FMA

Financial Market Authority
Liechtenstein

# Liechtenstein Financial Market

Facts and figures on the financial intermediaries
supervised by the FMA

2015 edition

# FOREWORD

Dear Reader

The Principality of Liechtenstein offers a specialized and stable financial centre with strong international ties. After the industrial sector, financial services are the largest business sector in Liechtenstein's national economy. Banks have the most weight, working mainly in private banking and wealth management. The country is also an attractive location for insurers, asset managers, and funds, and it has a specialized fiduciary sector.

Liechtenstein is a member of the European Economic Area (EEA) and thus enjoys full freedom to provide services in all countries of the European single market. Thanks to Liechtenstein's close neighbourly economic relationship and the Customs and Currency Treaty with Switzerland, Liechtenstein's financial intermediaries also enjoy privileged access to the Swiss economic area. For Swiss market actors, Liechtenstein offers a nearby hub for the European single market.

Liechtenstein offers a stable legal and social order with a very high quality of life in the franc currency area. The solid financial policy of the public budgets, short administrative channels, and a transparent and predictable tax and legal framework contribute to Liechtenstein's attractiveness as a business location. Liechtenstein's AAA rating from Standard & Poor's underscores this reliability.

In addition to banks and insurers, the FMA supervises other market participants such as asset managers, funds, and professional trustees. In this publication, we have compiled facts and figures on the individual market participants in a compact form.

Mario Gassner
CEO

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# INTERNATIONAL ECONOMY AND FINANCIAL MARKETS

# 1. INTERNATIONAL ECONOMY AND FINANCIAL MARKETS

## 1.1 INTERNATIONAL ECONOMY AND FOREIGN FINANCIAL MARKETS

The European financial markets continued to improve in 2014. This improvement started after the announcement by the European Central Bank in August 2012 that it would do everything necessary to preserve the monetary union. Large parts of the global economy must continue to deal with the legacies of the global financial crisis, however, including excess debt and high unemployment.

The momentum of the global economy weakened over the course of 2014. The global economy was supported by falling energy prices – which act like a reduction of consumer prices in energy-importing countries – and by the continuing, extraordinarily low level of interest rates and an expansive supply of liquidity. So far, however, the low interest rate level as a consequence of the global financial crisis has been reflected only to a lesser extent in the real economy, in a strengthening of private consumption, or in investment activity, but rather has led to an increased assumption of financial risks and rising prices of securities and real estate.

The European economy is in a secular stagnation, marked by an extended period since the global financial crisis of 2007/08 in which economic growth is low or even zero. The economic environment is characterized by low real interest rates and low or negative inflation. While unemployment has fallen slightly, it is still higher than 11%. Especially younger workers in various European countries have difficulties entering the labour market.

Measured by the MSCI World Index, global equity prices on the financial markets rose by 2.9% in 2014, after gaining 24.1% in the previous year. Capital market interest rates fell over the course of the year. The yields on 10-year German Bonds fell by about 110 basis points over the course of the year, while 10-year government bonds in the United States fell by about 80 basis points. Market volatility was relatively low in historical terms for most of the year.

The Swiss National Bank's abandonment of its minimum exchange rate of the Swiss franc to the euro in January 2015 resulted in a sudden appreciation of the franc. One of the consequences of the appreciation of the franc is that the price competitiveness of the Swiss and Liechtenstein export economy has worsened. The uncertainties of companies have also increased, given that the exchange rate floor was an important indicator of stability that has now abruptly come to an end. Moreover, imported goods are becoming cheaper, which increases tendencies toward cutting prices. To what extent this ultimately has a negative impact on the Swiss economic area depends on where the currency ends up in the medium term.

In the long run, the low interest rate level and the expansive monetary policy of the central banks risk encouraging excessive financial risks, because investors are induced to invest an increasingly large part of their portfolio in riskier assets and to incur debt for that purpose. As a consequence of an excessive willingness to assume risks, investment assets may be misdirected on the financial markets, volatilities may decline without sufficient justification, and prices may rise excessively strongly. Overvaluations are seen when financial market prices are decoupled from developments in the real economy, e.g., when risk premiums on corporate bonds do not correspond to the probabilities of default actually expected. Yields on the financial markets are then no longer in conformity with the situation of the real economy.

Another macroeconomic risk is a worsening of the European debt crisis and a possible exit by Greece from the European monetary union. What consequences a Greek exit would have cannot be said with certainty, but the possibility cannot be ruled out that it would entail turbulences on the international financial markets.

## 1.2 LIECHTENSTEIN FINANCIAL CENTRE

The Liechtenstein financial centre is grappling with low sales growth and modest profitability. Since the 2007/08 financial crisis, which resulted in an extremely expansive monetary policy combined with low market interest rates and an international wave of regulation, the financial intermediaries have been exposed to an extremely difficult market environment. This is also an expression of the transformation process the Liechtenstein financial centre is undergoing.

In 2014, growth in parts of the Liechtenstein financial sector improved. Balance sheet growth in the banking sector has accelerated. Insurers' premium income has stabilized. Assets under the management of investment and management companies have increased, supported by special effects and a favourable development of the securities markets.

Given the abandonment of the exchange rate floor, the challenges for the Liechtenstein financial centre have become even greater. The low interest rates, which fell again slightly when the minimum exchange rate was eliminated, are a challenge for all financial intermediaries, but especially for the pension schemes, since they hold part of their investment assets in foreign currencies while their cost base is denominated in francs.

- Banks: At the end of 2014, the Liechtenstein banks including foreign group companies managed client assets in the amount of CHF 216 billion. This is a 10.5% increase over the previous year. The net inflow of new money in 2014 was CHF 16.1 billion, compared with CHF 7.9 billion in the previous year. Assets under management at the banks in Liechtenstein without group companies rose by about 8.6% to CHF 133.9 billion. The net inflow of new money was about CHF 5.8 billion.
- Asset management companies: At the end of 2014, 121 asset management companies were licensed in Liechtenstein. The assets under the management of the companies rose by 5% over the previous year to CHF 31.4 billion. Of that amount, CHF 22.2 billion were invested at domestic banks.
- Investment undertakings (funds): Total net assets under management rose by 20% in 2014 to CHF 46.2 billion. The number of Liechtenstein funds fell by 17 to 532 at the end of 2014.
- Insurance undertakings: Premium income in 2014 was about CHF 3.5 billion and thus about the same as in the previous year. Of that amount, life insurers generated CHF 2.4 billion, non-life insurers 1.1 billion (previous year: 0.95 billion), and reinsurers 0.04 billion. The balance sheet total of all insurance undertakings domiciled in Liechtenstein was about CHF 31.0 billion (previous year: CHF 31.5 billion) at the end of 2014.
- Pension schemes: At the end of 2014, 24 pension schemes in Liechtenstein were under the supervision of the FMA. The average, equally weighted funding ratio at the end of 2014 was 106.6%. The pension capital and technical provisions at the end of 2013 were CHF 5 billion.
- Pension funds: At the end of 2014, the FMA supervised five pension funds. Four of these offer cross-border services in the EEA and third countries. They earned CHF 99.6 million in gross premiums in 2014. That is an increase of 45% over the previous year.

# FINANCIAL INTERMEDIARIES

# 2. FINANCIAL INTERMEDIARIES

## 2.1 BANKS

Liechtenstein banks focus their activities primarily 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 2014, 17 banks had a licence in Liechtenstein.

The market environment continued to be difficult in 2014. Especially the persistently low interest rate level reduced the earning power of banks. Overall, the banks performed well in this difficult environment. The transformation process of the financial centre and the economic situation in Europe continue to make great demands on the Liechtenstein banking sector, however. In terms of assets under management at Liechtenstein banks including foreign group companies, the previous record from 2007 was broken in 2014. Income, however, was only about one quarter of the income in 2007.

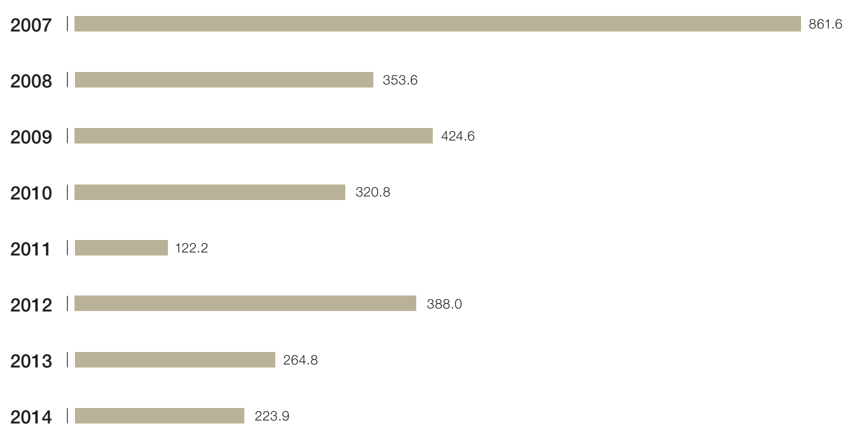


Figure 1
Result from ordinary business activities
(in million CHF)

Consolidated across all banks (banks in Liechtenstein including foreign group companies), the income situation as measured by the result from ordinary business activities worsened compared with the previous year, falling from CHF 264.8 million in 2013 to CHF 223.9 million at the end of 2014. This is a decline of about 15%. The drop in income from financial transactions (–12.4%) and interest income (–3.3%) as well as the increase in operating expenses by 4.7% contributed to this. The income from fees and commission, however, rose by 3.5% over the previous year. The cost/income ratio consequently worsened from 68.1% at the end of 2013 to 74.2% at the end of 2014.

In 2014, assets under management at Liechtenstein banks including group companies increased by 10.5% to CHF 216 billion. The net inflow of new money was about CHF 16.1 billion compared to CHF 7.9 billion in the previous year.


Figure 2
Assets under management (in CHF billions)

Assets under management at Liechtenstein banks without group companies rose by about 8.6% to CHF 133.9 billion. As in the previous years, banks in 2014 were again able to attract new money. The net inflow was about CHF 5.8 billion.

The average core capital (Tier 1) ratio at the end of 2014 consolidated across all banks was 18.6%. This is a slight decrease from the previous year (20.6%). These figures are based on the Basel II requirements. The Basel III regime entered into force at the beginning of 2015. Despite the decline, the core capital ratio of the Liechtenstein banking centre is thoroughly solid compared with other countries. The consistent orientation toward private banking and wealth management, the high level of capital adequacy, and the conservative attitude toward new risks offer a guarantee for a stable financial centre and security for banking clients.

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 2014 was about 2,172, which means an increase of about 3.3% over the previous year. The number of jobs at banks including group companies increased by 197 to 4,233 as of the end of 2014.

**Regulatory developments**

*Entry into force of revised banking legislation*

On 1 February 2015, the revised banking legislation entered into force. With this revision, Liechtenstein transposed the CRD IV package of the EU into national law. The CRD IV package contains extensive provisions for the improvement of capital and liquidity requirements, bank-internal capital policy, corporate governance, penalties, and supervisory cooperation. It also creates a Single Rulebook. It harmonizes European banking supervision law, ensures a uniform legal framework in the European single market, and prevents regulatory arbitrage.

With the CRD IV package, the EU in turn implemented the requirements of Basel III. The reform package is intended to safeguard the stability of the banking sector. It aims to improve the capital of banks in terms of quantity and quality and to increase liquidity requirements.

*Bank Recovery and Resolution Directive*

The Bank Recovery and Resolution Directive (BRRD) establishes a uniform framework for the crisis management of banks and investment firms (restructuring and orderly winding-up).

Banks and investment firms are required to establish a recovery plan. The recovery plan must set out the measures to be taken by the

| | |
|---|---|
| 2012 | 2073 |
| 2013 | 2102 |
| 2014 | 2172 |

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

| | |
|---|---|
| 2012 | 4084 |
| 2013 | 4036 |
| 2014 | 4233 |

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

management of the institution or group company if the financial situation deteriorates in order to restore financial stability. The BRRD also requires the establishment of resolution plans by a resolution authority. In Liechtenstein, implementation into national law is planned by mid-2016.

| Banks | |
|---|---|
| **Basic laws and ordinances (www.gesetze.li)**<br>Banking Act<br>Banking Ordinance | **More detailed information on licences, legal foundations, and supervision**<br>www.fma-li.li – Banks and investment firms |
| **FMA Annual Report 2014**<br>Supervision: pp. 16 – 24<br>Regulation: pp. 56 – 58 | **Liechtenstein Bankers Association**<br>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 2014, 121 asset management companies held licences in Liechtenstein (end of 2013: 109). They employed a total of 569 employees at the end of 2014, which is 54 more than in the previous year. At the end of 2014, the asset management companies had a total of 9,942 client relationships, of which 7,352 included an asset management mandate. The companies' assets under management rose by about 5% to CHF 31.44 billion, of which CHF 22.19 billion or 70.5% (previous year CHF 22.18 billion or 74.5%) were invested at Liechtenstein banks.

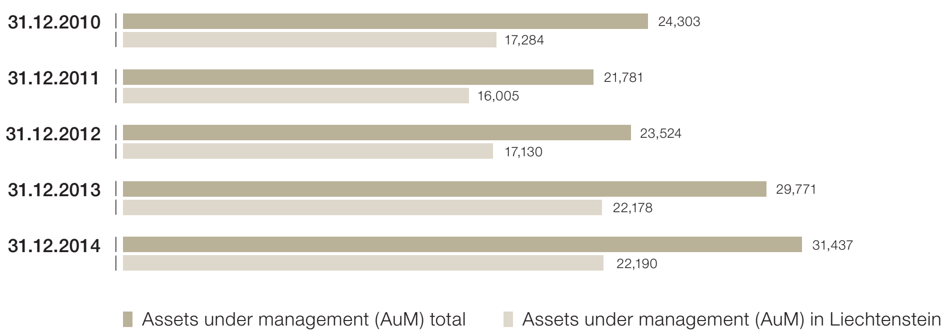


Figure 5
Development of assets under the management
of asset management companies (in million CHF)

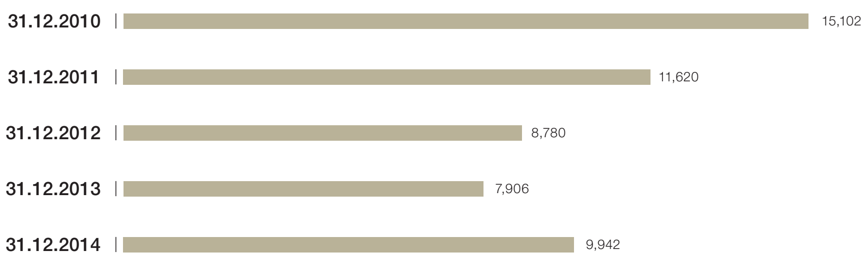


Figure 6
Development of number of client relationships
of asset management companies

**Regulatory developments**

*Markets in Financial Instruments Directive (MiFID II)*

On 15 May 2014, the European legislative power adopted the Markets in Financial Instruments Directive (MiFID II). The goals are to improve investor protection, strengthen competition, and harmonize the European financial market. This directive is accompanied by the Markets in Financial Instruments Regulation (MiFIR). Liechtenstein is implementing the two legal acts through a comprehensive revision of the Asset Management Act (AMA) and the associated ordinance.

**Asset management companies**

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

**FMA Annual Report 2014**
Supervision: pp. 29–32

**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.

Taking account of liquidations and deletions, the number of Liechtenstein funds fell by a total of 17 to 532 funds (previous year: 549) as of the end of 2014. At the end of 2014, 735 subfunds/single funds were authorized (previous year: 779).

| | |
|---|---|
| 2008 | 560 |
| 2009 | 618 |
| 2010 | 693 |
| 2011 | 785 |
| 2012 | 791 |
| 2013 | 779 |
| 2014 | 735 |

Figure 7
Development of number of individual funds

The funds were managed by a total of 18 authorization holders. Authorization holders included 17 fund managers or alternative investment fund managers (AIFMs) and one self-managing investment company. Since entry into force of the AIFM Act, a total of eight major AIFMs and one risk manager have been licensed.

As a marketing location for foreign funds, Liechtenstein recorded a slight decrease from the previous year. Taking account of mergers, non-launches, and liquidations, the number of foreign funds authorized for marketing in Liechtenstein fell to 147 (previous year: 156) and the number of subfunds authorized for marketing increased to 1,035 (previous year: 1,002).

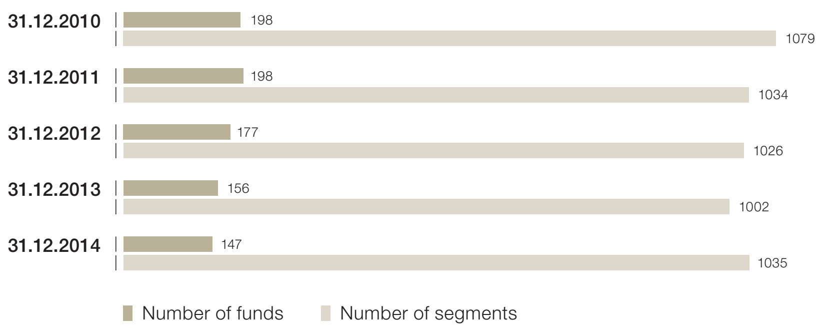


Figure 8
Number of authorized foreign funds

The net assets under management at the end of 2014 amounted to CHF 46.16 billion (previous year: CHF 38.44 billion). The strong increase in net assets under management is due to the fact that one fund management transferred one of its fund companies from the Cayman Islands to Liechtenstein.

**Regulatory developments**

*Regulation on European venture capital funds*

For qualifying venture capital funds, the Regulation on European venture capital funds (EuVECA) creates uniform rules for


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

marketing, composition of the portfolios, permitted investment tools and techniques, and for the organization, conduct, and transparency of fund managers. National implementation in Liechtenstein will be accomplished by adjusting the AIFM Act.

*Regulation on European social entrepreneurship funds*
The Regulation on European social entrepreneurship funds (EuSEF) is intended to provide clarity in regard to the characteristics that distinguish social entrepreneurship funds from the broader category of alternative investment funds. Only funds to which these characteristics apply may obtain financing with the help of the European framework for social entrepreneurship funds created by the regulation. National implementation in Liechtenstein will be accomplished by adjusting the AIFM Act.

*UCITS V Directive*
On 23 July 2014, the European legislative power adopted the directive amending the UCITS IV directive on undertakings for collective investment in transferable securities (UCITS V). This directive is intended to establish uniform rules on the duties and liability of depositories as well as remuneration policy and sanctions. Implementation in Liechtenstein will be accomplished in 2015 by amending the UCITS Act.

**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 2014**
Supervision: pp. 27–32
Regulation: pp. 59–60

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

**LAFV – Liechtenstein Investment Fund Association**
www.lafv.li

## 2.4 INSURANCE UNDERTAKINGS

Liechtenstein offers insurance undertakings direct access to the countries of the European Economic Area and to Switzerland. This is made possible by Liechtenstein's EEA membership and the Direct Insurance Agreement with Switzerland.

Life insurance, non-life insurance, and reinsurance undertakings operate in Liechtenstein. The main business of life insurers 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 2014**

At the end of 2014, 22 life insurance, 15 non-life insurance, and 5 reinsurance undertakings operated with registered offices in Liechtenstein. 13 undertakings operated as captives, 8 of which as direct insurers and 5 as reinsurers.

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|
| Non-life insurers | 14 | 14 | 14 | 14 | 14 | 15 | 15 |
| Life insurers | 23 | 22 | 21 | 21 | 22 | 22 | 22 |
| Reinsurers | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| **Total licences** | **42** | **41** | **40** | **40** | **41** | **42** | **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 27.3 billion in the previous year to CHF 26.5 billion. Premium income of about CHF 3.5 billion stayed roughly the same compared with the previous year. Of the premiums received, CHF 2.4 billion (68%) were in life insurance, CHF 1.1 billion (32%) in non-life insurance, and CHF 40.9 million in reinsurance. With a rise in premium income from CHF 0.95 billion to CHF 1.1 billion, non-life insurance is continuing to become more important.

The balance sheet total of all insurance undertakings domiciled in Liechtenstein was about CHF 31.0 billion at the end of 2014 (previous year: CHF 31.5 billion). The number of people employed by the insurance undertakings fell from 604 to 555.

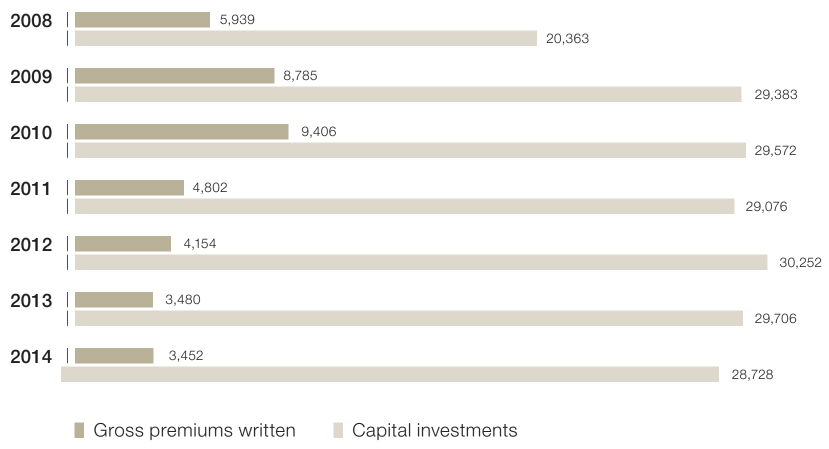


Figure 11
Development of gross premiums written and capital investments of the insurance undertakings (in million CHF)

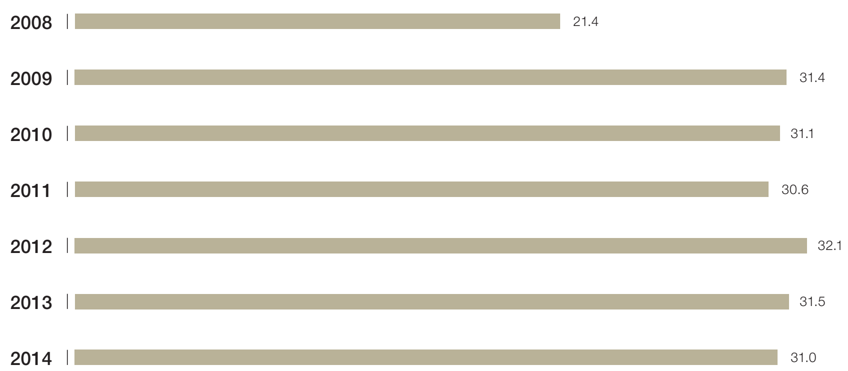


Figure 12
Development of the balance sheet total of insurance undertakings (in million CHF)

*Cross-border provision of services*

At the end of 2014, 391 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 12 foreign insurance undertakings maintained a dependent branch in Liechtenstein as of the end of 2014. 10 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 2013 rose from CHF 122.6 million in the previous year to CHF 143.1 million. About 80% of these gross premiums were attributable to captives. In the life insurance business, the gross premiums earned in Switzerland fell from CHF 750.1 million in the 2012 business year to CHF 486.5 million. 27.3% of the premiums were generated in classical life insurance, 27.1% in unit-linked and fund-linked insurance, and 45.6% in capital redemption insurance.

| | |
|---|---|
| United Kingdom | 140 |
| Germany | 733 |
| Italy | 707 |
| Liechtenstein | 14 |
| Austria | 123 |
| Sweden | 114 |
| Other EEA countries | 747 |
| Switzerland | 631 |
| Other third countries | 228 |

Figure 13
Gross premiums written in 2013
by country (in million CHF)

*Compulsory building insurance*
As of 31 December 2013, 14 insurance undertakings offered compulsory building insurance in Liechtenstein.

The fire insurance sum for buildings as of 31 December 2013 was CHF 18.50 billion (2012: CHF 17.86 billion), CHF 1.89 billion for household effects (2012: CHF 1.88 billion), and CHF 3.84 billion for other moveable objects (2012: CHF 3.95 billion). In total, the fire insurance sum in 2013 amounted to CHF 24.23 billion (2012: CHF 23.69 billion).

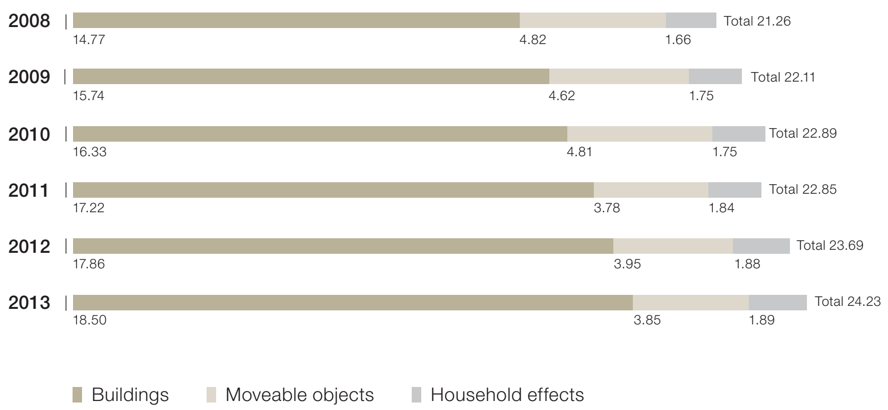


Figure 14
Fire insurance sum
of Liechtenstein buildings (in billion CHF)

The premium income for fire insurance in 2013 was CHF 13.17 million (2012: CHF 10.34 million). In 2013, CHF 23.31 million (2012: CHF 20.10 million) in premiums were earned in compulsory building insurance in total. On the other side, claims payments in the amount of CHF 3.21 million were made (CHF 2.85 million for fire damage and CHF 0.36 million for damage from natural hazards).

**Regulatory developments**
*Solvency II – new capital adequacy system for insurance undertakings*
Liechtenstein is transposing the Solvency II Directive of the European Union into national law. With Solvency II, the capital adequacy system for European insurance undertakings is being adjusted to the current demands of a changed risk environment.

In the insurance sector, solvency means the own funds of an insurer, i.e., free, unencumbered assets. The own funds serve to cover all risks of the insurance business and thus to protect the claims of policyholders.

Solvency II creates supervisory tools to measure the solvency of insurers using risk-based principles. Solvency is determined by relating the risks assumed by the insurer to the insurer's risk capital. The risk-oriented approach entails a fundamental new orientation for calculating own funds requirements as well as far-reaching changes to supervisory processes and tools.

The Omnibus II Directive amended the Solvency II Directive. In addition to a wide range of transitional provisions, Omnibus II grants further powers and competences to the European Insurance and Occupational Pensions Authority (EIOPA).

The new insurance supervision legislation is scheduled to enter into force on 1 January 2016. Additionally, there will be a new Insurance Supervision Ordinance and numerous supplementary European implementing acts.

**Insurance undertakings**

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

**FMA Annual Report 2014**
Supervision: pp. 33–36
Regulation: pp. 60–62

**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 2014, the FMA supervised a total of 63 registered insurance intermediaries, of which 55 were legal persons, 5 sole proprietorships, and 3 natural persons. Of the 63 registered insurance intermediaries, 52 worked as insurance brokers and 11 as insurance agents.

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Brokers | 58 | 56 | 55 | 57 | 52 |
| Agents | 13 | 13 | 10 | 10 | 11 |
| **Total licences** | **71** | **69** | **65** | **67** | **63** |

Figure 15
Registered insurance intermediaries
supervised by the FMA

Cross-border activities of insurance intermediaries under the free movement of services were primarily carried out in Germany (33%), Switzerland (29%), and Austria (20%). 7% of all insurance intermediaries also conducted cross-border business in Italy. Activities were also sporadically (less than 5%) carried out in the United Kingdom, Denmark, Hungary, Luxembourg, and the Netherlands. So far, two insurance intermediaries have operated pursuant to the freedom of establishment in Germany and Switzerland.

According to the annual reports for the 2013 business year, the gross income generated by insurance mediation totalled CHF 26.6 million, of which 56% was generated in non-life insurance and 44% in life insurance.

As of 31 December 2013, a total of 175 people were employed with Liechtenstein insurance mediation undertakings. Of these, 106 worked directly as insurance intermediaries, and 69 employees performed administrative work.

**Insurance intermediaries**

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

**FMA Annual Report 2014**
Supervision: pp. 36–38

**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

Pension provision in Liechtenstein is built on three pillars: Old Age, Disability, and Survivors' Insurance administered by the State (AHV/IV), mandatory occupational pension provision, and private pension provision on a supplementary basis. The first pillar aims to secure the subsistence level of the insured person and family members in the event of old age, disability, and death. In conjunction with the first pillar, the second pillar – occupational pension provision – aims to ensure that the accustomed standard of living can be maintained. The third pillar – individual pension provision – serves to close provision gaps that cannot be covered by the first and second pillars.

Occupational provision is administered by pension schemes, i.e., by autonomous legal entities subject to the Occupational Pensions Act (OPA) and supervised by the FMA.

At the end of 2014, 24 (previous year: 24) pension schemes in Liechtenstein were under the supervision of the FMA. These were 9 collective foundations (including the Liechtenstein Occupational Pensions Foundation, SPL) and 15 company pension schemes.

The funding ratio is a key indicator for assessing the financial situation of a pension scheme. The funding ratio is the ratio between the available assets and liabilities. If it is at least 100%, all liabilities can be met as of the reporting date. If the funding ratio is below 100%, this is considered a shortfall, and recovery measures must be instituted. At the end of 2014, the average, equally weighted funding ratio according to the second semi-annual report was 106.6%. The range was between 94.9% and 121.8%. At the end of 2014, only the SPL had a funding ratio below 100%. The SPL assumed the legal succession of the Pension Insurance for State Employees (PVS) effective 1 July 2014.

The number of insured persons on 31 December 2013 was 38,691 (previous year: 38,497), of which 88% were active insured persons and 12% were retirees. In 2013, nearly 23,000 (59%) of the insured persons (active insured persons and retirees) were insured with collective foundations, while about 12,000 (30%) were insured with company pension schemes and about 3,700 (11%) with the Pension Insurance for State Employees (PVS).

Occupational pension provision is funded by employer and employee contributions as well as interest and deposits. In 2013, employee contributions were CHF 147 million and employer contributions were CHF 186 million. This amounts to a total of CHF 365 million (including special and supplementary contributions and deposits to employer contribution reserves).

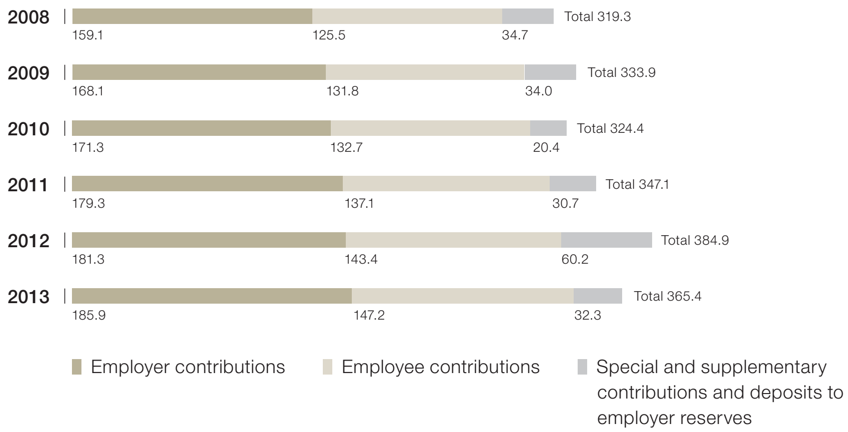


Figure 16
Development of employer and employee contributions (in million CHF)

The benefits of pension schemes under their own rules may far exceed the legal minimum. In 2013, pension schemes paid benefits under their own rules in the amount of CHF 157 million. The bulk of benefits were made up of old age pensions at 44% or CHF 69 million. Capital payments upon retirement made up 31% or CHF 49 million, while CHF 15 million or 10% of all benefits were paid out as disability pensions.

Pension capital and technical provisions as of 31 December 2013 amounted to CHF 4.97 billion (previous year: CHF 4.75 billion). Of this amount, CHF 1.61 billion made up the pension capital of collective foundations, CHF 2.4 billion of company pension schemes, and CHF 0.96 billion of the Pension Insurance for State Employees. The interest rates on the pension capital varied between 1.0% and 5.0% for the pension schemes in 2013.


Figure 17
Development of pension capital and technical provisions (in billion CHF)

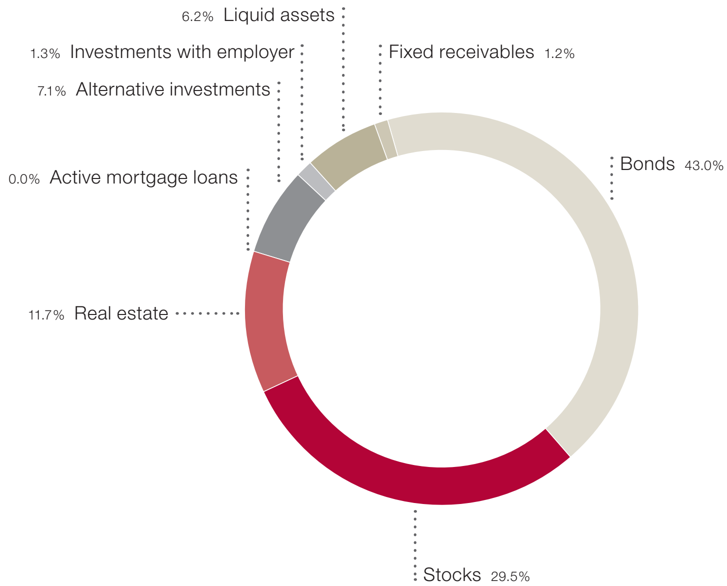


Figure 18
Distribution of asset investments in 2013
by asset class

*Vested benefits accounts*

In 2014, three banks maintained vested benefits accounts. As of 31 December 2014, there were a total of 13,947 (2013: 12,902) such accounts with managed capital of CHF 370 million (2013: CHF 341.4 million). The average amount of vested benefits was CHF 26,528 (2013: CHF 26,467). The interest rate on the vested benefits accounts was between 0.4% and 0.75% in 2014.

**Regulatory developments**

Occupational pension provision in Liechtenstein is in need of revision. This is due to the major changes in the pension environment and the need for equivalence of the Liechtenstein legal framework with that of Switzerland, in view of the association of Liechtenstein pension schemes with the Guarantee Fund pursuant to the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVG). On behalf of the Government, the FMA prepared a draft revision with the participation of the Liechtenstein Pension Fund Association and other stakeholders. The consultation draft was adopted by the Government on 3 March 2015. Entry into force of the revised OPA is planned for 1 January 2017.

| Pension schemes | |
|---|---|
| **Basic laws and ordinances (www.gesetze.li)**<br>Occupational Pensions Act (OPA)<br>Occupational Pensions Ordinance (OPO)<br>Law on Occupational Pensions of the State (OPS Act)<br><br>**FMA Annual Report 2014**<br>Supervision: pp. 39–41 | **More detailed information on licences, legal foundations, and supervision**<br>www.fma-li.li – Pension Schemes<br><br>**Liechtenstein Pension Fund Association**<br>www.lpkv.li |

## 2.7 PENSION FUNDS

Occupational retirement provision is becoming increasingly important in Europe. Liechtenstein has thus positioned itself as an attractive location for institutions for occupational retirement provision (IORPs, pension funds) as part of its implementation of the EU's IORP Directive.

The Pension Funds Act governs the taking up and performance of the activities of pension funds. It allows pension funds to accept sponsoring undertakings from other contracting parties to the EEA Agreement, subject to the applicable provisions of labour and social law governing the design of the retirement provision systems in each country of activity. This means that where the supervisory conditions in the home member state are met, and after notification to the host member state, pension funds authorized in any EEA state can provide services in any other EEA state.

In contrast to the directives in the insurance sector, however, the IORP Directive does not envisage one-off notification of institutions. Each individual sponsoring undertaking must be notified separately to the competent authority of the host country. The Pension Funds Act also allows domestic pension funds to expand their business activities to countries outside the EEA as well.

At the end of 2014, the EEA was supervising 5 pension funds (previous year: 6). Of these, 4 provided cross-border services in the EEA and in third countries. The EIOPA Report on Cross Border IORP Market Developments shows that out of about 110,000 pension funds, only 75 provided cross-border services as of 1 June 2014. Liechtenstein is one of seven locations (the others are Austria, Belgium, Germany, Ireland, Luxembourg, and the UK) where cross-border pension funds are domiciled.

Provisional reports indicate that CHF 99.6 million in gross premiums were earned in the 2014 business year. This is an increase of about 45% over the previous year (2013: CHF 68.6 million).

**Regulatory developments**

*Revision of the IORP Directive*

On 27 March 2014, the European Commission adopted a proposal for a recast IORP Directive. The recast directive aims to improve the provisions on governance and transparency of IORPs. The question of solvency is not covered.

| Pension funds | |
|---|---|
| **Basic laws and ordinances (www.gesetze.li)**<br>Pension Funds Act (PFA)<br>Pension Funds Ordinance (PFO)<br><br>**FMA Annual Report 2014**<br>Supervision: p. 41 | **More detailed information on licences, legal foundations, and supervision**<br>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.

The FMA's powers include 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 2014, the number of licences under the Professional Trustees Act (PTA) was 380 (2013: 366). This included 76 professional trustees, 29 professional trustees with a restricted licence, 251 trust companies, and 24 trust companies with a restricted licence.

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Professional trustees | 70 | 65 | 76 |
| Professional trustees with a restricted licence | 21 | 21 | 29 |
| Trust companies | 259 | 254 | 251 |
| Trust companies with a restricted licence | 28 | 26 | 24 |
| **TOTAL** | **378** | **366** | **380** |

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)
Law on Persons and Companies (PGR)

**FMA Annual Report 2014**
Supervision: p. 42–46

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

**Liechtenstein Institute of Professional Trustees and Fiduciaries**
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 on 1 January 2014, the scope of responsibilities of the FMA was expanded considerably, with a focus on strengthening official supervision.

180a entitlements under the old law could be converted into a licence under the 180a Act until mid-2014. Because it is now no longer possible to hold a professional trustee licence and a 180a licence at the same time, there was a decline in the number of licensed persons.

At the end of 2013, the number of persons with an entitlement under article 180a was 518. In 2014, 230 persons held a licence under the new 180a Act. In two cases, the conversion of an entitlement into a licence under the 180a Act was still pending.

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Persons with a certification under article 180a PGR | 535 | 518 | 2 |
| Persons with a licence under the 180a Act | 0 | 0 | 230 |
| **TOTAL** | **535** | **518** | **232** |

Figure 20
Persons under the 180a Act

**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)
Due Diligence Act (DDA)

**FMA Annual Report 2014**
Supervision: pp. 46–48

**More detailed information on licences, legal foundations, and supervision**
www.fma-li.li – Persons according to 180a Act

**Association of Commercially Qualified Persons under Article 180a PGR (VkB)**
vkb@powersurf.li

## 2.10 AUDITORS AND AUDIT COMPANIES

As of 31 December 2014, 37 domestic auditors, 4 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 42 and the number of audit companies 20. The FMA is responsible for due diligence supervision as well as the exercise of disciplinary power and the performance of quality controls.

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Auditors | 33 | 35 | 37 |
| Audit companies | 24 | 26 | 26 |
| Auditors under the free movement of services | 37 | 43 | 42 |
| Audit companies under the free movement of services | 22 | 22 | 20 |
| Auditors established in Liechtenstein | 3 | 4 | 4 |
| **TOTAL** | **119** | **130** | **129** |

Figure 21
Auditors and
audit companies

**Regulatory developments**

*Comprehensive revision of the AACA*

The Auditors and Audit Companies Act is undergoing a comprehensive revision. It is being adjusted to the structure and systematology of the new Professional Trustees Act. The EU Statutory Audit Directive 2014/56/EU and Regulation (EU) No 534/2014 are being implemented as part of the comprehensive revision.

**Auditors and audit companies**

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

**FMA Annual Report 2014**
Supervision: pp. 48–50
Regulation: p. 62

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

**Liechtenstein Association of Auditors (WPV)**
www.wpv.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. One of the FMA's responsibilities is due diligence supervision.

As of 31 December 2014, 12 persons held a licence under the Patent Lawyers Act (PLA).

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Patent lawyers | 8 | 8 | 9 |
| Patent law firms | 3 | 3 | 3 |
| **TOTAL** | **11** | **11** | **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

**FMA Annual Report 2014**
Supervision: p. 51

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

## 2.12 OTHER FINANCIAL INTERMEDIARIES

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

- lawyers and law firms;
- dealers in goods;
- real estate brokers;
- other persons subject to due diligence.

**Publisher and Editors**

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The publication “Liechtenstein Financial Market” appears once a year as a supplement to the Annual Report. It is available on the FMA website. No printed version is published.

Editorial deadline: 15 April 2015