FMA

Financial Market Authority
Liechtenstein

Liechtenstein Financial Market

Facts and figures on the financial intermediaries
supervised by the FMA

2014 edition

FOREWORD

Dear Reader

The FMA supervises banks and insurers as well as other market participants such as asset managers, funds and their providers, and professional trustees. In this publication, we present the most important facts and figures on the financial centre in compact form.

The Principality of Liechtenstein has a specialized, stable financial centre with strong international ties. After industry and manufacturing, financial services are the largest economic sector of the Liechtenstein national economy. The most significant branch is banks, which operate mainly in private banking and wealth management. Liechtenstein is also an attractive location for insurers, asset managers, and the fund industry, and it also has a specialized trust sector.

Liechtenstein is a member of the European Economic Area (EEA) and thus enjoys full freedom of services throughout all countries of the European single market. Thanks to Liechtenstein's close neighbourly economic relations and the Customs and Currency Treaty with Switzerland, Liechtenstein's financial intermediaries also benefit from privileged access to the Swiss economic area. For Swiss market participants, Liechtenstein serves as a nearby hub for the European single market.

In 2013, the European economy slowly recovered, and the debt crisis subsided. The capital markets developed well. Liechtenstein's financial intermediaries also benefited from this progress. The risks to the national economies and the international financial system continue to be high, however. In the European Union, the adoption and implementation of numerous regulations will bring about substantial changes for the financial industry, with the goal of ensuring financial stability. Also in Liechtenstein, the work to comply with European requirements is moving full speed ahead. Even during the global financial crisis, Liechtenstein's financial centre distinguished itself by reliability and stability.

The changes to the regulatory requirements in the financial industry require stronger cooperation among supervisory authorities. The FMA is well integrated internationally and prepared for this stronger cooperation. Since January 2014, the FMA has intensified its supervision of the trust sector. The new supervisory regime is intended to improve client protection and strengthen international recognition of the sector.

Mario Gassner
CEO

INTERNATIONAL ECONOMY AND FINANCIAL MARKETS

1. INTERNATIONAL ECONOMY AND FINANCIAL MARKETS

1.1 INTERNATIONAL ECONOMY AND FOREIGN FINANCIAL MARKETS

The year 2013 was one of easing on the European financial markets. After the European Central Bank (ECB) announced in August 2012 that it would do everything necessary to preserve the Monetary Union, the European debt crisis gradually subsided over the course of 2013. Even though the world economy continues to suffer from an enormous debt surplus, the European economy was gradually able to recover in the second half of the year.

The world economy and world trade accelerated in the second half of 2013. This resulted in an improvement of international borrowing conditions, reflecting the subsiding tensions on the financial markets and benefited by the continuing low market interest rates and generous supply of liquidity. The economic momentum in the United States has also improved, while the economic development in emerging markets has remained below expectations in some cases, for instance in China.

The European economy has succeeded in turning around, emerging from recession during the second half of the year. The leading indicators signal a continuation of the upswing, although the momentum is likely to remain moderate overall. In Switzerland, the economic situation has likewise improved. Exports of goods gained momentum in the second half of 2013. The Swiss economy is nevertheless primarily being supported by domestic demand, assisted by steady immigration, low interest rates, and the lack of inflation.

On the financial markets, most European stock market indices recorded double-digit growth in 2013. Several important indices achieved new records last year. Market interest rates have risen somewhat in developed countries, starting in the US, where the expectation that the Federal Reserve will reduce its bond purchases has contributed to an upward shift of the yield curve. The yields on corporate bonds have fallen relative to comparable government bonds. Historically speaking, market volatility was relatively low for most of the year measured in terms of common stock market volatility indices (VIX/VDAX).

At the beginning of 2014, the tensions on the financial markets worsened again slightly, due to capital outflows from emerging markets. In March, the crisis in Ukraine in turn triggered higher volatility on the financial markets and led to stock market losses in the United States, Europe, and Asia. However, the impact of these developments on European government bonds has been rather modest. The risk premiums on Italian and Spanish government bonds, for instance, rose slightly in between, but at the end of March they were significantly lower than in January and far below the levels of summer 2012.

Risks arise in part from the persistently low interest rate environment. The low interest rate environment with its generous liquidity supplied by the most important central banks in the world has constituted a key framework condition for the stability of the international financial system for quite some time. As this environment persists, the risks and undesired side effects of low interest rates increase. The low interest rate environment is a burden mainly for insurance undertakings, especially life insurers. They are only able to generate low investment returns, but they have to service guaranteed obligations arising from long-term policies that may be higher than current capital market interest rates. In Liechtenstein, however, this is far less of a problem than in various other European countries, since the policies sold by Liechtenstein life insurers are typically fund-linked products where the insured party bears the risk. In the Liechtenstein banking system, interest income is traditionally an important source of revenue. When interest rates are low, the interest margin comes under pressure. Finally, the low interest rate environment can tempt institutional and private investors to enter into excessive investment risks in their search for higher investment yields, which may materialize in a scenario of abruptly increasing interest rates.

Risks also continue to arise from the ties between banks and their home countries. The low interest rate environment makes it more difficult to reduce these ties. In some countries, these ties have even grown over the past years. This raises the systemic risk, since doubts concerning the sustainability of public budgets may infect the local banking sector and spread to credit supply and thus the real economy.

1.2 LIECHTENSTEIN FINANCIAL CENTRE

Since the outbreak of the global financial crisis of 2007 – 2008, the Liechtenstein financial centre has been characterized by low sales growth and modest profitability, at least compared with the levels achieved before the financial crisis. This is on the one hand due to the aftereffects of the financial crisis, and on the other hand an expression of the transformation process in which the Liechtenstein financial centre finds itself. Linked to this process are the development toward automatic exchange of tax information and the tax-compliant orientation of new business.

As in the previous year, banks again recorded net inflow of new money, and assets under management increased. The persistently low interest rate level reduced their earning power, however. While life insurers recorded a drop in premiums compared with the previous year, the premiums for non-life insurances rose substantially. The client assets managed in the fund segment and by asset management companies grew, benefiting from the rise in securities prices.

The Liechtenstein banking system further improved its ability to bear risks. Core capital has improved, and own funds ratios are higher than the international standards. Moreover, the banks have good liquidity buffers. The robustness of Liechtenstein's financial sector is high.

However, the Liechtenstein financial centre is facing several challenges: The banks' cost ratio has improved slightly, but remains unfavourable. The earnings and growth outlook for the financial sector is cautious. The expenses for regulations and the associated administrative expenses continue their upward trend. For the financial sector overall and the insurance industry in particular, the low interest rate environment is also a difficult framework condition.

- Banks: At the end of 2013, Liechtenstein banks including foreign group companies managed client assets in the amount of CHF 195.4 billion. This represents an increase of 6% over the previous year. The net inflow of new money was CHF 7.9 billion in 2013, compared with CHF 13.2 billion in the previous year.
- Insurance undertakings: Premium income in 2013 fell by 17.6% to CHF 3.4 billion, of which CHF 2.4 billion was generated by life insurances, CHF 0.9 billion by non-life insurances, and CHF 0.05 billion by reinsurances. The capital investments of insurance undertakings amounted to CHF 29.5 billion at the end of 2013 (end of 2012: CHF 30.2 billion).
- Investment undertakings (funds): Total net assets rose by 3.3% to CHF 38.4 billion in 2013.
- Asset management companies: Assets managed by the companies rose by 26.6% to CHF 29.8 billion. Of that amount, CHF 22.2 billion are invested at domestic banks.

FINANCIAL INTERMEDIARIES

2. FINANCIAL INTERMEDIARIES

2.1 BANKS

Liechtenstein banks focus their activities on private banking and wealth management. Thanks to Liechtenstein's membership in the European Economic Area (EEA), the banks enjoy full freedom to provide services throughout the European single market. Some banks are also active outside Europe, especially in Asia, through subsidiaries or representative offices. At the end of 2013, 17 banks had a licence in Liechtenstein. Seven were part of Swiss or Austrian banking groups.

Development in 2013
The market environment continued to be difficult in 2013. Especially the persistently low interest rate level reduced the earning power of banks. Through cost-cutting measures, they tried to administer existing business areas more efficiently without losing sight of new business areas offering earnings potential. Overall, the banks performed well in this environment. The transformation process and the economic situation in Europe continue to make great demands on the Liechtenstein banking sector, however. In terms of client assets under management, the levels of 2007 have almost been reached again. But last year's earnings were still only one third of the earnings generated in 2007.

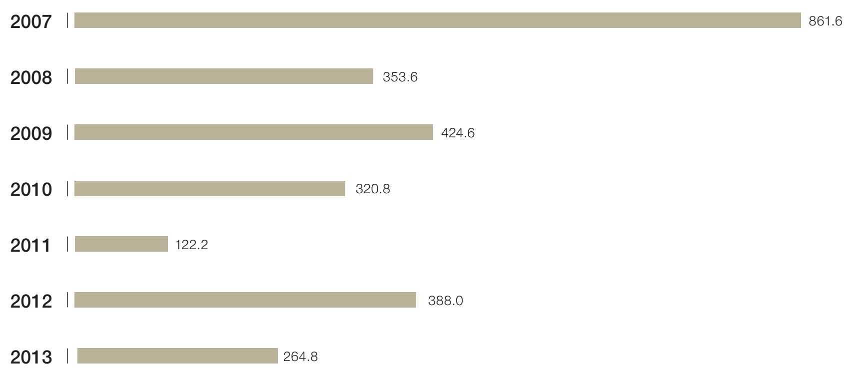

Figure 1
Result from ordinary business activities (EGT)
(in million CHF)

Consolidated across all banks, the earnings situation as measured by the result from ordinary business activities worsened compared with the previous year, falling from CHF 388 million in 2012 to CHF 264.8 million at the end of 2013. This means a decline of about 32%. The drop in income from financial transactions (–24.3%) and interest income (–16.9%) contributed to this. Income from fees and commissions, however, increased by 10.9% over the previous year, and operating expenses rose by 7.6%. The ratio of expenses to income worsened from 63.1% as of the end of 2012 to 68.1% as of the end of 2013.

In 2013, client assets under management at Liechtenstein banks including group companies increased by 6% to CHF 195.4 billion. The net inflow of new money was about CHF 7.9 billion compared to CHF 13.2 billion in the previous year.

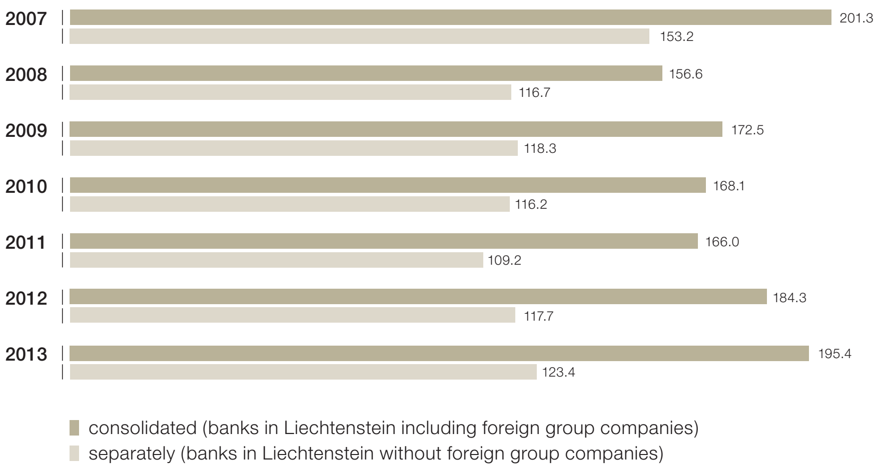

Figure 2
Client assets under management
(in billion CHF)

The client assets under management at Liechtenstein banks without group companies rose by about 5% to CHF 123.4 billion. As in the previous year, banks in the year under review were able to attract new money. The net inflow was about CHF 3.9 billion.

The core capital (Tier 1 Ratio) at the end of 2013 consolidated across all banks was 20.6%. This is a slight increase over the previous year (19.8%). In addition to the higher allowable core capital compared with the previous year, the risks to be covered by own funds rose only slightly. This means the core capital ratio of the Liechtenstein banking sector is thoroughly solid. The consistent orientation toward private banking and wealth management, the high level of capital adequacy, and

2011	2,044
2012	2,073
2013	2,102

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

the conservative attribute toward new risks offer a guarantee for a stable financial centre and security for banking clients.

2011	4,096
2012	4,084
2013	4,036

Figure 4
Number of jobs at Liechtenstein banks including foreign group companies

The financial sector in general and the banks in particular are of great importance to Liechtenstein's national economy, also in terms of their roles as employers. The number of jobs at banking institutions adjusted for part-time employment at the end of 2013 was about 2,102, which means an increase of about 1.4% over the previous year. The number of jobs at banks including group companies, however, fell slightly by 48 to 4,036 as of the end of 2013.

Regulatory developments

Implementation of the CRD IV and CRR rules (Basel III)

The reform package Basel III is intended to ensure the stability of the banking sector. Its goal is to improve the equity capital of banks in terms of quantity and quality and to increase the demands on liquidity requirements. Basel III is being implemented in the European Union in the form of the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR). The focus of the CRR is the capital adequacy of banks and investment firms. As a member of the EEA, Liechtenstein transposes the requirements into national law. Implementation of the reform package will require comprehensive changes to Liechtenstein banking law in 2014.

Implementation of the recovery and resolution rules

The goal of these comprehensive rules, which were adopted by the European Parliament in April 2014, is a uniform framework for crisis management (restructuring and orderly winding-up) of banks and investment firms. The financial institutions are called upon to prepare a recovery plan to restore stability. The rules also call for resolution plans. The rules are being implemented in the form of a directive.

Implementation of market abuse rules

With the market abuse rules adopted at the beginning of 2014, the existing framework for securing market integrity and investor protection is being adjusted to the current market reality and strengthened. An important component is to expand the scope of application, such as to include spot markets, and the powers of the competent authorities. The purpose is also to harmonize rules throughout Europe and tighten penalties.

Implementation of SEPA

SEPA (Single Euro Payments Area) is a project to harmonize cashless payments in the Euro payment transaction area. The rules replace the current domestic payment services, leading to realization of a uniform internal market for cashless payment transactions. SEPA will be implemented in Liechtenstein in 2014 through an amendment of the Payment Services Act.

Implementation of the EU Mortgage Credit Directive

The EU Mortgage Credit Directive is intended to improve the protection of borrowers. The new provisions on the credit business deal in depth with topics such as advertising, pre-contractual information, advice, assessment of creditworthiness, and early repayment.

Partial implementation of Directive 2009/14/EC (deposit guarantees, 2nd phase)

In the 2nd phase of implementation of the Deposit Guarantee Scheme Directive, the delays for determining claims and payouts applicable to deposit guarantee schemes are to be reduced, and the coverage level is to be increased slightly. The implementation draft is now available and should be transposed into Liechtenstein law in 2014.

Bankruptcy law

Liechtenstein will adopt modern bankruptcy law as part of the Banking Act. Consultations are planned for 2014. The winding-up of a bank in Liechtenstein would currently still have to be dealt with under the Bankruptcy Code.

Level II regulatory acts

Level II regulatory acts encompass implementing acts issued by the European Banking Authority (EBA) and the European Commission, based on European directives and regulations. Even just implementation of the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR) will require more than 100 such regulatory acts. They will be implemented by the national supervisory authorities or will be applicable directly to the financial institutions.

Banks	
Basic laws and ordinances (www.gesetze.li) Banking Act Banking Ordinance	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Banks and Investment Firms
FMA Annual Report 2013 Supervision: pp. 18–26 Regulation: pp. 56–59	**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. Asset management companies are also investment firms as defined by Directive 2004/39/EC.

At the end of 2013, 119 asset management companies held licences in Liechtenstein (end of 2012: 109). They employed a total of 515 employees at the end of 2013, which is 60 more than in the previous year. At the end of 2013, the asset management companies had a total of 7,906 client relationships, which is a decrease of 874 relationships or 10% compared with the end of 2012. The companies' assets under management rose by 26.6% to CHF 29.77 billion, of which CHF 22.18 billion or 74.5% (previous year CHF 17.13 billion or 72.8%) are invested at Liechtenstein banks.

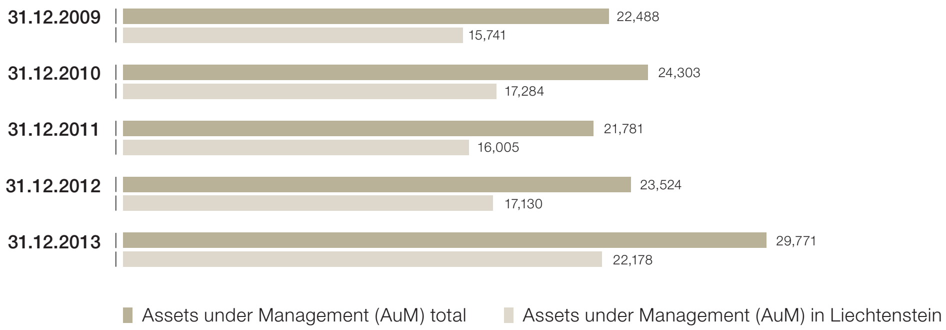

Figure 5
Development of assets under the management
of asset management companies (in million CHF)

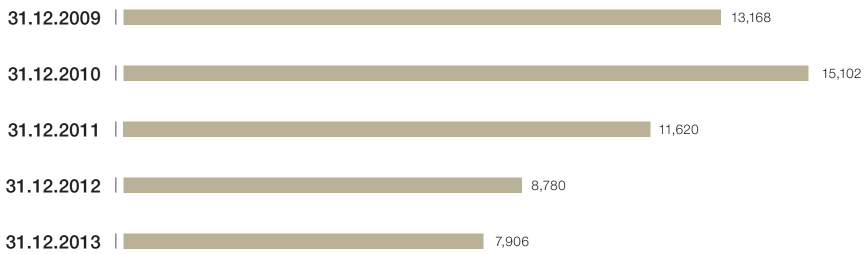

Figure 6
Development of number of client relationships
of asset management companies

Asset management companies

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

FMA Annual Report 2013
Supervision: pp. 32–35

More detailed information on licences, legal foundations, and supervision
www.fma-li.li – Asset Management Companies

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

2.3 INVESTMENT UNDERTAKINGS (FUNDS)

Thanks to stability and international compatibility, the Liechtenstein fund centre offers attractive framework conditions for fund providers and their products. Nevertheless, the challenging economic environment and the difficult market conditions in the fund centre were reflected in only a slight increase in fund assets under management.

Taking account of liquidations and deletions, the number of Liechtenstein funds fell by a total of eight to 549 funds (previous year: 557) as of the end of 2013. At the end of 2013, 779 subfunds/single funds were authorized (previous year: 791). Because of the challenging market environment, the growth of the previous years has come to a halt for now.

The funds were managed by a total of 20 authorization holders. Authorization holders included 18 fund managements, one alternative investment fund manager (AIFM), and a self-managing investment company. On 22 July 2013, the AIFM Act entered into force. Since then, a total of five major AIFMs were licensed in 2013, and six further applications for authorization as an AIFM had been submitted by the end of 2013.

2007	468
2008	560
2009	618
2010	693
2011	785
2012	791
2013	779

Figure 7
Development of number of individual funds of investment undertakings

As a marketing location for foreign funds, Liechtenstein recorded a slight decrease compared with the previous year. Taking account of mergers, non-launches, and liquidations, the number of foreign funds authorized for marketing in Liechtenstein fell to 156 (previous year: 177) and the number of subfunds/single funds authorized for marketing fell to 1,002 (previous year: 1,026).

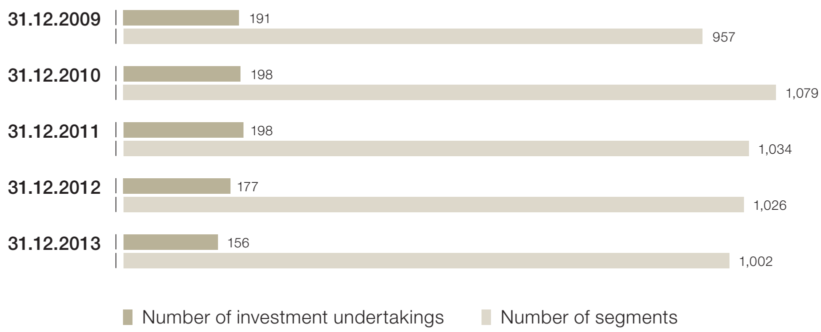

Figure 8
Number of authorized foreign investment undertakings

The net assets under management at the end of 2013 amounted to CHF 38.44 billion (previous year: CHF 37.22 billion). The moderate growth reflects the currently weak economic situation and the difficult market conditions in the context of increasing regulatory density.

Regulatory developments

AIFM

The revised version of the Law on Alternative Investment Fund Managers (AIFM Act) and the associated ordinance entered into force on 2 July 2013. The revision was necessary due to the delay in the incorporation of the AIFM Directive into the EEA Agreement. As long as incorporation is incomplete, the AIFM Directive is not applicable in Liechtenstein. Incorporation is a precondition for receiving the EU passport, which is considered part of the authorization for the cross-border management and marketing of alternative investment funds throughout Europe.

2008	26.4
2009	37.3
2010	37.7
2011	35.4
2012	37.2
2013	38.4

Figure 9
Development of net assets under the management of investment undertakings (in billion CHF)

Regulation on European venture capital funds
In 2013, the European legislative power adopted the Regulation on European venture capital funds (EuVECA). The managers of European venture capital funds are subject to a registration requirement. In return, they receive an EU passport entitling them to market venture capital funds throughout the EU. The process of incorporating the regulation into the EEA Agreement is underway.

Regulation on European social entrepreneurship funds
Also in 2013, the Regulation on European social entrepreneurship funds (EuSEF) was adopted. This regulation is intended to provide clarity in regard to the characteristics that distinguish social entrepreneurship funds from the broader category of alternative investment funds.

Outlook
Various regulatory projects are on the horizon, which either have already been adopted at the European level or are far advanced. These include the rules on rating agencies and central depositories, investor compensation schemes, transparency requirements, MiFID II, UCITS V and UCITS VI, packaged retail investment products (PRIPs), and European Long-Term Investment Funds (ELTIFs). 200 sets of rules are expected to be issued by the European Securities and Markets Authority.

Investment undertakings (funds)

Basic laws and ordinances (www.gesetze.li)
Investment Undertakings Act (IUA)
Investment Undertakings Ordinance (IUO)
Law on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act)
Ordinance on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Ordinance)
Law on Alternative Investment Fund Managers (AIFM Act)
Ordinance on Alternative Investment Fund Managers (AIFM Ordinance)

FMA Annual Report 2013
Supervision: pp. 27–32
Regulation: pp. 59–60

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

LIFA – Liechtenstein Investment Fund Association
www.lafv.li

2.4 INSURANCE UNDERTAKINGS

Liechtenstein is the only insurance centre that offers insurance undertakings direct access both to the countries of the European Economic Area and to 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 insurance, non-life insurance, and reinsurance undertakings operate in Liechtenstein. Most significant are life insurance undertakings. Their main business is fund-linked/unit-linked life insurance. Non-life insurers cover all relevant insurance classes. The reinsurance undertakings in Liechtenstein are captives. These are company insurance undertakings offering coverage of company insurance risks for the parent undertaking or the group.

Development in 2013

At the end of 2013, 22 life insurance, 15 non-life insurance, and five reinsurance undertakings operated with registered offices in Liechtenstein. 13 undertakings operated as captives, eight of which as direct insurers and five as reinsurers.

	2007	2008	2009	2010	2011	2012	2013
Non-life insurers	13	14	14	14	14	14	15
Life insurers	19	23	22	21	21	22	22
Reinsurers	5	5	5	5	5	5	5
Total licences	**37**	**42**	**41**	**40**	**40**	**41**	**42**

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

The capital invested on the account and at the risk of policyholders as part of fund-linked or unit-linked life insurance fell from CHF 28.0 billion in the previous year to CHF 27.2 billion. Premium income fell from CHF 4.2 billion in 2012 to CHF 3.4 billion in 2013. Of the premiums received, CHF 2.4 billion (72%) were in life insurance, CHF 929.8 million (27%) in non-life insurance, and CHF 47.2 million (1%) in reinsurance. With a rise in premium income from CHF 745.9 million to CHF 929.8 million, non-life insurance is continuing to become more important.

The balance sheet total of all insurance undertakings domiciled in Liechtenstein was about CHF 31.2 billion (previous year: CHF 32.1 billion). The number of people employed by the insurance undertakings remained stable and was 604 at the end of the last business year.

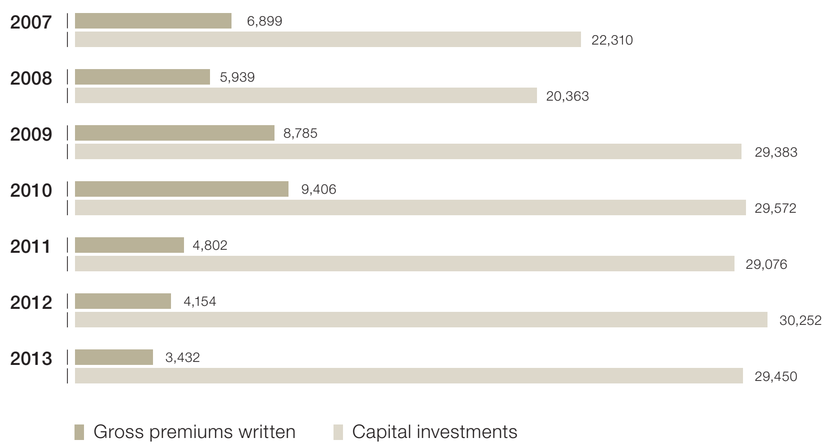

Figure 11
Development of gross premiums written and capital investments of the insurance undertakings (in million CHF)

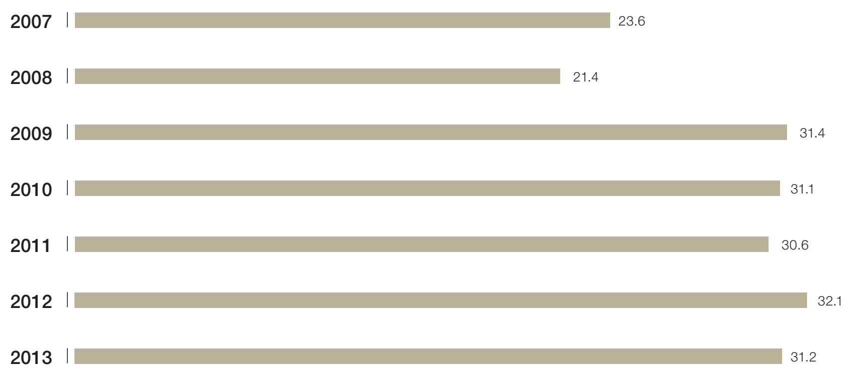

Figure 12
Development of the balance sheet total of insurance undertakings (in million CHF)

Cross-border provision of services

At the end of 2013, 364 insurance undertakings from various EEA countries and Switzerland had notified the FMA of cross-border provision of services in Liechtenstein via their home country authorities.

A total of 11 foreign insurance undertakings maintained a dependent branch in Liechtenstein as of the end of 2013. Nine of these had their registered offices in Switzerland.

Pursuant to the Direct Insurance Agreement between Liechtenstein and Switzerland, Liechtenstein insurance undertakings may engage in insurance business in Switzerland and vice versa, by way of either cross-border business or an establishment. 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 2012 rose from CHF 117.5 million in the previous year to CHF 122.6 million. About 90% of these gross premiums were attributable to captives. In the life insurance business, the gross premiums earned in Switzerland increased by about 13% from CHF 664.4 million in the 2011 business year to CHF 750.1 million. 15.5% of the premiums were generated in life insurance, 82.9% in unit-linked and fund-linked insurance, and 1.6% in capital redemption insurance.

United Kingdom	165
Germany	806
Italy	1,054
Liechtenstein	41
Austria	166
Sweden	144
Other EEA countries	570
Switzerland	917
Other third countries	291

Figure 13
Gross premiums written in 2012
by country (in Mio. CHF)

Compulsory building insurance
As of 31 December 2012, 13 insurance undertakings offered compulsory building insurance in Liechtenstein.

The fire insurance sum for buildings as of 31 December 2012 was CHF 17.86 billion (2011: CHF 17.22 billion), CHF 1.88 billion for household effects (2011: CHF 1.84 billion), and CHF 3.95 billion for other moveable objects (2011: CHF 3.78 billion). In total, the fire insurance sum in 2012 amounted to CHF 23.69 billion (2011: CHF 22.85 billion).

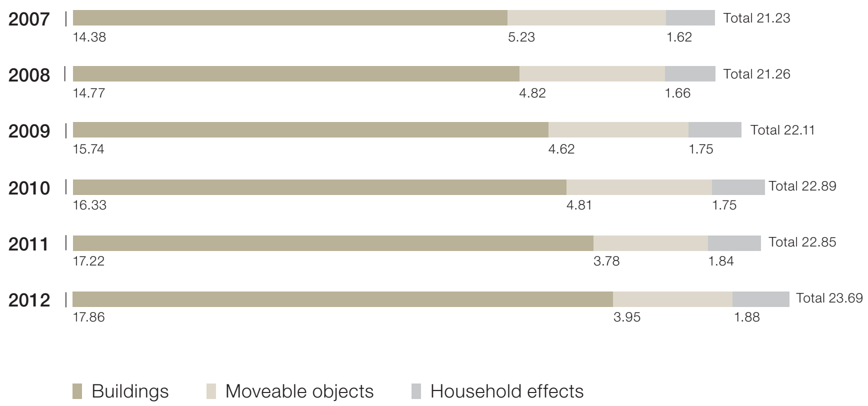

Figure 14
Fire insurance sum of Liechtenstein buildings (in billion CHF)

The premium income for fire insurance in 2012 was CHF 10.34 million (2011: CHF 10.24 million). In total, CHF 20.19 million (2011: CHF 19.71 million) in premiums were earned in compulsory building insurance in 2012. On the other side, claims payments in the amount of CHF 2.17 million were made (CHF 1.49 million for fire damage and CHF 0.68 million for damage from natural hazards).

Regulatory developments

Implementation of the Solvency II Directive

Solvency II establishes a new European supervisory system providing appropriate qualitative and quantitative tools to the supervisory authorities so that they can sufficiently evaluate the overall solvency of an insurance undertaking. The new supervisory regime is expected to enter into effect on 1 January 2016 and is to be transposed into national law by 31 March 2015. Because of delays in the European time schedule, EIOPA issued preparatory guidelines in autumn 2013.

Insurance undertakings	
Basic laws and ordinances (www.gesetze.li) Insurance Supervision Act (ISA) Insurance Supervision Ordinance (ISO) Insurance Contract Act (ICA) **FMA Annual Report 2013** Supervision: pp. 36–40 Regulation: pp. 60–61	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Insurance Undertakings **LVV – Liechtenstein Insurance Association** www.versicherungsverband.li

2.5 INSURANCE INTERMEDIARIES

At the end of 2013, the FMA supervised a total of 67 registered insurance intermediaries, of which 60 were legal persons, four sole proprietorships, and three natural persons. Of the 67 registered insurance intermediaries, 57 worked as insurance brokers and ten as insurance agents.

	2009	2010	2011	2012	2013
Brokers	57	58	56	55	57
Agents	13	13	13	10	10
Total licences	**70**	**71**	**69**	**65**	**67**

Figure 15
Registered insurance intermediaries supervised by the FMA

The cross-border business of insurance intermediaries under the free movement of services was primarily conducted in Germany (30%), Switzerland (29%), and Austria (26%). The other areas of activity (each less than 4%) were the UK, Italy, Hungary, Denmark, Luxembourg, Belgium, Poland, and the Netherlands. So far, one intermediary has operated in Switzerland under the freedom of establishment.

According to the annual reports for the 2012 business year, the gross income generated by insurance mediation totalled CHF 27.2 million, of which 53% was generated in non-life insurance and 47% in life insurance.

As of 31 December 2012, a total of 148 people were employed with Liechtenstein insurance mediation undertakings. Of these, 95 worked directly as insurance intermediaries, and 53 employees performed administrative work.

Insurance intermediaries

Basic laws and ordinances (www.gesetze.li)
Insurance Mediation Act (IMA)
Insurance Mediation Ordinance (IMO)

FMA Annual Report 2013
Supervision: pp. 40–42

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

LIBA – Liechtenstein Insurance Brokers Association
Internet: 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 1st pillar, this 2nd 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 2013, 24 pension schemes (previous year: 29) were under the supervision of the FMA: Eight collective foundations, 15 company pension schemes, and the Pension Insurance for State Employees (PVS).

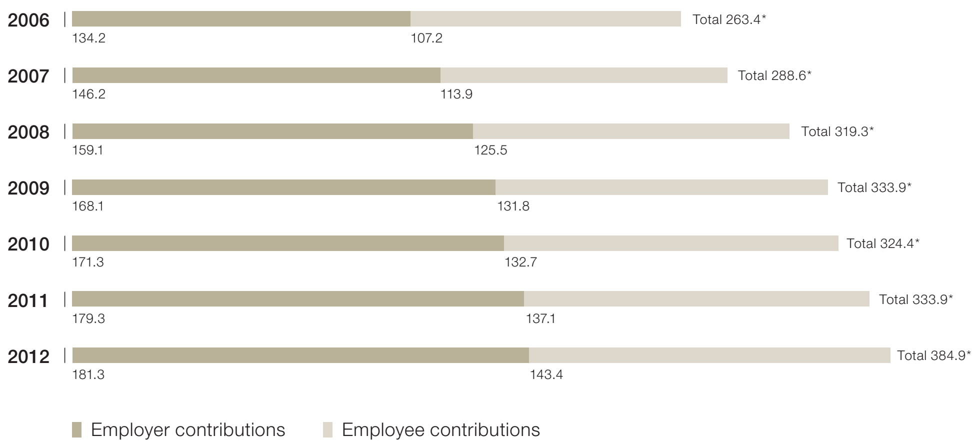

Figure 16
Development of employer and employee contributions (in million CHF)

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

Thanks to the positive situation on the financial markets, only one scheme had a funding ratio of less than 100% at the end of 2013. This was the Pension Insurance for State Employees, the reorganization of which as part of a legislative revision continues to be accompanied closely by the FMA.

In 2012, contributions of employees amounted to CHF 143.4 million and contributions of employers to CHF 181.3 million, for a total of CHF 384.9 million (including special and supplementary contributions as well as deposits to employer reserves).

The number of insured persons as of 31 December 2012 amounted to 38,497. 22,562 insured persons (59%) were insured by collective foundations, 11,672 (30%) by company pension schemes, and 4,263 (11%) by the Pension Insurance for State Employees.

Pension capital and technical provisions as of 31 December 2012 amounted to CHF 4.75 billion (previous year: CHF 4.35 billion). Of this amount, CHF 1.48 billion made up the pension capital of collective foundations, CHF 2.26 billion of company pension schemes, and CHF 1.01 billion of the Pension Insurance for State Employees. The interest rates on the pension capital fluctuated between 1.0% and 5.0% for the pension schemes in 2012.

2007	3.34
2008	3.66
2009	3.89
2010	4.11
2011	4.35
2012	4.75

Figure 17
Development of pension capital
(in billion CHF)

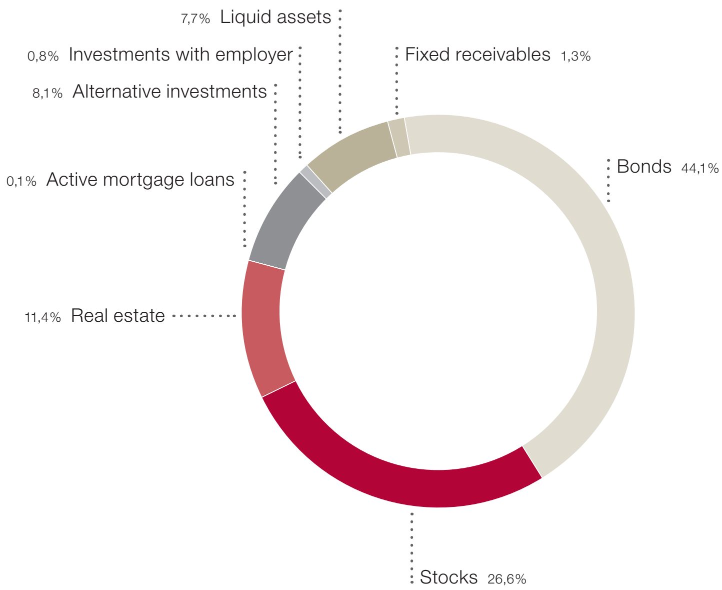

Figure 18
Distribution of asset investments
in 2012 by asset class

Vested benefits accounts

In the 2013 reporting year, three banks maintained vested benefits accounts. As of 31 December 2013, there were a total of 12,902 (2012: 11,129) such accounts with managed capital of CHF 341.4 million (2012: CHF 280.2 million). The average amount of vested benefits amounted to CHF 26,467 (2012: CHF 25,180). The interest rate on the vested benefits accounts was between 0.8% and 1% in 2013.

Regulatory developments

Occupational Pensions of the State (OPS Act)

In September 2013, Parliament created a basis for recovery of the Pension Insurance for State Employees (PVS) by adopting the Law on Occupational Pensions of the State (OPS Act). The OPS Act will enter into force on 1 July 2014. Starting on 1 July 2014, a new pension scheme organized under private law within the meaning of the Occupational Pensions Act (OPA) will take up insurance activities. One of the changes under the new solution will be a switch from today's defined benefits to defined contributions.

Pension schemes

Basic laws and ordinances (www.gesetze.li)
Occupational Pensions Act (OPA)
Occupational Pensions Ordinance (OPO)
Law on Occupational Pensions of the State (OPS Act)

FMA Annual Report 2013
Supervision: pp. 42 – 46

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

Liechtenstein Pension Scheme Association
www.lpkv.li

2.7 PENSION FUNDS

As a member of the EEA, Liechtenstein transposed Directive 2003/41/EC (Pension Funds Directive) in January 2007. Pension funds are institutions offering occupational retirement provision in Liechtenstein or from Liechtenstein by way of cross-border business in the EEA or in third countries. Pension funds do not offer compulsory occupational pension provision under the Occupational Pensions Act.

Six pension funds are currently licensed in Liechtenstein. Provisional reports indicate that about CHF 70 million in gross premiums were earned in the 2013 business year (2012: CHF 78.6 million).

Regulatory developments

Occupational Pension Funds Directive

At the European level, revision of the Occupational Pension Funds Directive continues to be pending. The revised directive is intended to improve the governance and transparency of pension funds. The European Commission is expected to present a proposal in 2014.

Pension funds	
Basic laws and ordinances (www.gesetze.li) Pension Funds Act (PFA) Pension Funds Ordinance (PFO) **FMA Annual Report 2013** Supervision: p. 46	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Pension Funds

2.8 PROFESSIONAL TRUSTEES AND TRUST COMPANIES

The activities of professional trustees include in particular the formation of legal persons, companies, and trusts, the assumption of board and management mandates under article 180a of the Law on Persons and Companies (PGR), the assumption of trust mandates, accounting and reviews, as well as financial, economic, and tax advice.

With the entry into force of the comprehensively revised Professional Trustees Act on 1 January 2014, the powers and competences of the FMA were strengthened significantly. Supervision covers licensing, verification of permanent compliance with licensing conditions, and enforcement of supervision, including the withdrawal of licences. The FMA is also responsible for the due diligence supervision of professional trustees and trust companies.

As of 31 December 2013, the number of licences under the Professional Trustees Act (PTA) was 366 (2012: 378). This included 65 professional trustees, 21 professional trustees with a restricted licences, 254 trust companies, and 26 trust companies with a restricted licence.

	2011	2012	2013
Professional trustees	79	70	65
Professional trustees with a restricted licence	21	21	21
Trust companies	263	259	254
Trust companies with a restricted licence	29	28	26
TOTAL	**392**	**378**	**366**

Grafik 19
Professional trustees
and trust companies

Regulatory developments

Comprehensive revision of the Professional Trustees Act

On 1 January 2014, the comprehensively revised Professional Trustees Act entered into force. The focus of the changes is on strengthening supervision of professional trustees and trust companies by the FMA. This strengthens the protection of clients and confidence in the trust sector. It also strengthens the international recognition of the sector, promotes international market access, and enhances the competitiveness of the financial centre. Various reporting and approval requirements were also introduced, the disciplinary system was reorganized, and an extrajudicial mediation office was created.

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 2013** Supervision: pp. 47–53 Regulation: pp. 62–63	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Trustees **Liechtenstein Association of Professional Trustees** www.thv.li

2.9 PERSONS UNDER THE 180A ACT

The activities of persons under the 180a Act include the assumption of board and management mandates under article 180a of the Law on Persons and Companies (PGR).

With the entry into force of the newly created 180a Act, the scope of responsibilities of the FMA was expanded considerably and – as is the case for the revised Professional Trustees Act – the focus is on strengthening official supervision.

At the end of 2013, the number of persons with a certification under article 180a was 518 (2012: 535).

	2011	2012	2013
Persons with a certification under article 180a PGR	533	535	518

Regulatory developments
Law on the Supervision of Persons under Article 180a of the Law on Persons and Companies (180a Act)
With the newly created Law on the Supervision of Persons under Article 180a of the Law on Persons and Companies (180a Act), which entered into force on 1 January 2014, a comprehensive and effective supervision system has been established for these persons. Until the end of 2013, persons under article 180a PGR were subject only to due diligence supervision. Now, the FMA is also responsible for authorization and ongoing supervision of these licence holders. The focus is on stronger official supervision, encompassing licensing, permanent compliance with licensing requirements, and enforcement of supervision vis-à-vis licence holders, including the withdrawal of licences. Additionally, reporting obligations have been instituted to ensure ongoing supervision. For the purpose of transparency and client protection, a publicly available directory of licensed persons is also being maintained.

Persons under the 180a Act	
Basic laws and ordinances (www.gesetze.li) Law on the Supervision of Persons under Article 180a of the Law on Persons and Companies (180a Act)	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Persons according to 180-a Act
FMA Annual Report 2013 Supervision: pp. 47–53 Regulation: pp. 62–63	**Association of Commercially Qualified Persons under Article 180a PGR (VkB)** vkb@powersurf.li

2.10 AUDITORS AND AUDIT COMPANIES

As of 31 December 2013, 35 domestic auditors, four foreign auditors established in Liechtenstein, and 26 audit companies were supervised by the FMA. Under the free movement of services, the number of licensed auditors was 43 and the number of audit companies 22. The FMA is responsible for due diligence supervision as well as the exercise of disciplinary power and the performance of quality controls.

	2011	2012	2013*
Auditors	23	33	35
Audit companies	24	24	26
Auditors under the free movement of services	9	37	43
Audit companies under the free movement of services	22	22	22
Auditors established in Liechtenstein	0	3	4
TOTAL	**78**	**119**	**130**

Figure 20
Auditors and
audit companies

* This includes the auditors eligible for registration not included on 31 December 2012.

Regulatory developments

Implementing ordinance for the Auditors and Audit Companies Act (AACA)

On 1 October 2013, the implementing ordinance for the Auditors and Audit Companies Act (AACA) entered into force. The ordinance governs the audit standards to be applied when conducting statutory audits as well as the content of quality assurance reviews (quality controls) of auditors and audit companies carrying out statutory audits.

Comprehensive revision of the AACA
The AACA is currently undergoing a comprehensive revision. The structure of the AACA is being revised as part of the comprehensive revision and harmonized with that of the Professional Trustees Act. Additionally, corrections are being made that are intended to remedy problems discovered during execution of the law. Entry into force of the comprehensively revised AACA is planned for mid-2015.

Auditors and audit companies	
Basic laws and ordinances (www.gesetze.li) Auditors and Audit Companies Act (AACA)	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Auditors
FMA Annual Report 2013 Supervision: pp. 47–53 Regulation: pp. 62–63	**Liechtenstein Association of Auditors (WPV)** www.wpv.li

2.11 LAWYERS AND LAW FIRMS

As of 31 December 2013, the number of persons licensed under the Lawyers Act was 361. This number includes lawyers (173), Liechtenstein lawyers eligible for registration (68), European lawyers established in Liechtenstein (25), apprentice lawyers (60), law firms (31), branches of law firms (1), and legal agents (3). Compared with the previous year (2012: 346), there was again a slight increase in the overall number. The FMA is responsible for due diligence supervision.

Regulatory developments
Comprehensive revision of the Lawyers Act
In 2013, the new Lawyers Act was adopted; it entered into force on 1 January 2014. Supervision of lawyers and law firms was thereby transferred to the Liechtenstein Chamber of Lawyers. However, the FMA continues to be responsible for monitoring compliance with due diligence obligations to combat money laundering and terrorist financing.

	2011	2012	2013
Lawyers	164	168	173
Liechtenstein lawyers eligible for registration	61	69	68
European lawyers established in Liechtenstein	27	22	25
Law firms	29	29	31
Branches of law firms	1	1	1
Apprentice lawyers	56	54	60
Legal agents	4	3	3
TOTAL	**342**	**346**	**361**

Figure 21
Lawyers, law firms,
and other categories

Lawyers and law firms

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

FMA Annual Report 2013
Supervision: pp. 47–53
Regulation: pp. 62

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

Liechtenstein Chamber of Lawyers
www.lirak.li

2.12 PATENT LAWYERS AND PATENT LAW FIRMS

Patent lawyers and patent law firms offer professional advice and representation in the fields of intellectual property. One of the FMA's responsibilities is due diligence supervision.

As of 31 December 2013, 11 persons held a licence under the Patent Lawyers Act (PLA). The number of patent lawyers and patent law firms remained the same.

	2011	2012	2013
Patent lawyers	9	8	8
Patent law firms	3	3	3
TOTAL	**12**	**11**	**11**

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 2013** Supervision: pp. 47 – 53	**More detailed information on licences, legal foundations, and supervision** www.fma-li.li – Patent Lawyers

2.13 OTHER FINANCIAL INTERMEDIARIES

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

- dealers in goods;
- real estate brokers;
- other persons subject to due diligence.

More detailed information is available at www.fma-li.li – Financial Intermediaries.

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