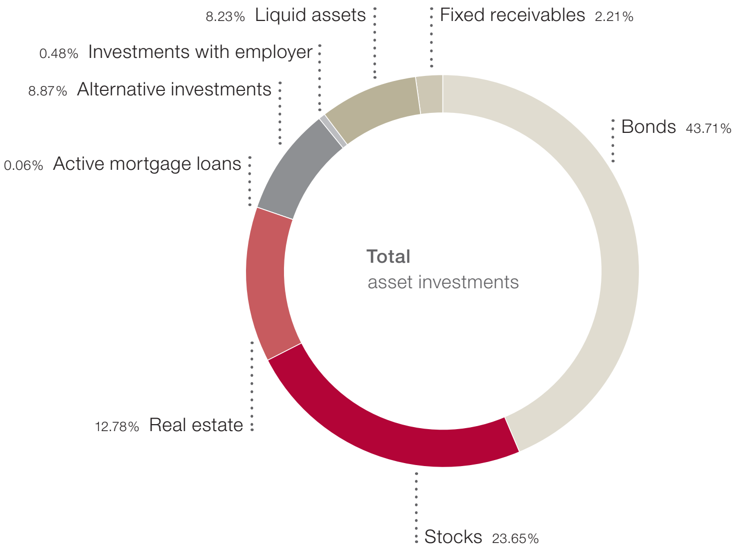

Figure 18
Distribution of asset investments in 2009 by asset class

Vested benefits accounts
In the 2010 reporting year, three banks maintained vested benefits accounts. As of 31 December 2010, there was a total of 8,723 (2009: 7,047) such accounts with managed capital of CHF 210.8 million (2009: CHF 177.1 million). The average amount of vested benefits amounted to CHF 24,166 (2009: CHF 25,128). The interest rate on the vested benefits accounts was between 1.5% and 1.75% in 2010.

Regulatory developments

Implementation of Directive 2006/54/EC (Equal Treatment Directive)
The main goal of the directive is to create more legal certainty in the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation. One of the aims is to implement the principle of equal treatment also with regard to occupational social security schemes.

Registered Partnership Act – Amendment of the Occupational Pensions Act
By creating a Registered Partnership Act, Liechtenstein aims to achieve the equal treatment of registered partnerships and marriage in terms of inheritance law, social insurance law, immigration and naturalization law, tax law, and other public law. In the area of occupational pensions, the law provides complete equality with marriage.

Pension schemes

Basic laws and ordinances (www.gesetze.li)
Occupational Pensions Act (OPA)
Occupational Pensions Ordinance (OPO)

FMA Annual Report 2010
Supervision: p. 36 – 39
Regulation: p. 49 – 50

More detailed information on licenses, legal foundations, and supervision
www.fma-li.li – Pension Schemes

Liechtenstein Pension Scheme Association (LPSA)
c/o Bruno Matt, LLB AG, Städtle 44, 9490 Vaduz

2.7 PENSION FUNDS

Pension funds are institutions offering occupational old-age provision in Liechtenstein or from Liechtenstein. They do not, however, operate in occupational pension provision under the Occupational Pensions Act.

6 pension funds are currently licensed in Liechtenstein. In the reporting year, one license was granted to a collective institution; the undertaking was founded in November 2010. The provisional notifications indicated that about CHF 82.6 million in gross premiums were earned in the 2010 business year (2009: CHF 60.5 million). The balance sheet total as of 31 December 2010 was about CHF 329.7 million. The pension capital and the technical provisions together amounted to CHF 273.2 million. In total, the pension funds had 1,882 active policyholders and 1,155 pension recipients.

Pension funds

Basic laws and ordinances (www.gesetze.li)
Pension Funds Act (PFA)
Pension Funds Ordinance (PFO)

FMA Annual Report 2010
Supervision: p. 39

More detailed information on licenses, legal foundations, and supervision
www.fma-li.li – Occupational Pension Institutions

2.8 PROFESSIONAL TRUSTEES AND TRUST COMPANIES

The activities of professional trustees include the formation of legal persons, the performance of management mandates, accounting and controlling (to the extent not reserved to auditors and auditing companies), as well as financial, economic, and tax advisory services. The FMA is responsible for due diligence supervision of professional trustees as well as admission to examinations and licensing for their work in the financial center. As of 31 December 2010, the total number of licenses under the Professional Trustees Act was 392 (2009: 395).

	2008	2009	2010
Professional trustees	85	83	77
Professional trustees with restricted license	28	26	23
Trust companies	260	262	264
Trust companies with restricted license	19	24	28
TOTAL	**392**	**395**	**392**

Figure 19
Professional trustees
and trust companies

Professional trustees and trust companies

Basic laws and ordinances (www.gesetze.li)
Professional Trustees Act (PTA)
Due Diligence Act (DDA)
Due Diligence Ordinance (DDO)

FMA Annual Report 2010
Supervision: p. 40–43

More detailed information on licenses, legal foundations, and supervision
www.fma-li.li – Professional Trustees

Liechtenstein Association of Professional Trustees (LAPT)
www.thv.li

2.9 AUDITORS AND AUDITING COMPANIES

The total number of persons with a license under the Auditors and Auditing Companies Act (AACA) was 79 as of 31 December 2010 (2009: 78). They include auditors, auditing companies, auditors engaging in free movement of services, and auditing companies engaging in free movement of services.

	2008	2009	2010
Auditors	23	24	25
Auditing companies	26	26	26
Auditors engaging in free movement of services	5	5	6
Auditing companies engaging in free movement of services	21	23	22
TOTAL	**75**	**78**	**79**

Figure 20
Auditors and
auditing companies

Regulatory developments

Implementation of the Statutory Audit Directive
The aim of EU Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts is to adjust the qualitative requirements of statutory audits to international practice. This is to ensure greater reliability of the accounting of companies.

Implementation of this directive was accomplished by partially revising the Auditors and Auditing Companies Act (AACA), the Law on Persons and Companies (PGR), and laws in the fields of banking, securities, asset management, and insurance supervision. A key feature is the introduction of quality assurance audits by the FMA of statutory audits performed by auditors. With the new disciplinary rules under the AACA, the FMA has for the first time been assigned disciplinary oversight of a liberal profession. The adjustments entered into force on 1 February 2011.

Auditors and auditing companies

Basic laws and ordinances (www.gesetze.li)
Auditors and Auditing Companies Act (AACA)

FMA Annual Report 2010
Supervision: p. 41 – 42
Regulation: p. 50 – 51

More detailed information on licenses, legal foundations, and supervision
www.fma-li.li – Auditors

Liechtenstein Association of Auditors (LAA)
www.wpv.li

2.10 LAWYERS AND LAW FIRMS

As of 31 December 2010, the number of persons licensed under the Lawyers Act was 341. This number includes lawyers (150), Liechtenstein lawyers eligible for registration (66), European lawyers established in Liechtenstein (25), apprentice lawyers (67), law firms (28), branches of law firms (1), and legal agents (4). In comparison with the previous year (2009: 332), a slight increase was again noted. The FMA is responsible for due diligence supervision of lawyers and the other related categories.

	2008	2009	2010
Lawyers	133	147	150
Liechtenstein lawyers eligible for registration	64	60	66
European lawyers established in Liechtenstein	27	25	25
Law firms	26	28	28
Branches of law firms	1	1	1
Apprentice lawyers	71	66	67
Legal agents	5	5	4
TOTAL	**327**	**332**	**341**

Figure 21
Lawyers and
law firms

Regulatory developments

On 10 August 2010, the industry-specific instructions for lawyers were issued with retroactive effect starting 1 March 2009. The purpose of the instructions is to create uniformity and clarity with regard to interpretation and application of the Due Diligence Act (DDA) and Due Diligence Ordinance (DDO).

Lawyers and law firms

Basic laws and ordinances (www.gesetze.li)
Lawyers Act

FMA Annual Report 2010
Supervision: p. 41 – 42
Regulation: p. 51

More detailed information on licenses, legal foundations, and supervision
www.fma-li.li – Lawyers

Liechtenstein Chamber of Lawyers
www.lirak.li

2.11 PATENT LAWYERS AND PATENT LAW FIRMS

Patent lawyers and patent law firms offer professional advice and representation in the fields of intellectual property and commercial property rights. The number of persons licensed under the Patent Lawyers Act (PLA) was 12 as of 31 December 2010.

	2008	2009	2010
Patent lawyers	10	10	9
Patent law firms	4	3	3
TOTAL	**14**	**13**	**12**

Figure 22
Patent lawyers and
patent law firms

Patent lawyers and patent law firms

Basic laws and ordinances (www.gesetze.li)
Patent Lawyers Act (PLA)

FMA Annual Report 2010
Supervision: p. 41

More detailed information on licenses, legal foundations, and supervision
www.fma-li.li – Patent Lawyers

2.12 OTHER FINANCIAL INTERMEDIARIES

The FMA Liechtenstein is also mandated with due diligence supervision of the following financial intermediaries:

- persons with certifications under article 180a PGR
- exchange offices
- real estate brokers
- dealers in goods
- other persons subject to due diligence.

More detailed information on licenses, legal foundations, and supervision is available on the FMA website: www.fma-li.li – Further Financial Intermediaries.

Publisher and Editors

Financial Market Authority Liechtenstein
Landstrasse 109
P.O. Box 279
9490 Vaduz
Liechtenstein

Telephone +423 236 73 73
Fax +423 236 73 74

info@fma-li.li
www.fma-li.li

Concept and Design
Leone Ming, Visible Marketing, Schaan

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